

SELLERS GUIDE

CUT THE BROKER.. KEEP THE PROFITS



Introduction

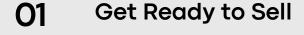


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Welcome to the Agent-Free Business Seller's Checklist, your step-by-step guide to selling your business in Australia without an agent. Tailored for business owners, this checklist helps you navigate the sale process confidently. It covers essential steps, from preparing your business for sale to finalizing the settlement, including building your team, understanding tax and legal requirements, pricing, marketing, and more.

With Agent-Free Business, you can control your sale and achieve the best outcome. Let's get started!R

Steps to selling your business.



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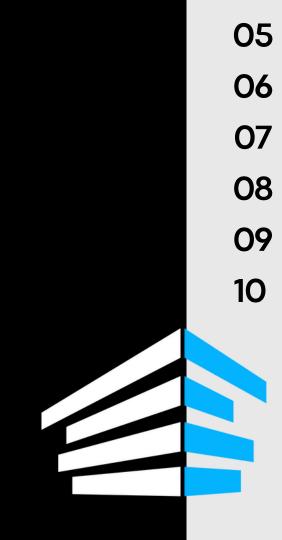
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Get ready to sell

Selling a business goes beyond just listing it for sale and transferring ownership. As a business owner, you've poured significant time and effort into your company, and it often becomes a core part of your identity. For many, the idea of selling can be nerve-wracking, as letting go and picturing life without the business feels overwhelming.

Change is tough, much like running a business. The first step is determining if you're truly ready to sell. Grab a notebook and start jotting down your thoughts. Selling is an emotional process, and it's better to confront those feelings now rather than later, when you're holding a Contract of Sale and facing a final decision.

Consider these questions:

- Why are you selling? Is it for financial reasons, retirement, or a desire for something new?
- What's next after the sale? Picture a Monday morning without the business. The handover is done—where will you be?
- Who will take over? What kind of buyer do you envision? Are you comfortable with anyone, or do you care about how the business will be run?
- When will the sale happen? Selling a business can take 6-9 months, if it happens at all. Are you ready for the timeline?

After reflecting on these points, consider discussing your thoughts with a professional, such as a counselor who specializes in guiding business owners. Selling requires full commitment to avoid costly missteps. The process involves preparing the business for sale, engaging professionals, negotiating, settling, and completing the handover.



Establish your Team

Great news! You don't have to navigate the business sale process alone.

Many business owners excel at managing their company but lack experience in selling it. Fortunately, several professionals can guide you through the process.

Solicitor: A solicitor with expertise in commercial sales is essential for preparing your business, drafting NDAs, Heads of Agreement, and the Contract of Sale, as well as assisting with negotiations and deal structuring. Their specialized knowledge ensures the contract is airtight.

Accountant: Your accountant plays a critical role in compiling financial documents and clarifying tax obligations. The structure of the sale can significantly affect your tax liability, making a trusted accountant indispensable.

Business Broker: A business broker specializing in sales can handle preparation, advertising, negotiation, and guiding the process to settlement. They provide market insights and can manage the sale for you. At this stage, decide whether to use a broker or sell privately, and clarify any fees or commissions.

Business Coach: A coach familiar with your industry can help prepare your business for sale and boost its value.

Marketplaces: Investigate the best platforms for listing your business. Whether selling privately or through a broker, know which websites you want your ad to appear on to maximize exposure.



Tax and Legal

Selling a business is often more intricate than selling real estate, involving complex legal and tax considerations. These must be addressed well before listing your business for sale to ensure a seamless settlement.

Tax Obligations:

Taxes play a significant role in business sales.
Understanding your obligations with the Australian
Taxation Office (ATO), particularly regarding
Capital Gains Tax (CGT), is essential. Consult your
accountant early for effective tax planning.

Legal Requirements

Engaging a commercial solicitor early is critical for preparing your business for sale and maximizing its value. A solicitor ensures legal compliance by reviewing key contracts, such as rental leases or supplier agreements, that may be affected by the ownership transfer. They can also assess employee contracts and recommend strategies for a smooth transition for key staff.

For the sale itself, a solicitor will draft a non-disclosure agreement (NDA) to protect confidentiality with potential buyers. They will review offers, create a term sheet, prepare a Heads of Agreement (HOA), draft the Contract of Sale, and finalize the deal. Hiring a commercial solicitor with expertise in business sales is crucial for navigating negotiations and ensuring the contract includes the right terms for a successful settlement.



Preparing your Business for Sale

By now, you should have assembled a team to assist in preparing your business for sale. They will offer guidance on transitioning your business to new ownership. Many owners are surprised by the time required to organize everything to maximize sale value. Like selling any asset, achieving the best price demands effort to present the business in its best form for a seamless handover.

Here are effective strategies to prepare your business for sale:

Organize Your Documents: Gather all financial, operational, and asset-related documents,

and refer to the Bsale Checklist for commonly required items. These will help set the asking price and will be reviewed during due diligence.

Establish Systems: A highly systemized business is easier to transfer. Creating systems for exiting or training a new buyer simplifies the process. Task your team with reviewing training videos, developing flow charts, and creating checklists. The more systems you implement, the smoother the transition for the buyer and the sale. Set a goal to create a specific number of systems weekly.

Prepare Employees: Many owners delay informing employees about the sale until a settlement is reached to avoid losing key staff or leaking sensitive information. Still, it's prudent to prepare by reviewing employment contracts, roles, incentives, and communication strategies. To ensure a smooth transition, employees should feel valued under new management and have clear expectations of their roles and responsibilities.



Pricing your Business.

With your documents organized, you can begin determining your business's sale price. Four primary methods can help establish a price guide, and it's wise to compare appraisals or valuations from multiple sources.

Accountant: Your accountant can estimate a price based on the business's financial profitability, often applying a multiple to calculate its value. While this approach may not fully reflect market trends or buyer interest, it provides a solid starting point.

Business Valuer: Professional business valuers charge a flat fee, typically starting at \$3,000, for a detailed valuation. This report is useful for legal proceedings or sales involving multiple owners to minimize disputes. Valuers analyze financials, evaluate market conditions, and suggest ways to boost sale value.

Business Broker: Brokers offer appraisals based on market conditions and the sale prices of comparable businesses. They factor in your business's profitability, sale readiness, and recent sales in the industry to set a price.

Market Research: Investigate similar businesses currently for sale to draw comparisons. Study the market, identify who's selling, and assess their offerings. Signing up for alerts to track new listings in your area or industry is a smart move.

Using these methods, you can establish a competitive and well-informed price for your business.



Information Memorandum

The Information Memorandum (IM) is a key document used to communicate with potential buyers during a business sale. Its primary role is to provide comprehensive details about the business, covering aspects such as operations, financials, and company structure. Typically presented as a PDF, it can be emailed or printed and is often prepared by the business owner, sometimes with support from an accountant or business broker. An IM is shared with a prospective buyer only after they've signed a Non-Disclosure Agreement (NDA) and the seller is satisfied with the buyer's genuine interest.



Marketing your Business

You now have all the essential elements needed to sell your business. It's time to market it and attract inquiries from potential buyers.

In Australia, selling a business typically takes 6-9 months, so be ready for the journey. Maintaining profitability and continuing to develop systems during this period is crucial for a smooth handover. If you opt for a business broker, you'll work together to create a marketing plan and list the business for sale. The broker will manage inquiries from potential buyers and act on your behalf, often charging a marketing fee to cover advertising costs. If you choose to sell privately, you'll need to develop a marketing plan and place ads on platforms like Bsale to generate interest.

When advertising, craft a compelling ad to draw in buyers. Avoid relying on a single platform; use multiple channels and networks to boost visibility and reach a wider pool of potential buyers.

Consider contacting competitors, suppliers, or employees, as the ideal buyer may already be connected to your business. Be ready to handle inquiries from non-serious buyers and have a plan to filter them out.

By applying these strategies, you can effectively market your business, attract genuine buyers, and increase your chances of a successful sale.



Negotiating and Due Diligence

Once you begin receiving inquiries and have shared your Information Memorandum (IM), you may receive an offer, initiating the negotiation phase. Involving your solicitor at this stage is essential to prevent potential issues. Typically, the buyer submits a written offer, followed by a term sheet outlining the due diligence process.

Upon agreement to the term sheet, the buyer usually pays a deposit, often around 10% of the purchase price, to demonstrate commitment. This deposit is held in a trust account by a solicitor or business broker until the sale is completed.

The buyer then conducts due diligence, verifying the business's financial and operational details. After due diligence, the buyer may make additional requests. A Heads of Agreement (HOA) is commonly used to negotiate sale terms, though specifics may vary by state or solicitor, so always consult a professional for tailored advice.

Effective negotiation hinges on clear communication. Engaging a solicitor, accountant, or business broker can help manage the process with less emotional involvement from you, the owner. With multiple parties typically involved, maintaining open dialogue is key to resolving issues and negotiating successfully.

As the seller, you must clearly define your goals, including your minimum acceptable terms and ideal outcomes, while thoroughly understanding your business's financials, operations, and value propositions. Misrepresenting or concealing information can derail the deal, potentially leading to significant costs.



Contract of Sale.

Once both parties agree on the sale terms, the Heads of Agreement (HOA) is typically used to draft the legally binding Contract of Sale. The solicitor prepares the final contract and sends it to the buyer. After all parties sign, the sale becomes legally binding, and a settlement date is established.

The Business Sale Contract, also called the Sale of Business Agreement, details all critical aspects and obligations for both seller and buyer, including:

- Purchase Price: The agreed-upon sale price of the business.
- Deposit: The deposit amount paid by the buyer, typically held in a trust account.

- Assets Included: A comprehensive list of physical and intangible assets, such as equipment, inventory, intellectual property, and customer lists.
- Liabilities and Debts: Any debts or liabilities the buyer will assume.
- Employee Arrangements: Terms for transferring employees, including contracts and accrued entitlements.
- Lease Agreements: Details of any property leases transferring to the buyer.
- Warranties and Representations: Seller assurances about the business's condition and legal compliance.
- Non-Compete Clauses: Restrictions preventing the seller from starting a competing business within a set time and area.
- Handover Period: Terms and duration of the seller's assistance during the transition.
- Conditions Precedent: Requirements, such as approvals or permits, that must be met before finalizing the sale.
- Settlement Date: The date when ownership officially transfers.



Settlement and Transfer

Congratulations, your business has been sold!
As the former owner, you're likely experiencing a range of emotions—excitement from finalizing the deal, but perhaps apprehension about stepping away from the business you've built.

With the funds transferred, you'll now begin handing over critical information, including business registrations, passwords, keys, and operational procedures. It's recommended to consult the Australian Government Checklist to ensure all bases are covered.