



Is your business really ready for sale?

You have decided you are ready to sell your business; and naturally you'd like to get the maximum value for your lifetime of work. Whilst market forces have a great influence on the price you will achieve, so too will the "state" of your business. There are a number of measures that a buyer will consider to determine the condition of your business. It's important to understand not only what these measures are but also to ensure the factors influencing these measures are correctly operating and accurately reflect your business in the most positive way.

The four key areas for a successful sale

If you have the ability to clarify and improve the following 4 key areas of your business before you go to market, it will pay off in delivering a higher price for your business in a shorter time frame.

Operational information

The first area to consider in preparing your business for sale is the information you have available about your business. Complete and up-to-date information about your clients, the services you provide, and the products you recommend is vital. Because we operate in a strong regulatory environment, you also need to have accurate information with regards to your compliance performance. In addition, your financial records should have sufficient detail and reconciliation to provide an accurate picture of what the buyer is getting.

Business processes

The second area you need to evaluate is whether your business processes are defined and consistently delivered. A business where your clients and employees know what is going to happen and by when, is worth more than a business where the processes are unclear and irregular.

Business efficiency

The third area to focus on is your business efficiency. What tools do you have to make your business processes operate effectively? This includes equipment, software, research, professional and staff development programs, as well as templates that you use to deliver your products and services. If your business has the proper tools to support your processes, the value of the business is enhanced to the buyer.

Business relationships

The fourth area to consider is the business relationships and any agreements you may have with any identified stakeholders. Some agreements and contracts enhance

the value of your business whilst other agreements may limit the buyer with respect to how they might like to develop the business in the years ahead. It is important to have good documentation for all of the outstanding formal and informal business arrangements and obligations. This allows the buyer to assess the business's potential risks and rewards.

You're ready for sale if you can answer 'yes' to these questions:

1. Do you have enough of the "right" information about your clients and their usage of your products and services? (i.e. demographics, FUM)
2. Is your business compliant? Are the compliance processes documented and robust?
3. Have you collected and reconciled your fees and commissions?
4. Are your key business processes (front and back office) clear and consistently well executed?
5. Do your business tools deliver the efficiencies and profitability you want to achieve? Are they a help or a hindrance?
6. Are your business agreements and contracts supportive to your business initiatives?

Maximise the value of your business before you sell

If you can't answer "yes" to all of these questions, then you have a fantastic opportunity to maximise the value of your business before you go to market. If you are intending to sell in the short term, there will be a number of straightforward things you can do quickly and inexpensively to add value and smooth the selling process.

If you're intending to sell in the medium or longer term, a structured review of your business position will enable you to set strategies to improve information, processes, tools, and business arrangements. Some additional investment might be advisable if it will optimise the value of your business in the medium to longer term (and possibly improve your profitability in the shorter term).

A business enhancement focus is important, whether you are expecting to sell tomorrow or 5 years from now. If you need assistance to evaluate the readiness of your business for maximum sale price, we are happy to discuss with you as to how we might help you achieve your desired results within a timeframe and budget.

(continued overleaf)

Is your business really ready for sale? (continued)

Need / Issue	Action / Solution	Outcome
No ability to provide buyer with comprehensive demographics of client base.	Short-term: Manual report was prepared to show clients grouped by age, postcode, and products/ services.	<ul style="list-style-type: none"> Information requirements were met so buyer could make an informed offer.
	Longer-term: Data fields in software were populated and report format was built to generate client analysis for marketing.	<ul style="list-style-type: none"> Management could selectively market new products and services to existing clients. Client relationships were enhanced and business profitability improved.
Compliance processes were not being followed and licensing requirements were not being met.	Compliance processes were updated and re-issued. Staff training was conducted and new compliance checklist / tracking established.	<ul style="list-style-type: none"> Outstanding compliance risks were identified and documented. Staff awareness and commitment to the compliance requirements and processes was increased. Business risk was reduced.
Commissions from fund managers were not being received or reconciled in a timely manner.	Short-term: Practice Revenue Report produced with data feeds from fund managers.	<ul style="list-style-type: none"> Outstanding fees due were reconciled and collected adding revenue to the bottom-line. Buyer able to determine actual ongoing revenues for business valuation.
	Longer term: Revenue tracking system set up to monitor ongoing fee collection.	<ul style="list-style-type: none"> New and ongoing commissions were tracked and collected on a timely basis.
Statements of Advice were not sent out in a timely manner and the quality was not consistent between advisers.	The Advice Delivery process (with time lines) was clarified and documented. Advice templates were updated.	<ul style="list-style-type: none"> SoAs sent out in a timely manner (as defined in process). SoAs took less time to prepare and were more consistent between advisers. Productivity gains which lead to increased business profitability and a higher business valuation
Majority of clients had significant investments on a multitude of retail platforms that resulted in disjointed and complex reporting and analysis.	Longer term: Clients individually reviewed and platform alternatives considered. A significant number of clients transferred over-time to appropriate platform.	<ul style="list-style-type: none"> Client reporting improved; additional reporting benefits for the client without any additional cost Productivity gains for advisers and support staff Increased business profitability and a higher business valuation.
Employment agreements with staff were not up-to-date or consistent across positions.	Employment contracts were re-drafted. New agreements were signed. Performance reviews were conducted and a performance review process was established.	<ul style="list-style-type: none"> Staff roles and responsibilities were clarified; improved communication Staff motivation and accountability increased Alignment of staff performance to business objectives.