DON'T LOSE YOUR MOJO

Many business owners run out of passion and enthusiasm for their business, and sell for much less than the business could be worth.

Don't let that happen to you.

Benchmark
BUSINESS SALES & VALUATIONS

Contents

DON'T LEAVE IT TOO LATE.

Follow this guide to plan your exit.
Don't leave it until it is too late.

1. WHY ARE YOU DOING THIS?

1. WHY ARE YOU DOING THIS?

Why are you in business?
Did you get into this business to:

1. **Make a lot of money?**
2. **Enjoy your passion?**
3. **Grow the business and then "Flip" the business and make a profit on the sale?**

Is there any other reason to be in business?

What is your "Why?" Do you know why you are doing this? Have you achieved what you set out to achieve? .. has the passion started to wane?

Did you start out with boundless energy – and now you have a lot less energy?

Have you "Lost Your Mojo"? Then perhaps it's time to look at why you are doing this, and how to prepare to eventually (and inevitably) leave the business.

When people start out in business they follow a pattern.

The sequence is:

Dream

Goal

Plan

Action

Everything starts with a **"Dream"**. Over time that dream becomes a reality. Not always the way we dream it!... But through planning and action – it becomes reality.

Goals are set (consciously or unconsciously) to make the dream come true.

Plans are created to reach goals.

Nothing is achieved without **Action**.

Usually the Dream stops at the plan to get into the business, and to start trading. Unfortunately, that's when the dream can become a nightmare.

Dreams. Goals. Plans. Action. We should have these things in place for the whole journey. Not just for the startup, but from start to finish..... And the finish is the most important part. That's when you "cash out" and walk away.

So let's look at the Dreams, Goals, Plans, Action to complete the process, and to exit your business on your terms... and reap the greatest reward possible. - Before you run out of energy and lose your "Mojo"!

2. FACT. YOU WILL NOT OWN YOUR BUSINESS FOREVER.

2. FACT - You will not own your business forever.

If you don't sell your business you will either:

1. Die as the owner, and leave the business to others

or

2. Close down

Either way, you will eventually (and inevitably) be out of your business. So, all business owners really must look at planning for an eventual exit from the business if they want to "cash in" and enjoy the ultimate benefit of business ownership.

Everything starts with a "Dream". Over time that dream becomes a reality. Not always the way we dream it!... But through planning and action – it becomes reality.

More facts

- Most business owners wait too long to sell... when the mojo has gone
- You will get more for your business if you sell "at the top"
- In 2011, the median age of Australian business owners was 47, with 22 % over 65 years. Therefore in 2019 the median age of business owners will be 55.
- About 80% of Australian business owners plan to retire in the next 10 years
- 53% of business owners in Australia have no exit strategy in place
- 22% of businesses will close down

So... even though the majority of small business owners expect to exit their business within 10 years, most of them don't have an exit plan.

Why Bother?

Every business owner should have an exit strategy. Interestingly, very few people start to think about developing a business exit strategy until they are ready to retire, or they become seriously ill, or they suddenly find the business in some kind of trouble. Many people are simply lazy, and can't be bothered taking the time to plan for the sale of one of their most significant assets.

It's quite simple… You have two choices.

Do Something

or

Do Nothing

If You Do Something.

We have found that business owners who plan for their exit from their business will sell for between 50% to 100% more than those business owners who fail to plan.

No matter what exit strategy you choose – you can guarantee the optimum outcome by simply PLANNING AHEAD.

Exit strategies are something every investor looks for… The questions are the same – no matter what the size of the business. How am I going to get my money out? And how much are you earning from the business?

Having an exit strategy gives you control over your business's future.

You will be ready to sell if some unexpected event arises.

There are thousands and thousands of small businesses for sale in Australia at any one time. We estimate that there are over 41,000 businesses for sale right now. With a sale plan in place you will be able to "compete" with the other 40,000 + businesses – and you will have an advantage over the others which will help you to sell before the others – and for much more.

Buyers will pick and choose only the best businesses. Having a plan in place will put you amongst the best.

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If You Do Nothing.

Many business owners think that one day someone will come along "out of the blue" and offer them a fair price for their business. As business brokers operating since 1995, we can tell you that this rarely (if ever) happens.

Things don't always go the way they are expected to. If you are not ready to sell or exit, you may be faced with one of the following unpleasant options:

- Voluntary liquidation
- Involuntary liquidation
- Forced closure
- Hostile takeover
- Dissolution of partnership
- Discontinuation for health reasons
- Loss of irreplaceable personnel

Forced closure is when the government directs a business to cease operations for reasons of health and safety issues, morality, or breaches of legislation.

Hostile takeovers may not affect small businesses, but dissolutions are too common. These are situations where partners or shareholders in a business have a disagreement that can't be reconciled.

Health problems are an issue, and can force you to have to sell the business or just close it down against your will. If you haven't prepared an exit strategy, this could be a traumatic situation...... and it doesn't need to be.

Some businesses are highly dependent on specific key personnel to sustain their operations. If for any reason those individuals are no longer available to the business, it may be forced to close, and even sale of the business may not be possible.

If you do nothing, you risk losing all the results of years of hard work. You will lose money, and you will walk away with regret and disappointment.

Buyers will pick and choose only the best businesses. Having a plan in place will put you amongst the best.

3. WHAT IS AN EXIT STRATEGY?

3. What is an exit strategy?

An exit plan is simply a plan for EASING OLD OWNERSHIP OUT, AND EASING NEW OWNERSHIP IN. Simple.

It is a plan where you can “Exit on your own terms”... not because you have to, but because you want to. This is a plan to get what you want and to know how to get it.

An Exit Strategy is not just about selling the business. There are options which don’t involve a conventional sale. Some other options include:

- Management Buy Out
- Family Succession Planning
- Earn-out or partnership buyout
- Sale of some shares in Company
- Sell to competitor or supplier
- Transfer of control but not ownership
- IPO

A Simple and Essential Plan.

An exit strategy is not necessarily complicated. At its heart, the exit strategy is simply a plan for exiting the business gracefully, in an orderly and planned process.
An exit strategy may involve:

- Planning for your financial well-being after exiting
- Loyalty to existing employees
- Preserving a stake in the business (if desired)
- Planning for succession

Planning ahead is the key to a good business exit strategy. If you had to leave your business tomorrow, could you do it?

4. WHY IS AN EXIT STRATEGY IMPORTANT?

What happens if you don't have a plan in place?

In over 4000 business sales transactions, and over 22 years in business brokerage we have seen business owners forced to sell under Pressure, or in a state of Panic because they haven't planned for the eventual exit from the business.

We have seen family bust-ups, dramas, stress, chaos, and the loss of huge amounts of money.
What would you rather have?:

An Orderly Realisation of Assets? … or Stress, Panic, Chaos and Drama?

Selling when (and how) you want to, will always be better than selling because you have to.

When a business fails to plan an exit strategy, it places the business owner at increased risk in a number of ways. For example, in recent times it has become more common for financiers to expect an exit strategy in a business plan, because there is growing awareness of the importance of contingency planning.

Contingency planning is an important part of business planning, because things don't always go as expected. Nobody can predict the future, but we can plan for the future.

A well-defined business exit strategy should take into account all of the possible scenarios that fit the nature of the business, and provide for how those scenarios can be dealt with.

5. DON'T MAKE THESE MISTAKES.

Many business owners spend years building their business to only receive a fraction of what it is worth when it comes time to sell. Here are some common mistakes that could impact you significantly.

Ignorance of the Market Value.

Some people live in a fantasy world, and ignore the real world. A common mistake amongst business owners is for them to not have a clear understanding of the current value of the business.

An objective third-party estimate of current market value is essential. With current value established you can start to work on how to maximise the FUTURE VALUE.

When you focus on future potential you're much more likely to get maximum price for your business in the future.

Many business owners are reluctant to invest a small amount in establishing the current position, and they operate in ignorance. Don't be ignorant – be realistic.

Poor records and accounts.

Many business owners either don't keep good records, or don't use their accounts to run the business.

Accounts should be up to date, easily accessed, and retrieved. When accounts are up to date, and easily sourced it makes the process of managing, planning and selling so much simpler and easier.

Many business owners have sold for much less than they should have because they were not on top of their accounts, and could not quickly access information, or didn't understand what was happening in the business.

Do you have analytics installed on your website? Every digital, online business should have tracking installed to validate how much and what kind of traffic they are getting. You need at least six months' analytics history, and the longer your track record the better off you will be.

Not leveraging professionals.

While it might seem attractive to save the 10% (or more) on brokerage fees, you are the expert in managing and running your business, not the expert at selling it. When you engage a team of experts they will add more than their fees in value. A good broker will handle marketing, buyer pre-qualification, confidentiality, showing the business and ultimate negotiations. You'll also need your accountant, lawyer and financial advisor, involved.

If you've taken the time to do a proper exit plan, your exit strategy advisor will be invaluable in keeping your team of professionals on the one page, with your interests at the centre of every decision.

Rushing.

It takes time to prepare a comprehensive exit strategy, and there is a tendency to rush through the process, or to only give the plan superficial attention and time.

Give the process plenty of time, and be prepared to involve your advisors and mentors in reviewing your plan. This plan is your future. Make it central to everything that you do, every business decision. Don't rush through it, and stick it in the bottom of the drawer.

Take time to be thorough, and to "own" the plan.

Outsourcing.

Sometimes busy business owners engage professionals to prepare their exit plan for them. In our experience this just doesn't work.

There are many very good professional exit strategists out there, and they should be engaged to assist you through the process, but it needs to be YOUR PLAN, and if you personally create the plan, and own it, it will be executed far more efficiently.

We suggest that you create a basic plan first, and then have an advisor look over the plan and discuss it with you, and then work on refining and improving the strategy before implementing the plan.

Inadequate time to execute.

Sellers who get the best deals are those who have allowed at least 24 months to implement the plan and execute the exit. If you were selling your home, you would need time to present it in the best possible light to get the highest possible price. The same is true for your business. You need to allow adequate time to put things into place.

Losing the "Mojo"

Many business owner wait until they run out of energy and lose their "Mojo", and unfortunately when that happens it is really hard for them to get motivated to do those little things that are so essential to preparing to exit the business. Lethargy and apathy start to take hold, and it becomes very difficult for the owner to recapture the Dream that they started out with, and to set goals and take action.

So don't wait until you've lost your mojo.. it makes the process so much more difficult. Plan your sale while you are still on top. While there is still energy and vitality available.

Mentally "checking out"

So many business owners think as soon as they put up the "For Sale" sign they can take their foot off the pedal. This is the worst thing you can do. It is during the sale process that you really need to be on top of things, and engaged.

If you kick back and just let things roll on, you'll find that revenue may slump within a month or two, with a subsequent drop in value. With downward revenue, a potential acquirer is much less likely to pay top dollar.

Confidentiality is also key. You'll want your team to continue as though it's business as usual, too.

Selling with revenues or profits heading downwards.

If your revenue or profit is decreasing, it is not the time to go to market. Take whatever action is needed to turn the business around. A potential acquirer will want to see a steady income stream, not one that's heading downwards. Also, avoid making any big purchases, or capital expenditure if you can avoid it. Keep an eye on the costs, and maximise the sales.

The best time to sell is when the sales are up, and profits are rising.

6. HOW TO DO IT.

1. DEFINE

Figure out what you want to achieve. Go back to the original "Dream" that you had when starting out in the business. Create a new "dream" of where you would like to be in the future. It must be your plan, your dream. So take some time to figure out exactly what you want to get out of this business. Set short and long term goals.

2. METHOD

Now start to figure out how to achieve the result that you want. Get some professional advisors on board to help you to produce a method by which you can achieve the outcome that you seek.

Decide on what is the best method that can be employed to turn the business into cash. Sale to an external party, sale to an associated party, or transfer of control, but not ownership.

3. EVALUATE & CONFIRM

Ensure that all parties involved are in agreement with the plan, and that the plan is compatible with their needs and wants.

4. WRITTEN PLAN

Develop the written plan, and distribute that plan to all parties. This becomes a plan where you can "Exit on your own terms"... not because you have to, but because you want to. This is a plan to get to where you want to be, and to know how to get there.

5. VALUATION

Have a clear understanding of the current value of the business. An objective third-party estimate of current market value is essential. With current value established you can start to work on how to maximise the FUTURE VALUE.

6. FUTURE VALUE

Once an independent valuation report has been provided it is possible to then identify the risks in the business, and eliminate or reduce those risks to enhance value.

Then a projection of future value can be made for the business once those risks are addressed, and revenue and profit maximized.

7. TAX

Plan now to manage and minimize tax liability, including Capital Gains Tax, but also to address any other potential liabilities now, so that there will be no "nasty surprises" later on.

8. FINANCIALS

Review the financials with an eye to maximizing profit by reducing or eliminating personal costs and expenses, and maximizing margins through close monitoring of key reports and audits.

9. KEY ISSUES

Take some time to sort out any key issues that may impact the value of the business. Things like securing key staff, contracts with key clients, securing tenure, ensuring that contracts are locked in wherever possible. By resolving these issues value is maximized, and the sale process becomes simpler.

Think about what a buyer would identify in a due diligence audit of the business, and mitigate or eliminate any issue that may concern a buyer.

10. CULTIVATE

Make time to consider who would be the ideal buyer for the business. Think about how to "cultivate" that group of potential buyers. Study potential buyers, and analyse what they need and want, and how you can help them through their acquisition of your business.

Start the "courting" process when the time is right, and you will create demand for your business if you manage this process properly.

11. PREPARE

Start to prepare a marketing plan and a sale process. How much are you going to tell the buyer, and at what stage will you provide certain information to them?

If you have taken the time to assess the market and to "cultivate" potential acquirers, you should have a good idea of how to market to them most effectively.

12. IMPLEMENT

Prepare for the implementation of the plan. Ensure that all stakeholders are committed, and that there are no impediments that are likely to stall the sale.

13. EXECUTE

Push the "Go button" and get started. This is where you get to fully realise your next dream, and it is very exciting and rewarding to see a plan come to fruition. Especially when that plan helps you to put significantly more money in your pocket as you walk away.

Business owners who plan their exit will usually sell for between 50% to 100% more than those business owners who fail to plan...

So, now that you know how to do it, what is stopping you?

7. TAKE ACTION.

Every business will change hands, or cease operating. That's a fact. If you want to walk away from your business, you need to take action.

WORDS MEAN NOTHING WITHOUT ACTION.

Take time to do what is most important. Do it now, before you lose your mojo, and if you've already lost your drive and passion, you need to talk to someone now. Before it's too late!

Only 20% of small business owners who say they plan to sell their business ever make it happen.

Will you be in the 20% who do?

Here's what to do:

Dreams **Plans**

Goals **Action**

Dream a new dream. What do you want to do now? Imagine where you want to be in the next two to five years. That's the dream.

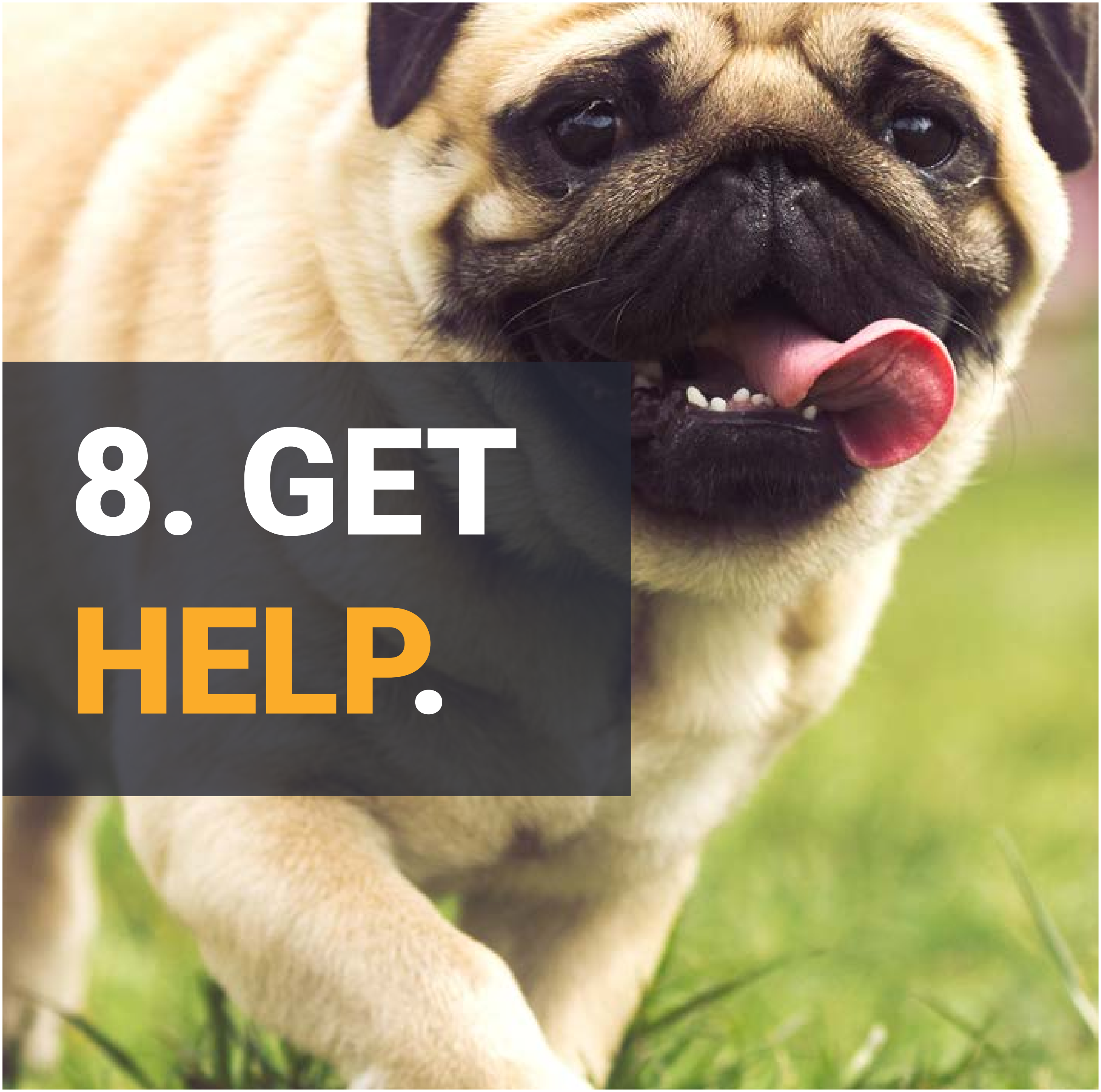
Now it's time to make it happen!

1. Set some Goals.

2. Create a plan.

3. Take Action.

You know what? Taking this action will give you back your "mojo". You will have new purpose, more drive and real passion for the business, because you will know why you are doing it, and what rewards await.


8. GET
HELP.

8. Getting Help

Help with exit strategy planning.

Developing your exit strategy is not a task you have to tackle alone. You can get help from an exit strategy advisor. Call us at Benchmark Business Sales and we will help you to find the very best person to talk to. Someone who will have your best interests in mind, and not their own.

We may put you in touch with a professional Exit Planning Strategist, or we may be able to assist you ourselves.

One thing is certain. You will not regret taking a minute to contact us and to have a chat about your future.

9. AFTER YOU HAVE SOLD.

What do you do after you have sold your business?

When you sell, and walk away, that will be the realization of your new dream. The business was started with a Dream, and now you will exit on your terms, and you will realise another dream.

Dreams. Goals. Plans. Action. We should have these things in place for the whole journey. Not just for the startup, but from start to finish..... And the finish is the most important part. That's when you "cash out" and walk away.

Life is short. Don't regret what you could have done. Take action and maximise the value that your business can provide to you.

Benchmark
BUSINESS SALES & VALUATIONS

Overview

Benchmark Business & Commercial Sales was founded in 1999. Today Benchmark Business & Commercial Sales is one of Australia's largest (and most progressive) specialist Business Brokerages, with offices in Brisbane, Gold Coast, Sydney, Melbourne, Adelaide and Perth.

One of the original ideas that the founder (Bruce Coudrey) had when establishing the company was to have specialists each working in one specific area. This way they could all focus their energies in that particular area, and become an authority in that one field. This has become one of the distinguishing features of the Benchmark team - the focus on individual specialisation in areas such as service station sales, childcare centre sales, self storage, hair and beauty & training companies. Specialisation in the sale of specific industry types has lead to the establishment of many separate specialist divisions within Benchmark.

AUSTRALIA'S BUSINESS BROKERS

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