BUYING OR SELLING A BUSINESS

Gordon Richards| Byfields Director

Buying or selling a business can be one of the biggest business decisions you make in your lifetime. It comes with so many things you need to think about and consider. Doing it the right or wrong way could make the difference of hundreds of thousands of dollars (and a lot less stress!)

First, let's discuss the overall process of buying or selling a business. Every business is unique, requiring different considerations. What works for one person may not suit another, so we need to consider factors of every individual circumstance. Generally, however, we will follow these steps:

1. Identify a Business to purchase. This may be an add-on to your existing business, or something completely new that you see an opportunity in.
2. Initial discussions and a preliminary review. For this step, we will need to examine various information (both financial and non-financial) provided by the seller. It will give you an indication of whether the price the seller is seeking is fair, or way off the mark.
3. Make an Offer.
4. Negotiations with the seller. This may be as simple as negotiating the asking price, but may (and should) also include negotiating all the conditions around the sale.
5. Acceptance of offer.
6. Due diligence and Conditions Precedent. This isn’t always needed but is important to consider for any purchase.
7. Settlement .
8. Conditions Subsequent.

One of the pivotal moments in the buying or selling process is the negotiation phase. Effective negotiation requires a clear understanding of both the value of the business and your own goals. At Byfields, we stress the importance of preparation – knowing your bottom line, identifying potential deal-breakers, and understanding the motivations of the other party can significantly influence the outcome. Whether you're looking to secure the best purchase price or optimise the terms of a sale, having a well-defined strategy is essential. In addition, clear communication is key. We recommend establishing open lines of dialogue that foster trust and enable smoother negotiations. Remember, successful negotiations are about finding common ground and creating a win-win scenario. With our guidance, you'll be equipped to navigate this challenging yet rewarding aspect of business transactions confidently.

One of the above steps that often gets overlooked is the importance of due diligence. It's essential to thoroughly examine all aspects of the business before finalising any purchase agreements. A due diligence serves as a risk management tool, ensuring you're fully aware of the business's financial health, liabilities, and potential growth opportunities. It's a detailed process that involves reviewing financial statements, legal contracts, customer agreements, and any outstanding debts or obligations. Another critical aspect is assessing the competitive landscape and market position of the business. This can reveal insights into how well-positioned the business is to capture future growth. Furthermore, cultural fit, particularly for those acquiring a business, is often underestimated. The integration of teams, alignment of business goals, and shared values can significantly impact the transaction's long-term success. A due diligence can be as long as a piece of string. Sometimes clients are happy to go without one, however we generally recommend one is done in some form or another.

Getting your entity structuring right from the start is vital. As much as people think it's easy to change structures after the fact, it's not. It comes with lots of head-aches – and costs! Structuring is a separate article on its own, however the things to think about when choosing your structure are:

- Asset protection
- Tax minimisation
- Succession Flexibility
- Interaction with Banks, Customers and Suppliers.

There are also different ways to buy or sell a business. This includes buying / selling the shares or units vs buying / selling the assets (stock, plant & equipment and goodwill). Again, no one size fits all and every case is different, however the general pros and cons are as follows:

	Pros	**Cons**
Buying/ Selling Business	Simple. Tax Deductibility.	Costs for set-up. New Contracts, vendor numbers etc. Getting funds into personal name is harder. Duty can be applicable. GST can be applicable.
Buying/ Selling Shares	No Duty. No GST. Same ABN, Bank Account etc.	Hidden Skeletons. Tax concessions we use can be more complex. Balance sheet clean-up required.

When selling your business, you want to maximise the price you are likely to receive, and this takes careful planning and preparation. It’s not something that happens overnight. Generally, businesses are valued on a multiple of adjusted historical profits. We often look back up to 3 years of profits and it is therefore extremely important to maximise the profitability of the business for at least the 3 years prior to any sale.

Any buyer will also want to come into a business that has minimal to no reliance on the individual seller. It is therefore important to make yourself redundant in your business, so the business is not reliant on you to continue operating. This will likely mean upskilling your existing staff, or simply ensuring that the business has the relevant systems and processes in place that can be followed if you are not there.

In conclusion, buying or selling a business is a complex process that requires careful consideration and expert guidance. At Byfields, we have the experience, knowledge, and resources to support you throughout every step of the transaction. Whether you're a buyer looking for your next opportunity or a seller ready to move on from your business, we're here to help you achieve success. Contact us today to learn more about our services and how we can assist you in maximizing the value of your business. We look forward to working with you and helping you achieve success in the ever-changing world of business!