Sell your business, smarter

in 9 steps.

YOUR EXPERT GUIDE TO SELLING A BUSINESS

9

TRUSTED TO GET RESULTS.

As an owner, you know that every major business decision demands careful thought and preparation.

And what bigger decision is there than choosing to sell? There's a lot to consider and a number of steps to navigate.

We've been helping owners sell their businesses better since 1996. And we've designed this in-depth guide to walk you through each of the nine key steps involved – with tips and insights to help you manage the entire process, safeguard your information, avoid uncertainty and get the best price.

Avoiding the pitfalls

You know your business inside out. But you may not have sold a company before. It's important to understand the process before you begin, so as to avoid the common pitfalls that can seriously undermine the sale price (and your sanity).

Maintaining confidentiality

Confidentiality is critical to maintaining ongoing positive relationships with customers, suppliers and staff. If staff find out about your plans to sell before you're ready for them to know, their reactions can jeopardise the performance of your business when it matters most. Customers and suppliers may also become unsettled and question their relationships with your company

Business as usual

The stress of selling a business yourself could distract you from day-to-day operations, potentially causing a downturn and reducing the sale price. Engaging a professional business broker will free up your time to focus on running your business and maximising its performance and potential value. Many accountants, lawyers and business bankers prefer to deal with brokers on their client's behalf, to ensure clear communication and a streamlined process.

Go it alone, or get help?

Today, selling a business is a complex transaction subject to many legal and financial conditions. Meanwhile, the commercial environment is increasingly competitive and your sensitive commercial information and intellectual property (IP) needs to be carefully protected. Taking the do-it-yourself approach to selling your business can lead to uncertainty, delays and poor results.

Perfect timing and the right buyer:

BUSINESS Pergola Roofing

INDUSTRY Manufacturing / Engineering

SOLD within 3% of appraised value

NO. OF DAYS TO SELL 14

Now that Pergola Roofing was doing well, owner Terry needed to free up time and capital to help his wife with her venture. Our broker identified a 'perfect buyer', then applied a little pressure by going to the open market and attracting other competition. Within two weeks, the buyer made a fair offer, which was accepted by the seller.

All business sales information is confidential. Case studies are published with permission of the interested parties. Actual people not shown.

We sell businesses, better.

Our experienced brokers guide you through our proven ***nine key steps.***

1 Planning

Preparing to sell your business by maximising its efficiency, earning potential, structure and presentation really pays off.

For example, minimising costs and increasing annual profit by as little as $5,000 could add $20,000 to the sale price. We can help you recast your profit and loss (P&L) to determine your true discretionary earnings.

2 Business Value Appraisal

Naturally you want the maximum price for your business. But setting an asking price too high could scare away potential buyers. While pricing too low means less financial reward for your hard work, there are many ways to value a business. Using a combination of these will usually provide the most realistic price band. The methodology must be accurate, appropriate for your type of business and stand up to expert scrutiny. Every business is unique, making it vital to deal with people who have proven experience in establishing true market value.

3 Documentation

An Information Memorandum (IM) is a comprehensive document that gives a detailed overview of the business. It must be crafted to ensure it is accurate and represents your business honestly, while adhering to numerous legal requirements and regulations. This includes disclosing anything that may hurt the ongoing profitability of your business.

4 Identifying Buyers

It takes more than setting the right price to find your ideal buyer. Having access to a large database of qualified buyers in your sector means greater competition and a better sale price.

As independent professionals, LINK brokers can discreetly approach buyers we believe might be interested, without divulging information that identifies your business.

5 Marketing

LINK is one of the largest business sales marketers and advertisers in Australasia.

Through decades of experience and measurement, we know how to create effective marketing campaigns. Ads, brochures, web, social media and other communications are carefully planned and executed to attract buyers without identifying your business.

6 Qualifying Buyers

We know that not every enquiry about a business for sale is from a genuine potential buyer. But qualifying every buyer is often a surprisingly time-consuming and difficult process.

Acting as an independent third party, LINK brokers can maintain confidentiality until all potential buyers have been vetted and qualified.

7 Sale and Purchase Agreement

After a potential buyer has reviewed the IM and expressed interest, they'll have more questions and will usually ask for further information or documents.

A LINK broker coordinates this process, by liaising with the business owner or their financial/legal teams to negotiate a conditional Sale and Purchase Agreement without yet supplying sensitive details.

8 Due Diligence

Signing the Sale and Purchase Agreement doesn't necessarily mean the business is sold. Most buyers will want to verify your information during a due diligence period.

They'll also need to review information previously withheld due to commercial sensitivity. This process generally takes 5 to 15 working days, although for more complex businesses, it can be up to 90 days or more.

9 Settlement

Once all the conditions in the agreement have been satisfied, the business is declared unconditional. Solicitors will finalise all legal documents, a final stocktake will be carried out and the sale will be settled.

The seller usually assists in the business for an agreed period post sale, to ensure there's a smooth transition.

Don't dream of better –
let's make it happen.

STEP 1. Planning

Preparing your business for sale

To maximise the value to a buyer, planning for the sale of a business should *start on day one.*

That's in an ideal world. But even if you've never thought about selling before, there are steps you can (and should) take to set you up for success.

From cleaning up your records, to avoiding unnecessary spending and succession planning – your goal is to maximise profit and structure the business to enable you to transfer ownership with minimum impact on operations and profitability.

Timing it right

If you can, sell when the business is running at peak efficiency, with a solid record of profits trending upwards. *Have you trimmed costs, increased sales and margins, restructured and/or reviewed other variables to get you there?*

Are your records in order?

For some business owners, their impeccable, detailed accounts are a source of pride; for others... less so. If you fall into the latter category, now is the time to get them shipshape. This includes records relating to contracts, customers, staff, leases, asset ownership and more. The checklist on the opposite page may help.

Ensuring your books are up to date – with supporting facts and projections – gives a buyer a clear picture of your operation. We can help you prepare a set of 'normalised' accounts to show maximum operating profits, as well as your actual accounts. This means adding back expenses or purchases (sometimes personal) that are not directly related to operations – and being prepared to discuss these with potential buyers.

Business or pleasure

Review how unreported cash sales (if any) are managed, along with any personal items paid for by the business, such as travel or entertainment. Separating personal and company expenditure can make a big difference to the selling price. For example, a $20,000 trip paid for by the company is essentially $20,000 off the bottom line and could reduce the sale price by three to four times that amount.

Accounting for taste

Accounting policies vary widely – and yours may differ from other businesses within your industry. They may be tax-driven policies, resulting in conservative profit recognition, or earnings driven, to maximise profit. Making sure your accountancy policies conform to those generally adopted by your industry can increase the market value of your business.

7k+

owners have trusted LINK to sell their businesses

Don't wing it.
Let us sell your business better.

Stay or go?

A business is more attractive if its success isn't solely dependent on the owner's operational know-how, technical skill or personal relationships with clients or suppliers. Having an experienced, reliable management team demonstrates that the business will remain successful post sale.

Most buyers expect the seller to keep working in the business for a handover period following the sale. This could be anything from two weeks to up to a year or longer, particularly if you're critical to the business. This can be negotiated and included in the Sale and Purchase Agreement. You may wish to stay involved in the business indefinitely. Consider what might work best for you, before you prepare to sell.

TIP *Review leased and financed assets – you may be better off owning them outright.*

Invest for success

When looking at a business, buyers will factor in both its debt level and asset quality, particularly in manufacturing operations. Generally, we recommend you continue investing in the business as if you weren't selling.

Will you offer finance?

To help you achieve maximum value when selling, consider leaving some finance in the business. It gives the buyer extra confidence, knowing you'll continue to have an interest in maintaining its success.

Checklist

Working with your advisors, LINK can help you prepare the following information, to ensure it's presented correctly. Financial information must be current and accurate. If you're selling halfway through the year, ask your accountant to prepare half-year accounts. (Not all of these will apply to your business.)

- ◯ Brochures/marketing information of your products or services
- ◯ Business organisational chart
- ◯ Business plan
- ◯ Competitor analysis
- ◯ Copy of franchise agreement (if applicable)
- ◯ Details of any major strengths and/or commercial advantages
- ◯ GST returns for the current trading year to date
- ◯ Historical background on the business
- ◯ Identify non-recurring or non-business-related expenses
- ◯ Lease details including rent, term, renewals, outgoings etc.
- ◯ Profit and loss (P&L) accounts for 2 to 4 years
- ◯ Schedule of abnormal and/or non-recurring costs in the accounts
- ◯ Schedule of plant, equipment and any equipment leases
- ◯ Staff employment contracts including Employee Protection Provision (EPP) clauses
- ◯ Staff levels, including part-timers and contractors
- ◯ Stock value estimate within 10 to 15%
- ◯ SWOT analysis
- ◯ Trademarks, patents, licences, agencies or IP details

STEP 2. Business Value Appraisal

Knowing what your business is worth

The bottom line: your business is worth what a buyer is *prepared to pay*.

You may have a higher figure in mind because of the blood, sweat and tears you've put into your business over the years. Or you may have undervalued the business because future global consumer trends are set to have a positive impact.

3 FACTORS make up the value of a business

1. INTANGIBLE ASSETS Future earning potential reflects historical earnings, can include IP, rights to products or services, lease benefits, contracts, techniques and procedures as well as goodwill.

2. TANGIBLE ASSETS These are the fixtures, fittings, plant and equipment used by the business to generate its income – normally calculated according to its depreciated book value.

3. STOCK The stock purchased by the business for resale or manufacturing purposes is valued at the historical cost price, while adjusting for old or obsolete stock.

VALU.LINK

LINK uses a combination of established valuation methodologies to reach the most accurate asking price.

This figure is then scrutinised by comparing the theoretical value with LINK's extensive current and historical sales data. This ensures that the valuation accurately represents what a buyer will pay in today's market.

Removing the guesswork

Valu.LINK provides a detailed, accurate appraisal of your business based on global sales data and finely-tuned algorithms. The Valu.LINK tool uses comparative market analysis, comparing your business with actual sales of similar businesses, while removing outliers that may impact accuracy. Key areas used to evaluate similarity are:

- Business category
- Revenue
- Weighting factors
- Seller's Discretionary Earnings (SDE)

This complex methodology has been shaped by the University of Auckland's Statistics Department, which also created an algorithm and correct statistical modelling to constantly assess new data, so Valu.LINK remains accurate and current. Data-sets are also customised to ensure accuracy for each country where LINK operates.

How we value each business

Many factors affect the market value of a business, including sector, economic conditions, business cycles, interest rates, labour availability and more. And the value of trademarks, brands, intellectual property and goodwill is not always easy to quantify. The business may be strongly positioned in a growth industry, or a 'sunset industry' where projections are less optimistic. Balancing these factors with the book valuation establishes the true market value. We use a combination of the following methods to value each business.

Profitability and risk

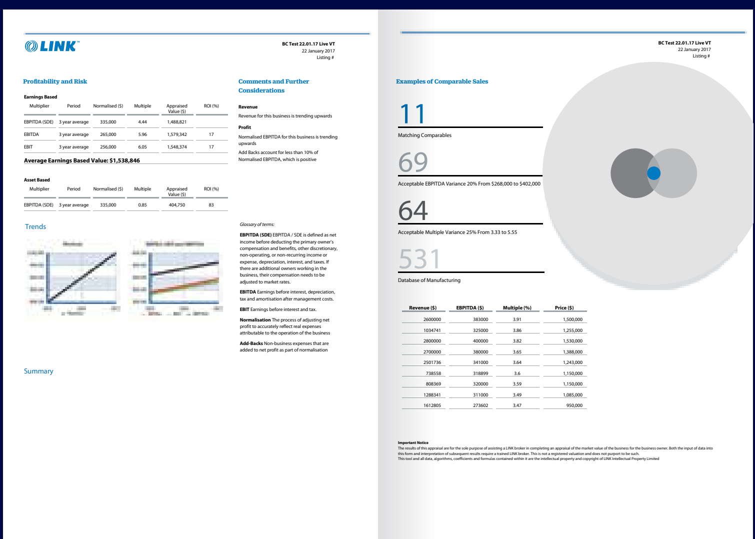
Most businesses are valued based on a combination of assets and the cash surpluses they generate. The risk factor of the specific business is also considered: the degree of threat from existing or potential competitors, technology or consumer trends and other factors that may affect earnings or costs.

Barriers to entry

An accurate appraisal includes evaluating the barriers a competitor may face if they started a similar business. For example, businesses that require minimal capital investment or technical knowledge have a low barrier to entry and therefore may have a lower value.

Going concern or share value?

Most businesses are valued as a going concern rather than on the value of company shares. Buyers are reluctant to buy company shares for many reasons including the dangers of unknown possible future tax, credit or legal disadvantages, or liabilities based on historical trading.



What about tax?

Professional advice is vital to ensure you fully understand your tax position when selling your business. For instance, if you sell plant and equipment (or the company car) for more than the depreciated book value, you may have to pay back some of the tax you claimed when the items were depreciated (depreciation clawback). Other tax liabilities may be incurred on the profit of land and buildings if they're included in the sale.

STEP 2. Business Value Appraisal continued...

Industry ratios

The value of the business is based on its sales record compared with industry averages. This method is often used for small businesses and franchises where there is an established track record within a specific industry. It may also use a formula of multiples of weekly sales or an average derived from sales of similar businesses.

Example: A cafe with excellent foot traffic in a popular suburb is for sale, and is is likely to sell for 2.75 to 3.25 times its annual surplus to one working owner.

Factors such as location, foot traffic, parking and so on will determine the right multiplier.

Selling Price Equals Approx.

2.75-3.25x

THE ANNUAL SURPLUS TO ONE WORKING OWNER

Asset based

This approach is generally used for businesses with a history of low earnings (or losses). Using this method, the value of the collective tangible and intangible assets determines the value of the business. There will be an element of goodwill, even where a business is not trading profitably. Although selling the assets separately is an option, there's often value in selling as a going concern, which may include a customer database, supplier relationships, experienced staff, and reputation. Calculating intangible assets requires both judgement and experience, together with objective market comparisons.

Example: A dry-cleaning business is now breaking even and the owners are keen to sell. The company's current figures are as follows:

Tangible Assets (Total book value)	$135,000
Stock (All saleable)	$5,000
Bad Debts	$0
Creditors	all paid

The market appraisal is then broken down as follows:

Tangible Assets (Fair market value)	$110,000
Intangible Assets / Goodwill	$15,000
Stock	$5,000
MARKET APPRAISAL	**$130,000**

Earnings based

Generally used for larger businesses, this approach emphasises earnings rather than assets and is determined by considering the following:

- The level of return on investment (ROI) in the business, taking particular account of the perceived level of risk and realistic costs of management.
- The 'industry average' multiplier on true earnings. This is market driven and varies according to perceived industry risk factors, perceived earnings sustainability and historical comparisons. The multiplier is usually EBIT, but others may be used. It's critical with multipliers to 'compare apples with apples'.
- The fair market value of the unencum-bered tangible assets of the business – for example, plant or vehicles where any loans have been paid off – along with its intangible assets.

Market based

Sometimes, a willing buyer and seller will agree on a value that goes against traditional appraisal methodologies. In other cases, these appraisal methodologies produce values that don't reflect market reality. It's always important to also take into account relevant market data and multiples achieved in similar businesses 'in the real world'. LINK brokers have a great deal of comparable evidence across a range of industries, reflecting actual prices and multiples achieved.

SNAPSHOT OF LINK'S BUSINESS SALES

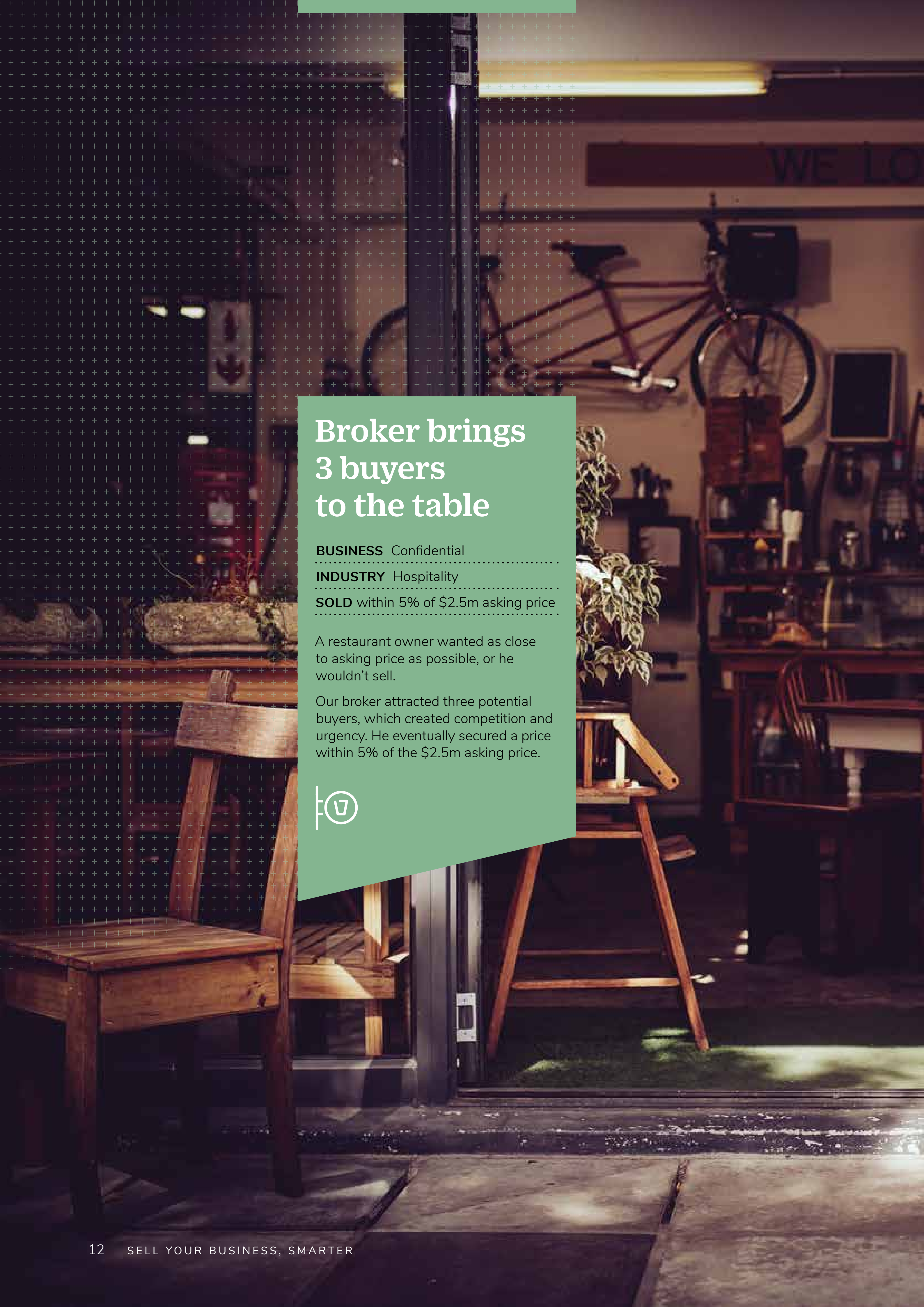
	Price Sold	Annual Sales (plus GST)	Discretionary Surplus (EBPITD)
Café	$290,000	$750,000	$100,000
Services	$590,000	$1,450,000	$230,000
Commercial Printing	$350,000	$1,000,000	$250,000
Childcare Centre	$650,000	$1,800,000	$150,000
Specialist Retail	$365,000	$750,000	$183,000
Fast Food Franchise	$680,000	$1,190,000	$195,000
Manufacturing	$1,450,000	$2,380,000	$595,000
Import Distribution	$4,500,000	$10,200,000	$1,450,000

A SIMPLIFIED WAY TO CALCULATE ROI

Tom's manufacturing company produced an adjusted net profit of $160,000 (EBPITD). Its net assets (valuation of plant and stock) are $240,000 and a fair salary for Tom is $70,000. A buyer could expect a 25% ROI, as this business offers a low to medium risk investment.

Business profits (EBPITD)	$160,000
Minus owner's salary	$70,000
Profit	**$90,000**
ROI:	
Profit	$90,000
Divided by desired return	25%
Appraisal	**$360,000**

Enjoy the process.
Avoid the pitfalls.
Sell your business better.



Broker brings 3 buyers to the table

BUSINESS Confidential

INDUSTRY Hospitality

SOLD within 5% of $2.5m asking price

A restaurant owner wanted as close to asking price as possible, or he wouldn't sell.

Our broker attracted three potential buyers, which created competition and urgency. He eventually secured a price within 5% of the $2.5m asking price.


SPECIALS
STIRFRY + RICE OR EGG NOODLES
ADD CHICKEN
SALMON SALAD + AVO
ROAST VEGETABLES SALAD + ROAST PUMPKIN SEED, ROAST PECAN, SESAME SEEDS + FETA
BEEF STEW
GREEN BEANS + VEGGIE SOUP
PEA & CARROT

STEP 3. Documentation

What a buyer needs to know

A professionally prepared Information Memorandum (IM) is a key document when selling your business and will reduce the need for your involvement in initial meetings with potential buyers.

What is an IM?

This document sets out all the relevant information about your business for a prospective buyer, and it's hard to sell a business without one. Your IM needs to be comprehensive, accurate and represent the business honestly. Consumer protection legislation requires business owners to disclose all information relevant to the buyer's decision, including anything that may affect the ongoing profitability of the business. Your LINK broker will help you gather the right information and will prepare your IM in consultation with your other professional advisors.

If you don't have an IM yet, don't worry. We can advise you on the right content to include and put you in touch with corporate communication experts to help you create a professional, polished document.

Contents of an IM

- Executive summary
- Background information
- Management organisation and control
- Staff infrastructure
- Historical financial information and comments
- Financial performance and outlook
- Opportunities and potential
- SWOT analysis and business plan
- Detailed breakdown of tangible/intangible assets
- Appraisal
- Product/Service positioning
- Premises, facilities and lease details
- Marketing materials
- Reasons for sale

STEP 4. Identifying Buyers

Speaking to the right audience

More than 30% of businesses listed with us are sold to pre-qualified buyers already registered on the LINK database, often accelerating the sales process.

After preparing the IM, your LINK broker will identify and build a list of potential buyers from the LINK database. With your approval, they may discreetly approach some of these potential buyers and seek Expressions of Interest (in strictest confidence).

Rest assured, your sensitive information is kept private at every step. LINK maintains stringent protocols to control who receives detailed information about your business. All buyers must sign a Confidentiality Agreement before any information is disclosed.

What buyers look for

- History of positive earnings and cash flow
- Stable staff and infrastructure
- A strong brand(s) in a growing market
- Established customer and supplier relationships
- Genuine reason for sale
- Acceptable ROI
- Future sustainable earnings and strong growth potential
- Possible seller finance
- No surprises
- A business that can run successfully without you

Guess who?

Knowing what motivates different types of buyers is part of the way we find the ideal buyer for your business. Generally, buyers fall into one of the categories below:

PRIVATE EQUITY FUNDS
Investment groups wishing to maximise returns in growth industries

STRATEGIC
Larger companies or corporations making an acquisition for strategic reasons, such as eliminating competition

MANAGEMENT BUY-OUT
Management acting with private equity investors to acquire a company they know intimately

FAMILY
A business is sometimes transferred or sold to a family member

TRADE BUYERS
Competitors aiming for cost reductions and improved operating efficiencies by acquiring a larger customer base

JOB BUYERS
People looking for a smaller business to run as owner managers

PRIVATE INVESTORS
People who are considering investing in a private enterprise with a less than full-time involvement

What does your ideal buyer look like?

STEP 5. Marketing

Ensuring your business gets noticed

Marketing is critical to a successful sale and each marketing campaign must be thoughtfully planned and executed.

Healthy competition

In most cases, you should advertise to create as much interest as possible from the start.

Experience tells us that the most serious buyers often show interest in the early phases of a marketing campaign.

This approach creates competition between the interested parties, often resulting in a better sale price, and reaching the maximum number of potential buyers.

We know which approaches are most effective – structuring your campaign to attract buyers while maintaining your confidentiality. Businesses are only identified where this does not compromise the business or the sale in any way.

Stand out, with proven marketing behind you

LINK has the most powerful marketing capacity of any business brokerage through our own Ad.LINK programme. Ad.LINK can help you reach the right prospective buyers for your business with our suite of proven, targeted marketing solutions that speak to buyers when they're most receptive.

Press advertising – in the business section of national newspapers

Online advertising – including LINKBUSINESS.CO.NZ and high-traffic, business-for-sale third-party websites

Email alerts – to more than 250,000 potential buyers on our global database

Social media – via LINK's LinkedIn, Facebook, YouTube and Instagram channels

Email marketing – in our listings newsletter or promoting your business separately

Digital – geo-targeted advertising on popular, respected mobile apps

Video – professional, compelling custom-designed videos for various channels

It's all for you

Your entire marketing investment with Ad.LINK goes directly into promoting your business. We make nothing from your marketing spend.

A beautiful result, above asking price

BUSINESS Confidential

INDUSTRY Health / Beauty

SOLD 2% above full asking price

NO. OF DAYS TO SELL 5 months

After running her salon for three decades, the seller was ready to step back. Our broker was recommended following an unsuccessful listing with a residential agent. She created a marketing campaign to target buyers from outside the seller's small town. This resulted in three potential buyers, one of whom bought the business and happily paid 2% above full asking price – a rare outcome.

STEP 6. Qualifying Buyers

Are they ready, willing and able?

This process will determine whether your potential buyer is motivated and in a position to complete the purchase.

Trying to vet all potential buyers yourself can be difficult, time consuming and downright risky. Instead, leave the process to your LINK broker, who will meticulously research each potential buyer's background, financial resources and career history up front.

LINK brokers maintain confidentiality until each potential buyer has been qualified as genuine, ensuring that commercially-sensitive information and identifying details are withheld until the buyer has signed a legally-binding Confidentiality Agreement. This is important for any size or type of business, but becomes even more so for larger businesses, where sales figures and other data are commercially sensitive.

Seller starts a new journey with a full tank

BUSINESS Advanced Automatic

INDUSTRY Automotive

SOLD within 1% of appraisal

The owners of a specialist automotive business approached LINK about long- term exit strategies. If they could sell confidentially, at a price that was 'worth selling', they would. Our broker found a potential buyer who had an affinity with motors, and presented the owners with an offer at full appraisal value, which let them move on and enjoy an early retirement.

STEP 7. Sale and Purchase Agreement

Negotiating the sale of your business

Earning a buyer's trust and confidence is critical to success. Difficult questions will be asked and you must be prepared with honest, realistic answers.

Once the Confidentiality Agreement has been signed, a potential buyer will look closely at your IM and consult with their financial and legal advisors. At this stage they're evaluating whether the business suits their purpose, and are seeking more detailed information.

Selected information is supplied as determined by you, with advice from your LINK broker. This ensures that any commercially- sensitive material is withheld until an offer is made and progressed as part of the buyer's due diligence process. The buyer will also want to view the business and meet with you.

Provided the buyer has been supplied with all the basic information they need, your LINK broker will work with the buyer and their professional advisors in preparing a Sale and Purchase Agreement detailing the price, terms and conditions of the offer. The agreement will nearly always include a due diligence clause, giving the buyer a specified time within which to investigate and confirm that the details supplied to them is accurate. They will also wish to review any other details that may have been previously withheld due to commercial sensitivity.

Your LINK broker will liaise between you and the buyer to facilitate agreement between both parties.

Show me the money

Normally, the buyer pays a deposit of 10% on signing the Agreement. This is safely lodged in a Trust Account until the Agreement settles.

$3B+

worth of businesses sold: we know how to put together an agreement that works.

STEP 8. Due Diligence

The buyer double-checks your information

Signing the Agreement doesn't mean the business is sold. The buyer will want to verify the information supplied and review any details not previously available due to commercial sensitivity.

The length of time a buyer requests for the due diligence process to be completed will often depend on the complexity of the business. A buyer can terminate an agreement for a number of reasons during this process, but they are less likely to do so if your IM is explicit and accurate.

***TIP** The time allowed for the due diligence process will be detailed in the Sale and Purchase Agreement and is normally 5 to 15 working days.*

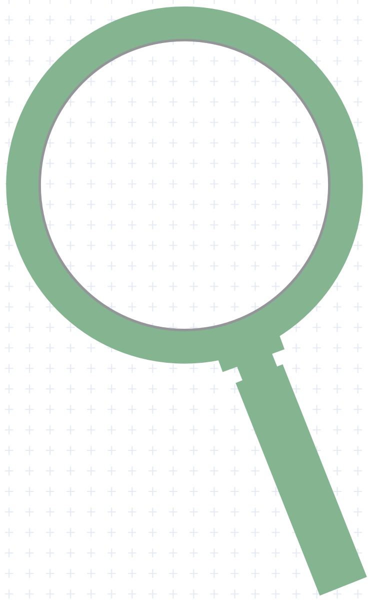
What a buyer may want to review:

DUE DILIGENCE

- Products and supply lists
- Customer lists
- Supplier lists
- Plant and equipment lists
- Plant or equipment leases
- Computer programs
- Building leases
- Supply agreements
- Distribution agreements
- Franchise or agency agreements
- Copyright or licence agreements
- Local authority consents/ zoning approvals
- Any pending legal actions
- Employment agreements
- Staff schedules/roster
- Insurance policies and claims history

FINANCIAL

- P&L accounts for 2-3 years
- Monthly sales figures
- Year-to-date sales figures
- GST returns
- Aged debtors and creditors
- Staffing and payroll
- Stock values and quantities
- Work-in-progress estimates
- Any new product development
- Budgets and forecasts



STEP 9. Settlement and Handover

The deal is successfully sealed

After receiving written confirmation that the Agreement is unconditional, the sale is official.

There are still a few steps to take before you can celebrate a successful sale, however you and the buyer need to complete the transaction for them to become the new owner of the business. Solicitors for both parties will finalise the details required for settlement to take place on the specified date. Between the Agreement going unconditional and the settlement date, you and the new owner need to finalise the following:

Stocktake

The Agreement will nominate a stock value and a percentage stock variance figure, which reflects shifts in stock values depending on seasonal adjustments, shipping or manufacturing cycles. Stock values are established by calculating the historical cost of purchased stock and – in the case of a manufacturing business – the value of the work in progress. To reach a final stock figure, a physical stocktake will take place just before settlement with you and the new owner both present.

Set-up

The new owner will want to inspect any plant and equipment detailed in the Agreement, to ensure it's in good working condition. If anything is damaged or faulty, it's your responsibility to have it repaired or replaced; otherwise, its value may be deducted from the total plant value.

Settling in

The Agreement stipulates the period of time you've agreed to spend helping the new owner after settlement. Depending on the complexity of the business, this is normally up to four weeks: often full-time for two weeks and part-time after that. If any additional assistance is required beyond that period, it's normally negotiated at a pre-agreed hourly rate.

Checklist

- ◯ Advise employees immediately of new ownership
- ◯ Inform suppliers, customers and other appropriate parties
- ◯ Help with training
- ◯ Organise stocktake
- ◯ Prepare for possession and settlement dates
- ◯ Provide keys and security codes
- ◯ Confirm transfer of power, phone, eftpos
- ◯ Transfer ownership of domain names
- ◯ Chill the champagne!

Simplifying the complex

BUSINESS Confidential

INDUSTRY Import / Export / Wholesale

SOLD within 5% of asking price

NO. OF MONTHS TO SELL 2 to 3 (after a new campaign)

This complex horticultural wholesale business had been on the market a year when LINK was engaged by the sellers. We adopted a 'no price' sales campaign, and within weeks we had an offer and a good deal for both parties.

The secrets to a successful business sale

Selling a business can be a huge challenge. With more than 25 years' experience, we have learned a few key principles to help you avoid the pitfalls and reap the rewards.

Business owners who choose to engage LINK exclusively and invest in a LINK marketing plan increase their chance of selling by over:

350%

Sell high (but not too high)

If you price your business too high, savvy buyers won't consider it. Price it too low and you are throwing away hard-earned money. Your LINK broker can guide you on what the market is paying for similar businesses and what else is on the market in the same broad category.

Give it time

Business owners who engage a LINK broker typically sell in three or six months, but large, complex enterprises may take longer. Once an offer is received, it generally takes around six to eight weeks to complete the sale process. Being in a hurry to sell puts you in a weaker negotiating position.

Be optimistic, but realistic

Providing potential buyers with future scope and forecasts that are reasonable and achievable (including any specific details) can further demonstrate the value of your business.

Presentation is everything

You will get a better price if your business looks professional and organised and is clean and tidy in all respects, including signage, interior, fittings, office, and storage areas. Your plant and equipment should be in good operational order.

Systematic systems

Show a prospective buyer how easily they could take over by writing down all of your operations. Include your suppliers and major customers, business processes, the hours of operation, service providers, and what records to keep.

Use a business broker

LINK brokers have specialist expertise derived from many years of experience in business sales. We can provide advice and guidance every step of the way, protecting your confidentiality, qualifying genuine buyers and taking care of all the details. All this leaves you free to do what you do best – running the business.

Sell by the numbers

Buyers (and their accountants) will want to see up-to-date figures – financial accounts, cashbooks, banking and GST returns. Lease agreements should be available for inspection and ideally have a reasonable term left to run. Being ready with this information keeps the sale moving along smoothly.

Honesty is the best policy

Establishing and maintaining trust means not trying to hide or disguise anything. Any irregularities or problems will almost certainly be discovered by a buyer and their advisors during the due diligence process.

Marketing makes all the difference

Business owners who engage LINK exclusively and invest in our Ad.LINK marketing programme increase their chance of selling by more than 350%.

Why you should work with LINK

LINK values:

We're candid, honest and ethical to the core.

Truth.

We're strong on results and we can prove it.

Proof.

We're highly trained experts at leveraging value and selling smarter.

Know-how.

Accuracy and thoroughness are paramount to us.

Detail.

Specialist sector knowledge

It makes sense to work with trained professionals who have a thorough knowledge of your industry and can provide sound advice based on facts, not guesswork. Many LINK brokers are sector specialists and previous owners themselves, while others bring invaluable financial, management, legal and accounting expertise to the table.

Protecting your privacy

Most businesses have commercially sensitive information which must be safeguarded from competitors, staff, customers and suppliers. LINK ensures that every enquiry about your business is carefully vetted. No information that could identify your business is released to potential buyers without your approval and a signed Confidentiality Agreement.

With you at every step:

Your LINK broker will ensure you understand all facets of selling a business and will facilitate the process between you and potential buyers, as well as your other professional advisors. Statistics show that many business sales fail during due diligence. Our brokers work with you throughout this challenging stage, managing issues as they arise and facilitating negotiations for a successful sale.

You're always in the loop

Gain valuable progress insights throughout the sales process. LINK's sophisticated research and analysis software lets us measure and track marketing activity, level of enquiry, prospect profiles and comment, webpage traffic and more. It helps us fine-tune your marketing campaign to maximise effectiveness, while keeping you up to date with its progress. LINK's exceptional level of service includes regular detailed reports, as well as meetings and updates by phone.

LINK™ we sell businesses

Language guide

While we've done our best to use plain English in this guide, you will no doubt come across plenty of business jargon during the process of selling. This guide explains some of the common terms you'll encounter.

ACCRUAL ACCOUNTING
Income and expenses are entered into the books at the time of sale, instead of when payment is received, or expenses incurred.

BARRIERS TO ENTRY
The degree of difficulty competitors face when entering a specific market, based on high initial investment requirements, patents, trademarks and specialist technical knowledge needed etc.

COST OF GOODS
Direct costs incurred in manufacturing a product or providing a service (usually materials and labour).

COST OF SALES
Includes the expenses involved in marketing, selling and delivering the product or service, plus the cost of goods.

DUE DILIGENCE
A period of 5 to 15 working days (sometimes longer) where a buyer can verify information supplied in the Information Memorandum and review material or documents not previously supplied due to commercial sensitivity.

EBIT
Earnings before interest and tax.

EBPITD / SDE
Earnings Before Proprietors Income, Interest, Tax and Depreciation / Seller's Discretionary Earnings

EPP
Employment Protection Provision. A clause in Employment Agreements stipulating how their employment will be handled if the business is sold.

GROSS PROFIT
Revenue generated by the business minus the cost of sales.

INFORMATION MEMORANDUM
A document providing a detailed overview of a business.

INTANGIBLE ASSETS
Non-physical assets such as a customer/client list, supplier relationships, intellectual property (IP), patents, trademarks, brand name(s) and goodwill.

IP
Intellectual property – intangible business value that's the result of creativity, such as patents, copyrights, etc.

MBO
Management buy-out – the company is bought by existing management.

NET PROFIT
Total revenues minus total expenses.

EQUITY
Owned assets minus liabilities.

NPAT
Net profit after tax.

RETAINED EARNINGS
Profits kept in the business and not paid to owners or shareholders.

RETURN ON INVESTMENT (ROI)
An indicator of profitability shown as a percentage, calculated by dividing net profit by equity, and then multiplying by 100.

SWOT
An analysis of the Strengths, Weaknesses, Opportunities and Threats associated with the business.

The tools to sell smarter

AD.LINK

Our powerful, tailored marketing program puts your business in front of a greater number of the right buyers, at a price that suits you.

ONE.LINK

LINK brokers access this powerful database management and marketing system to promote your business and manage every aspect of the sales process seamlessly.

VALU.LINK

Get a detailed, accurate Broker's opinion of value on your business, based on global sales data and finely-tuned algorithms.

LINK.ACADEMY

Our brokers are very experienced in their specialist fields, and highly qualified in selling businesses as graduates of our expert LINK Academy.

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★ NZ's most awarded business brokerage
0800 546 528
LINKBUSINESS.CO.NZ