

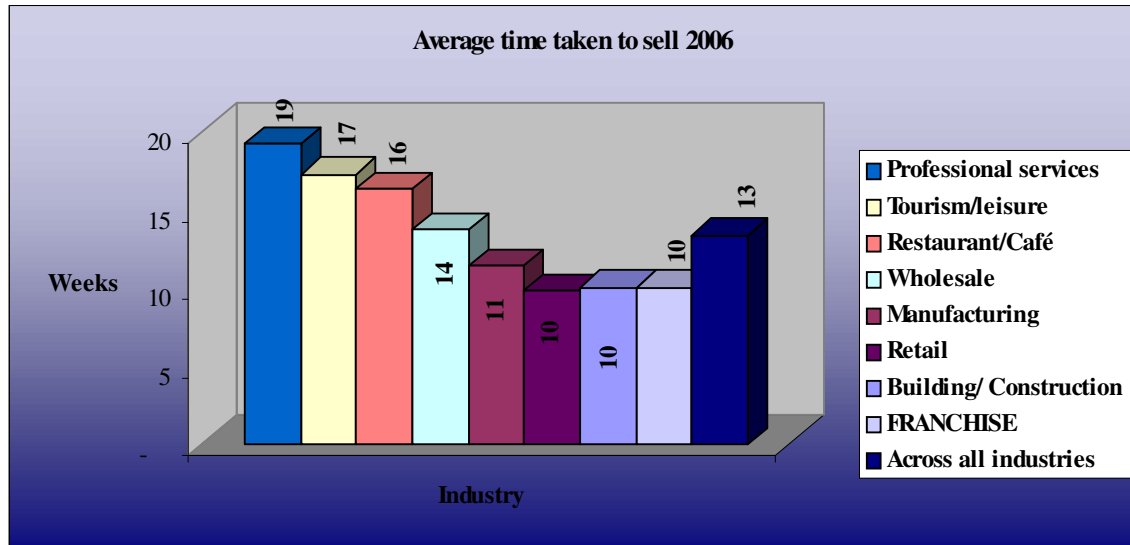
How long does it take to sell your business?

(By Patrick Lui, CEO National business Sales)

For business owners who have tried selling their business by themselves or through a business broker or, in the unfortunate circumstances, through marketiers under the guise of a glossy international magazine (portraying that they have multi-branch offices presumable all across Australia and Asia), I can totally understand how frustrating and challenging the exercise would have been for you!

On average, most of you may have spent 3-6 months selling your business and some of you may have even spent 6-12 months (if it ever gets sold) if the whole marketing exercise were not planned and executed properly! For those who unfortunately used marketiers, the probability of getting it sold may be less than 5%!

NBS' 2005-06 statistics shows that on average it takes about **13 weeks** to sell a business from the day of listing the business to the day it goes under contract.



Having said that, your individual case may vary depending on:

- The type of industry your business is in (see chart below)
- The size and complexity of your business
- How much financial details and supportive documentations you have provided to the broker
- How realistic the asking price was set against the market price and therefore how realistic the ROI was set against the ROI expected by the market for your particular industry
- Most importantly, how experienced the broker is and how knowledgeable he/she is understanding and being able to articulate the intricacies, the opportunities and the risk factors of your business and your industry
- Therefore, how well and informative was the business memorandum of information written and presented by the broker
- But in the end, how realistic you are!

How much in the way of financials and supportive documentations should be provided to brokers?

- Ideally 2-3 years financials (P&L, Balance Sheet, Tax Returns, BAS)
- Supportive documentations will encompass a schedule of your lease agreement, an employee list, a supplier list, an inventory list, an aging schedule (if there are significant debtors), equipment leasing or rental agreements, copies of licenses, franchise agreement, trade marks, etc)

How realistic should the asking price set against the market price?

- Unless the business is set within +/-10% of the market price, it is unlikely to sell any time soon. The wider the variance, the longer it takes to sell as you are trying to attract the “unique buyer” who not only needs to have experience in your industry but he/she needs to be very confident that he/she can improve and grow the business significantly, so much so that he/she is willing to pay you a premium!
- There is a saying that buyers will be willing to pay for the past track record but would rarely pay for the future blue skies that you may try to paint. One may wonder why you are selling if there is so much blue sky?

The importance of an experienced business broker, who not only understands your business but needs to be able to articulate the intricacies, the opportunities and the risk factors of your business and your industry.

- Unless the broker can demonstrate that, he/she will struggle selling your business!
- Look for a business brokerage firm which has a research division or in-house business analysts (like NBS) who can assist their brokers articulate the intricacies, the opportunities and the macro and micro risk factors of your business and your industry.

The importance of having a well written and comprehensive Business Profile (BP) or Memorandum of Information (MOI);

- Most vendors and even brokers have under-estimated the importance of a well written and comprehensive BP or MOI. NBS call them the “silent salesman” which confirms the buyer’s decision making process.
- Make sure your broker can write a good and comprehensive Business Profile (BP)!

But in the end, unless you are realistic about how much your business is worth, you will never sell it! As 99% of vendors won’t really know how much his/her business is truly worth, they should look for a good broker who is able to advise them properly using history and/or statistical data to support the business appraisal!

END