

Getting top value for your business



ALL THINGS FINANCIAL

Paul Fyfe, an Independent Financial Advisor, Property and Business Broker explores why some businesses receive a fraction of the asking price and other a very good price

ENSURING TOP VALUE

You must understand that:

1. no matter how good you think your business is, it will take hard facts to satisfy a buyer;
2. you are entitled to insist that your information is only provided to suitable, qualified buyers;
3. you must establish a realistic market value for your business by getting a valuation from a reliable business broker;
4. he in turn must give you a detailed basis on how they arrived at their estimate of value. Too many sellers are influenced by high values which are completely unrealistic in the market place. The longer your business is on the market the lower the price you will realise.

The following information is necessary for a buyer to make a decision:

- balance sheet/income statements for the last 2 years;
- management accounts up to date;
- a breakdown of monthly expenses if the above is not available;
- monthly turnover figures for the last 12 months, backed up by VAT returns;
- list of fixtures & fittings, plant & machinery, ie an asset list with valuations;
- age analysis of any debtors carried;
- copy of the lease of the premises;
- details on present staff, not names, but salaries/wages, length of service, any spe-

cial incentives or perks and employment contracts;

- write up on the business, ie how long the business has been established, present sales, how they are achieved; what future prospects are there; why you want to sell.

If you are dealing through a broker you must obtain commitment from them on how your business will be marketed and what feedback you will receive. You will be asked what terms you would allow to a buyer of your business.

Sellers' often have the same reaction - *No, I want cash*. Does that mean for example, if you were selling your business for R1million and someone had R800 000 in cash you wouldn't want to deal with them?

Based on the above example most sellers will give a certain amount of terms with interest rates charged at somewhere between the current fixed deposit rates and prime.

It is important that you as the seller decide what terms you would be prepared to give.

The greater the amount, shows the buyer that you have faith in your business's ability to make the payments, it also widens the scope of buyers one can draw on. The object is to make your business attractive to as wide a group of buyers as possible thereby obtaining the best possible price.

CONCLUSION

The above is the *minimum* information a buyer requires before he can



make a decision on making an offer on your business. However until the buyer has signed an accepted offer to purchase, which your attorney has approved and the funds have been secured, do not release sensitive information about your business.

In many years of business sales and covering many thousands of negotiations, the two areas stand out as the main cause of sellers' not receiving top value and sales collapsing are problems with the lease and lack of financial information.

If you wish top value, you must have top information prepared before you start.

Aldes Masters
Cell: 0833260683
Fax: 086 608 9389
E mail: paul@aldesmasters.co.za
Web: www.aldesmasters.co.za