



# THE SALE PROCESS

Getting started



Following your initial enquiry regarding the sale of your business the broker will meet with you in person to discuss how we can help, and to answer any questions you may have. Together, we work towards creating a comprehensive profile of your business in order to determine a fair asking price, based on a series of accepted methodologies; your knowledge of your business; and current market trends and economic conditions.

Occasionally owners will have unrealistic expectations regarding the value of their business. It is important to realise that the market will determine the selling price. So, utilising independent business valuers may assist in the process of marketing the business effectively. Buyers are motivated by both the reason the business is for sale and by the price being presented. They will not pay for improbable opportunities that are without substance. If the business will not pay the new owner a reasonable living wage and leave enough to service any loan needed to acquire the business, it is unlikely to be an attractive proposition.

Assuming there is mutual trust and understanding between us, a listing agreement is prepared on an exclusive basis. It is important to set an appropriate listing period, as the average business takes between six and nine months to sell, in addition to the time required to put together the marketing package. For these reasons, our listing period is twelve months.

In order to complete the listing and marketing package we need specific documentation in order to accurately compile information about your business. We hold this information in strict confidence. This includes, but is not limited to, the following:

- Year end accounts for the past three to five years as prepared by your accountant.
- Year-to-date management accounts including income statement and balance sheet.
- Trial balance sheet for the current year if available. VAT & Corporation Tax returns for the past three years, if incorporated.
- Copies of lease agreements for property, equipment, vehicles etc.
- Stock list at current market value.
- Furniture, fixtures and equipment listed at current book value.
- A disclosure of all commitments of the business that will transfer to a new owner, such as advertising contracts etc.
- A completed Business Analysis Questionnaire (BAQ). This identifies details regarding market conditions, competition, employees, strengths and weaknesses of the business etc.

With the above information, the broker will work with other Sunbelt staff to compile a Confidential Business Profile (CBP). During this process we may call you to obtain additional information or discuss pertinent issues in order to ensure all details have been considered.

As most sellers' financial statements are designed to minimise tax liability, they may not represent the true earnings of the business and would not be effective in supporting the asking price. The broker will meet with you to complete a recasting or "normalisation" of the financial information included in the profit

and loss statement and balance sheet, which enables us to provide a potential buyer with an accurate picture of the earnings of the business.

The recasting of financials can take up to two weeks depending on the complexity of the business and its financial records. Once completed you will be required to approve and sign the completed CBP and revised earnings summary, acknowledging the information is true and accurate. From this process we will develop the following documents for listing and marketing purposes:

- **The Blind Profile:** This is a one-page summary of the business containing outline information and is used to supply basic information to interested prospects. It does not identify you, or the name or location of your business. The Blind Profile is released to prospects who have not signed a confidentiality agreement.
- **The Brief Profile or Executive Summary:** This two-page document is more encompassing and presents additional financial information. It also identifies your business and its location. We issue the Executive Summary once the prospective purchaser has signed a confidentiality agreement. It is used primarily to develop the buyer's interest in your business and to encourage an initial meeting with you.
- **The Confidential Business Profile (CBP):** This document is an in-depth, detailed and comprehensive profile of your business, put together using the information provided by you in the BAQ and other industry data. It includes a summary of the actual financial information as well as a recasting summary outlining the verifiable earnings of your business. We issue the CBP to a prospect once we have reviewed their detailed personal and financial net worth information, thereby qualifying their ability to purchase and run your business. This generally happens after the initial meeting between yourself and the prospect, once they have expressed further interest in your business.

The completion of these documents concludes the listing phase and we will now begin the marketing phase where we help, assist and advise you towards the successful sale of your business.

During this stage it is essential that you start to prepare all the back up documentation and reports that will be required during the due diligence process. This makes life much easier by being prepared once an offer is accepted. It is important that you and your broker identify the most probable documentation required for this process and package it for presentation at due diligence time. Your Sunbelt Business Broker will provide you with a Due Diligence document that contains a list of the most probable support documentation required as back up to the due diligence process. When your broker starts introducing buyers this preparation will pay dividends. The buyer will be impressed that all relevant information is to hand and you will not be left looking ill-informed at an important time. The first meeting is crucial in the selling process. Your broker will always attend to represent you and help ensure a satisfactory relationship is established.