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WHY THERE'S NEVER BEEN A BETTER TIME TO SELL YOUR BUSINESS

A unique mix of factors – both financial and social - are combining to make right now the best time within the last decade to sell your business. So what are they and how can you take advantage of them to maximise the value of your business for sale?



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BANKS ARE ON BOARD

It might be a stretch to say banks are bending over backwards to fund business sales, but it's certainly an area that's an attractive lending market for them right now. That's because these transactions represent an alternative to traditional lending sectors like development and construction - where some banks may feel lending levels are close to saturation. Banks always want to spread their lending portfolio risk and right now business sales represent an appealing opportunity.

It's also important for prospective buyers and sellers to remember that a business doesn't always need a lot of tangible assets to invite funding.

Some banks have very good lending criteria that focus on what the business makes in profit, rather than what it holds in asset. That's important because there are businesses that make good money, but they've depreciated the hard assets down to a nominal figure over time which results in a high level of goodwill that needs to be financed. The funding packages available for that type of deal at the moment are great.

Furthermore, this lending environment is also encouraging larger businesses to grow through acquisition rather than relying on the variables of organic growth. This is bringing many businesses onto the radar of those that are looking for the ideal business to buy. So who's buying?

BUYER DEMAND EXCEEDING SUPPLY

One of the most significant dynamics of why now is a great time to sell is the number of quality cashed-up buyers looking for a business.

These include the highly skilled, ex-pat population being drawn back to the relative security of New Zealand who want the independence of their own business rather than just jumping back on to the corporate bandwagon.

There's also a similar demographic from within New Zealand who, because of the housing boom, now have significant equity in their homes and they've decided they want to put that money to work for them in a business.

So there's a fair volume of ready-cash looking for a home - or in this case, a business - but not just any business. They want a strong, appealing business.



HOW TO MAKE YOUR BUSINESS STAND OUT

The greatest advantage you can give your business to make it attractive to buyers is showing why it makes good commercial sense to buy.

That's about having a robust story around the future earning potential of your business that a potential buyer can understand and would be able to ratify within the due diligence process. It's also about making that easily understandable to the buyer's independent advisors - i.e. their banker and accountant.

There's a few ways you can achieve this:

- **Have up to the minute financial information.**

Clear information that allows you to explain what product you're selling, at what margin, to which customers and why those customers are buying from you.

- **Bring contracts and leases up to date.**

Have contracts locked in, and extendable if possible, especially contracts with suppliers or customers that would be beneficial to a new owner. If location is important, a buyer should also be assured they will be able to stay there for a reasonable period of time. Make sure the lease isn't due to expire and finalise overdue rent reviews.

- **Have an operations manual ready.**

Many small businesses rely on a mix of procedures that only exist inside the owner's head. Businesses are more saleable if procedures are clearly systemised and documented in an operations manual so a new owner can take over with minimal training.

A final point. Once you've made the decision to list your business for sale - don't rush the process. Businesses generally take months to sell rather than weeks, and selling in a hurry sends the wrong market signals and puts a vendor in a weak position to achieve the best possible price.

THE TIME IS RIGHT TO SELL, SO MAKE SURE EVERYTHING YOU DO CONTRIBUTES TO GETTING THE RIGHT PRICE AS WELL.

BAYLEYS.CO.NZ/BUSINESS
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