

# YOUR BUSINESS SALES

## Is there really a 'best time' to sell your business?

**Just how important is timing when selling your business? To answer this question we take a look at the relationship between timing and performance and assess how these factors can affect your eventual selling price.**

For most sellers, regardless of their reasons for selling, the goal of a business sale is to get the best price possible for their hard work. One of the most crucial elements in determining a price is the business's current and most recent performance. It is therefore of the utmost importance to take a rational and measured approach to using this information to not only establish a price for which the business will most likely sell, but also and perhaps more importantly, inform the seller on whether or not now is a good time to sell.

Choosing when to sell is not an exact science, and can be even less so in an uncertain economic climate, but there are certain truths that simply don't change. What follows is an analysis of the three most common trends in a business's performance as well as suggestions on how to use this information to your advantage.

### **1. Declining performance or ailing industry.**

It is not at all uncommon for business sellers to wait until this point to sell their business. The problems with selling your business whilst it is on a decline may be obvious from the outside, but for many hard working business owners, the problems are often quite hard to accept or even see.

Quite simply, you cannot price the business on historical sales because the trend indicates that those profits are diminishing. So what are your options? The first is to price the business on the most recent year's profits or lower. This is often a hard decision to execute given the emotional attachment one can have with their business, but in order to attract a buyer it may be the only viable course of action. The second option is to continue running the business until you can demonstrate that that business performance is picking up or levelling out. Though this course of action may mean a few more years in the business, a consistent and steadily performing business is significantly more likely to sell than a declining business, even at the right price.



**How will selling your business whilst it is on the rise affect your selling price?**

### **2. Slightly varied or sustained performance in steady industry**

Businesses in this position tend to have a much higher sales success rate than business's in decline. In these situations, the price is generally based upon the average of the last three to five years' profits. The important thing to remember if you are selling a business in this state is; you cannot relax whilst the business is on the market. It may not be a quick sale, and given that the strength of consistent businesses is the implication of sustained and unthreatened income, if profits falter, or

drop two years in a row, the primary strength of the business is lost. Far too many businesses in this position have not sold because the owner started to wind down their efforts before the business was sold. The last 100 metres in a marathon can often be the most important.

### **3. Rising performance in a steady or climbing industry**

As one might expect, businesses in a state of growth are the most likely to sell. They tend to sell quicker, gain more enquiries and sell for higher prices. The irony of this is that in situations when a business is most ripe for selling, the owner is the least likely to sell. This isn't necessarily a bad thing of course; if everybody sold their business as soon as it exhibited signs of growth, nobody would make any money. The point is; if you are thinking of selling, you shouldn't wait until your business is in decline, a state that is the least appealing to buyers, before you decide to 'cash in'. Buyers are prepared to pay a lot more for increasing profits.

Though these examples represent a simplified breakdown of what can be an incredibly complex and varied landscape, in all cases, the businesses are priced on their historical and current profits, that is, a relatively short period of time in which the profits are compared in order to project the businesses future performance. It seems that the timing of your business's profit cycle is therefore central to what kind of return you will get for your investment. So when choosing when to sell your business, if you want the highest price possible, don't be afraid to make a move whilst your business is improving. It can make the difference between negotiating with one buyer who wants to pay you less, and choosing between a handful of buyers who are fighting to pay you more.

# Business Of The Month

## Glamour Photographic Studio For Sale

### \$520k+ Profits under management



This profitable and impressive business specialises in glamour photography shoots. Despite spending little more than an hour a day working in the business, the current owners are able to produce a profit of \$526,000+ p/a, and through its well-planned marketing strategies, the business is well positioned to increase its profits into the future.

An experienced manager is employed to oversee the daily operations of the business, meaning that a new owner could be installed with minimal disruption to service. All clients book in advance amounting to an average workload of approximately 40+ bookings per week. The studio would normally be fully booked three months in advance.

- Turnover of \$1,320,000+
- Profits \$526,000+ Under Management
- Significant growth exhibited from marketing
- Fully systemised- one hour of work p/day
- All staff employed on contract basis

## Business Price: \$1,200,000

The current owners are able to monitor the daily activities of the business by use of Team Viewer software, which allows them to remotely observe studio computer screens and security cameras. Via this method, the owners spend approximately one hour a day overseeing the studio operations. To find out more about this impressive business call (02) 9817 3331 or visit us at [www.xclusive.com.au](http://www.xclusive.com.au)

The sales price includes all equipment, fixtures, fittings and goodwill.

## Want To Sell Your Business *FAST* For the Best Possible Price?

For Us, Selling a business is about helping YOU, the Business Owner achieve the best results.

Your Business is your hardest earned asset.

Together, as a team, we will devise the best strategy for achieving the sale with outstanding results.

We believe that our dedicated, Unique and Focussed approach makes us the best in our field, but we'll let you be the judge.

Call Today & see why we are Different.

**ACHIEVE THE BEST RESULTS!**

# (02) 9817 3331

*Sales Advice*

*Business Sales*

*Business Valuations*

*Business Acquisitions*

*Personally Tailored Approach*

*Pre-Sale Business Preparation*

 **Xclusive**  
Business Sales

For All Business Purchase or Sales Enquiries or to Check out our Listings, Contact Us or Visit our Website.

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