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Other resources in step 8b:

- **Planning your exit strategy – the full story**

Going fishin’ – plan for a smooth and profitable exit

Many workshop owners have a big percentage of their net worth tied up in their business, yet when it comes the time to retire or sell, they don't know where to begin.

Rather than placing an ad in a local newspaper, calling other workshop owners in the area to let them know your business is for sale, or sticking a *For Sale* sign on the front wall, owners of workshops who wish to sell up need to confidently present their business to serious and financially qualified buyers.

Preparing a business for sale can be a time consuming and confusing process. If the word gets around that a workshop is up for sale, the business can risk losing sales, key customers, or top performing employees. Therefore it's critical that time is spent preparing for the day when you want to sell your business.

Here are some key steps, designed to ensure you reap the appropriate rewards for your years of effort.

Start early

There comes a time when you decide it's time to hang up the spanners. This decision may be forced on you because of health issues, or you may have reached retirement age, or perhaps you see it as a means of resolving some financial issues. Some owners may pass the business on to family members, while others will need to find a buyer.

Regardless of the reasons for the sale, professionals in this field advise that planning to sell should begin at least five years in advance. By allowing as much time as possible before the actual sale, a workshop owner will be able to implement well thought out strategies over the long term.

The last thing you want to do is leave yourself a six month or one year window in which to plan the sale, because such transitions often take a few years to put together. The danger of a last-minute sale is that you might not get the value you were looking for from your workshop.

When business owners have less than five years to prepare for the sale, they will most likely cut some of their options short.

By looking ahead, you can position your business effectively and ultimately get optimum market value for it. And if you're working within a 10-year time frame, you also have the luxury of engaging in strategic planning in order to save enough money for retirement.

To get your business to a certain value in the open market, you can bring in a salesperson to attract new clientele, jump into a new market niche or even cut down on your overheads.

Workshop owners pour their heart, soul, and every resource they have into growing their business, and many times their workshop is going to be their biggest retirement asset, so planning is absolutely critical for long-term financial security.

You should make decisions that will make the business more attractive to potential buyers and minimise capital expenditures. For example, rather than buying expensive new equipment or refitting out the front office, it may be more beneficial and cost-effective to keep the operation in its current state and leave decisions like that to the new owners.

Determine the worth of your workshop

The value of your workshop extends well beyond net sales.

Many workshop owners start their business from scratch and work for 25 or 30 years to establish a successful operation. As a result, they need to do everything they can to protect the value of their workshop and take care of their longstanding relationships with their customers.

The value of a workshop is based on a variety of factors that are often difficult to quantify. Your workshop's reputation, employees' capabilities and qualifications, and past performance all come into play.

You need to evaluate what markets your workshop serves and identify your key advantages over your competitors. You then need to figure out how much it would cost your competitors to obtain your client base, and then incorporate that amount into the overall sale price of your business.

Identify potential buyers

Perhaps the best workshop sale is to a familiar person. A great example of this is where a workshop is sold to a staff member. This is probably one of the most popular ways that workshops are sold.

But even this kind of sale needs plenty of pre-planning, and in a lot of cases the new owner or staff member may be a partner in the business sometime before the purchase is finalised.

Workshops are often sold to a competitor. In fact, your competitors should be high on your list of potential buyers. If there are three workshops in any given area and one disappears through acquisition, one-third of the marketplace is swallowed up.

To protect the interests of your business, you should never approach the potential buyer.

Instead, you should send one a third party or intermediary to make contact with the potential buyer. Confidentiality is critical during this process.

The potential buyer must sign a confidentiality agreement before you disclose any details of the business. Otherwise, the potential buyer could use the information about the sale to their advantage. Workshop owners should not run an ad in the paper – it's better to retain an air of confidentiality.

Ask for help from a financial planner, lawyer, or brokerage firm

You may know the ins and outs of running your workshop after decades of turning the tools, but putting your workshop up for sale is a completely different skill.

Don't risk losing thousands of dollars during the selling process. You need to turn to a professional for assistance. A trained financial planner or broker can help you maximise the value of your business and could bring multiple financially-qualified buyers to the table.

In most cases, the workshop owner and the potential buyers have very little experience in these matters, so a professional can help level the playing field. They can also ensure confidentiality in approaching buyers, speed up the process, and structure the transition to meet the needs of both parties.

So seeking professional assistance is perhaps the most important advice we can give you.

A professional can help you avoid the common pitfalls that many workshop owners encounter when selling their business.

Professionals strongly advise owners to sit down with a financial planner or a certified accountant to discuss the transition plan. You must ensure that these firms are intimately familiar with your business.

In most cases this team of experts can help you conduct a fair market valuation of the business. By knowing the value of the business today, you can better plan to sell your workshop in the future. Workshop owners need to evaluate the value of their business regularly by sharing all of their financial records with their accountant and conducting a market analysis to determine a current value of the business.

Another option is to work with a brokerage firm. Just as a recruiter matches a job candidate with an employer, a brokerage firm matches buyers with sellers. Brokers use a combination of direct or targeted mail, trade journal advertising, and the Internet.

Advertising a workshop for sale on the Internet has several advantages, including relatively low cost, a broad reach, the capability to attract prospects with the same advertisement for a long period of time, and the ability to search for specific opportunities using a few keywords.

There are a number of web sites that list businesses for sale and these advertisements often include a general description of the business and its assets rather than mentioning the name of the company or its geographic location.

Once a buyer responds to the blind ad, the brokerage firm will evaluate the prospect to make sure that it's financially qualified and a good fit for the seller. After sharing limited financial information with the potential buyer, the broker will oversee the negotiation process between the buyer and the seller. These services do come at a cost, so some careful investigations need to be done early to help you understand the best way forward.

Whether you work with a broker or a financial planning firm to sell your workshop, it's critical that you start the planning process early, determine the true worth of the business, and identify all potential buyers. If you have the majority of your net worth tied to your workshop, don't make the mistake of waiting until the last minute to put your business on the market.

Advanced planning can mean the difference between pinching pennies during retirement and having a financially secure future.

So give yourself plenty of time and start planning your exit strategy at least five years ahead, or more if you can do it.

The place to start is www.tatbiz.net.au/capricorn.

Just go for it!