

## REASONS TO SELL

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For all the reasons people decide to sell their businesses, some will result in a better outcome than others. ✓ = a better outcome.

### ✓✓✓ RETIREMENT

Retirement for a business owner is when they value time over more money. This is not age-based, but there is a correlation.

Baby boomers are now starting to retire from their businesses. With their children off doing other things in most cases, their only real exit strategy is to sell.

These businesses usually have a solid base to build on and the vendor usually has the patience to see a good outcome. The only downside is if the owner has stayed on too long.

### ✓✓ BUSINESS TOO BIG FOR THE OWNER

Skills needed to run a big business differ to those needed to run a small business. Some businesses outgrow their owners. Once at a certain size, it takes a different set of skills to take the business forward. These businesses present a fantastic opportunity for the right purchaser.

### ✓✓ RUN OUT OF MONEY - GROWING TOO QUICKLY

May need to sell to avoid closure. The business may be under-capitalised or may be starved of working capital due to high growth. Fast growing businesses consume cash for working capital and expansion.

### ✓✓ SICK OF IT - WANT TO DO SOMETHING ELSE

Owner's lack of enthusiasm may have spread to the organisation. The new owner should be a welcome sight to staff. Good opportunity.

### ✓ ILL HEALTH

Genuine ill health places the vendor in a poor bargaining position unless the marketing process yields competing purchasers. Time and patience strengthen the vendor's position and these may not be available in this situation. Many businesses suffer along with the ill health of their owner. Sometimes the reverse is true, where the ill health of the business has spread to the owner.

### ✓ BURNT OUT, NEED A HOLIDAY

This business may be difficult to run and highly dependent on the owner.

### \* RUN OUT OF MONEY - BUSINESS LOSING MONEY

Owners hoping to pass their problems on to the next person rarely do well in the sale process. The best hope is to find someone who has the expertise, or can find something of value in the offering, to bail them out.

## ADVICE FOR PROSPECTIVE VENDORS

- Determine early on the market value of your business
- Prepare well, having at least 3 years trading history available
- Explain variations in performance, especially in recent years
- For location-sensitive businesses, secure a good lease with options, to provide greater security for purchasers
- Take steps to minimise the impact on the business of a change in ownership
- Choose your agent & other advisers carefully & work as a team
- Allow adequate funds for marketing
- Be patient