

WHAT WILL SELL YOUR BUSINESS?

The simple answer...

is meaningful information!

Prospective buyers can be initially attracted to a business by amazing annual sales revenue and net operating profit claims. But the gloss comes off when they drill into what's behind. There is a well-known saying that applies to businesses,

“What you can measure, you can manage, and what you measure gets done”!

Armed with good information, a business can be tuned to maximise its value on sale. Deals are jeopardised when the business is scrutinised under due diligence and renegotiation may be triggered when claims cannot be verified with good supporting data. The better the story you can tell about your business, the more your price can be substantiated and the easier it will be to sell.

Now put your Business Buyers hat on... You want to buy a business but minimise the risk. The more you understand about a prospective business, the more confident you will be to make a good offer. What will you initially need to know?

Assuming a buyer has already done their homework and have now started comparing businesses within their target criteria. How will yours stack up against the competition?

Revenue: Where does it come from? How much from product sales and how much from services? What products are selling and what is sitting on the shelf? How much capital is tied up with stock that isn't selling? Why would someone buy this stock? Of the stock that sells, how much profit does it deliver? Are you selling a lot of an item that produces no profit?

Customers/Distributors: Who is buying from you? How much are they buying? Are they buying your profitable products or services? How often do they buy each year? Are they buying more or less compared to last year or the year before that? Are you numbers of customers/distributors growing or declining year on year? How is the revenue spread across your customer base?

A good breakdown of key figures in your business relating to products, services and customers will give you a solid insight as to where the **KEY VALUE** is for a **PURCHASER**, and help you position it for sale. The trick is to be doing this well before you look to sell your business and managing it appropriately, as opposed to having a purchaser crunch the numbers during a due diligence phase of a sale. You could put the whole deal at risk if they find some uncomfortable figures.

Working with a good broker early in the process will help you get it right!

Warrick Smith
Business Sales & Transition Specialist
021 0248 8139
warrick@divest.co.nz

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