

Selling Your Business

A guide to preparing for and selling your business.



Is it time to sell?

The decision to sell is rarely driven purely by financial reasons. Along with business and economic factors, personal reasons are often a strong driving force.

It might be time to consider your retirement or you may have other activities you wish to pursue. The decision could be a strategic move due to changes in an industry's dynamics. A previously thriving company may be facing new and better-capitalised competitors or be in need of new leadership or international expansion.

Common reasons for sale:

- Retirement
- Health
- Lifestyle changes
- Takeovers
- Funding limitations
- Competitive environment
- Financial stress



When should I start preparing?

Preparation is an important part of the sale process. Prior to actively marketing your business, we work with you to conduct a thorough analysis of the business to ensure that it is in a position to sell easily and for maximum value. The objective is to have no surprises during the sale process.

In our experience, there are too many businesses that leave it too late to begin preparing for the sale. Lack of early preparation and timing restrictions can result in a reduced selling price.

Some of this preparation involves ensuring that equipment is in good condition, the premises is presentable, leases, licenses and permits are in place, the financial records are up-to-date and accurate, and stock has been reviewed for slow or obsolete lines.

Over **60%** of business owners will be looking to retire in the next **10** years.

What buyers look for

- A strategically relevant company with sustainable earnings
- Management team with depth
- The right price for the business
- Appropriate risk/reward trade off
- Accurate and up-to-date financial records and a clean balance sheet
- A good reason for selling
- Appropriate transition assistance and ongoing roles
- Complete data room - accounts, tax returns, assets, liabilities, contracts, leases, licences, intellectual property, operating
- No hassles in the process
- Documentation including warranties and restraint of trade

How much is my business worth?

We can help answer the ultimate question – what is my business worth? The primary factor in determining value is the level of maintainable earnings your business generates. Other factors include: the size of the business, industry, growth potential, market share, stability of earnings, the management team, economic and share market factors. A business maximises its value if it is attractive to a number of well-financed acquirers who need it.

Prior to marketing your business we conduct an appraisal of its value. The purpose of establishing an indicative value is to provide some expectation of its worth and to assist negotiations with potential acquirers. Endeavour Capital are experienced in conducting formal valuations using an intrinsic valuation methodology backed by our knowledge of current market values.

Leveraging the value

The amount that a buyer or investor will pay for a business is influenced as much by its growth potential as the level of risk. Put simply, the better the growth potential and the lower the risk, the higher the business value.

Endeavour Capital are experts at highlighting areas with growth potential as well identifying and seeking to mitigate potential risks and barriers to a sale prior to commencing the marketing process.

Understanding who may want to acquire your business and why are important factors to consider in the sale process. Companies buy businesses to increase market share, gain

access to markets, employees, and technology, and most importantly, to generate cashflow. When preparing to sell your business, we help you identify the likely type of buyer and what attributes they are looking for in a business.

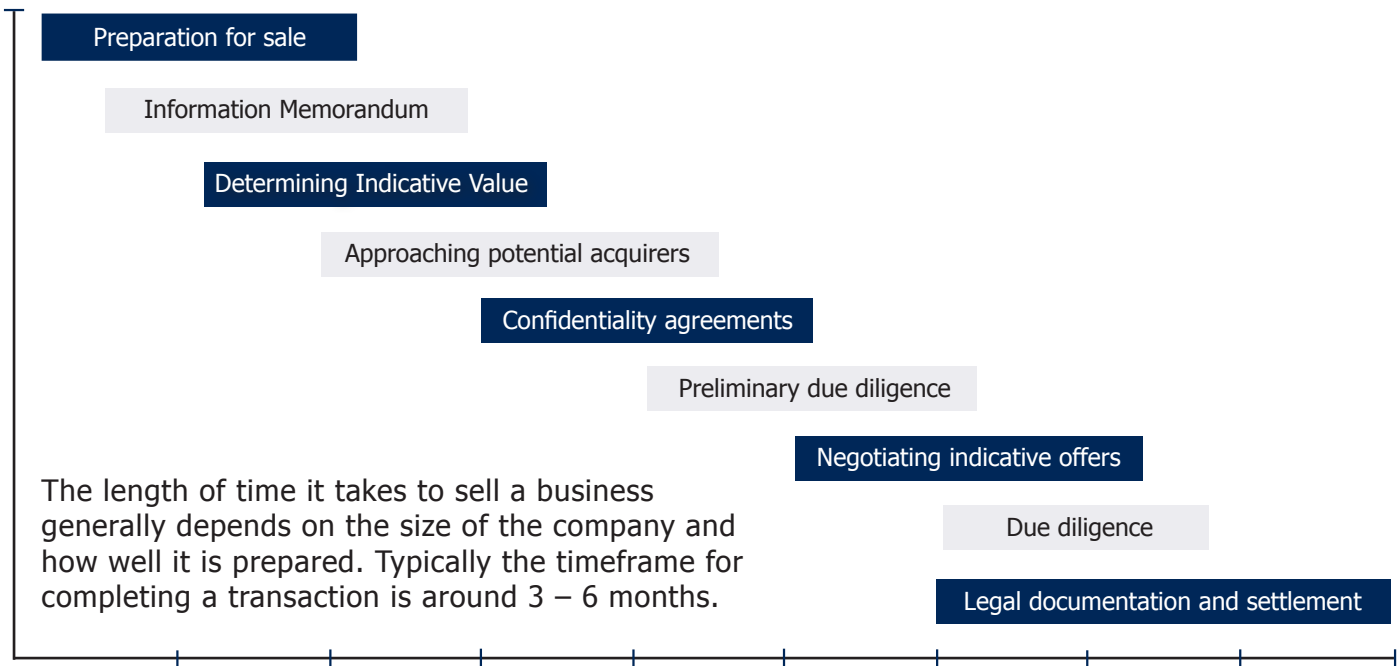
We can then assist you to identify areas that need improvement or modification to suit a potential buyer's requirements.



Success depends upon
previous preparation, and
without such preparation
there is sure to be failure.

- Confucius

What is the sales process?



Information and confidentiality

Buyers want to have access to enough information for them to make a decision on whether or not to acquire your business. Naturally you will want to be sure that this information is treated confidentially. Prior to the release of any significant information on your business, Endeavour Capital insists on a signed Confidentiality Agreement. Information is then progressively released as potential buyers demonstrate both a commitment and capability to acquire your business.

An overview document is generally provided to potential acquirers to assist in weeding out the inevitable 'tyre kickers' without providing any sensitive information.

The information to be provided to potential acquirers may include: an information memorandum, annual accounts, income tax returns, list of assets, liabilities, contracts, leases, licences and other intellectual property.

Who would acquire my business?

We work with you early in the sale process to identify potential buyers such as competitors, suppliers, customers, financial investors, international groups or employees.

In addition, Endeavour Capital utilises its existing network of potential buyers and investors to generate competitive interest.

A strategic buyer may be looking to expand geographically, increase their product range or obtain access to technology.

It may be feasible to undertake a buy-out of the business. If so, Endeavour Capital can assist with facilitating the introduction of external investors.

Buyers who are strategically positioned may pay a premium price for a business as they are not only focussed on your organisation's potential but also its ability to complement their existing business.

Expenses and Taxation

The sale of your business may involve legal, tax advice and corporate advisers fees. At Endeavour Capital, we invest a considerable amount of time in any project we undertake and charge a retainer for pre-sale activities. However the majority of our remuneration comes from a success-based fee paid on completion of a transaction.

The sale of a business will involve many taxation consequences including capital gains tax, small business GCT concessions, income tax and GST. We work with your tax adviser to maximise the after tax proceeds from the sale of your business.

How Endeavour Capital can help

Selling a company is a complex process. Our methodology is based on providing sound advice on how to prepare for sale, compiling an information memorandum and indicative values, identifying and negotiating with potential acquirers and liaising with your legal and accounting advisers. We project manage the sale process to minimize disruption to your business and enhance its sale value.

We have the biggest impact when we are engaged well before a sale process commences. Our objective is to maximise your value, not just simply sell your business. We do this through preparing and positioning your business to achieve a better result and to manage any barriers that may delay a successful outcome.

Established in 1998, Endeavour Capital is an independent advisory company specialising in small and mid-sized companies typically valued between \$1-\$20 million. We have over 25 years of experience advising companies across a wide range of industries including distribution, financial services, healthcare, information technology, manufacturing and retail.

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