

Guidelines for those seeking to buy a business.

In looking for a business to buy, the biggest hurdle is determining exactly what it is you want.

This is a lot more difficult than it sounds. If you have no idea of what type of business you are interested in, it is almost impossible for a business broker to help find you a suitable opportunity. The result is that you will either be shown through a number of unsuitable businesses or, alternatively, dismissed with the suggestion that you first scan the Yellow Pages index to see if there's something which catches your fancy.

The risk is that it is likely you will spend months on a frustrating, unfruitful search.

The following brief checklist is meant to assist you in determining what type of business you would find appealing. More importantly, this self-analysis may help you avoid buying a business that involves tasks that are outside your comfort level.

If you are intending to hand the checklist to a business broker be sure to set out your personal details including addresses, a brief history of your qualifications and experience and details about the kind of industries in which you've worked. You should also include information about whether you've previously owned your own business.

Additional factors to consider are:

-  Are there any medical or other issues which would preclude you from working in some types of businesses?
-  Will you be running the business alone; will your partner or other family members also be working in the business and on what basis?
-  How many hours would you like to spend in the business and in what capacity?
-  Are you open to a phased buyout arrangement, where you work initially in partnership with the vendor before eventually buying out the balance of the business?

Now - tick off what is most relevant to you in a business:

	Essential	Desirable	Unimportant
Strong future growth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
More concerned with an income than growth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
High level of assets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Close to home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Well established	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Continued

	Essential	Desirable	Unimportant
Easy to manage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Short working hours	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Low staff levels	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Requires little experience or knowledge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cash business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Can others in the family be involved?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Little competition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Wide range of products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Good spread of customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Low working capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Travel involved	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reliable income stream (e.g. - Lotto license)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Good history of profits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Indoor/outdoor activity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exciting to operate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Run under management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Located in a shopping centre	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Not performing well, but with potential	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Walk-in business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Active marketing needed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cold call selling or telemarketing required	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exclusive agency agreements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Export potential	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Non seasonal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business to business trading	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Home based business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Prestige sector of a market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franchise business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Something different from your previous experience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Score  **Essential Desirable Unimportant**

At this point try to give some indication of the business sector that interests you. Some will say a good place to start is to decide what you don't want. Not bad advice really, since it could help you narrow the field and focus the search on your ideal requirements.

Choose your preferences from the following types of business:

-  Retail
-  Service
-  Manufacturing
-  Wholesale/distribution

The selection of preferred industries is the next logical step.

Here, the old bit of advice on scanning the Yellow Pages Index could be useful. There are however, other methods. You may have businesses in your immediate area which seem to offer attractive options. Similarly, there may be friends or relatives involved in businesses that catch your imagination. Alternatively, you could drive or walk around industrial and commercial areas taking note of the type of businesses that ring a bell for you.

It is important to point out here that there are business brokers who can offer you more than simply running you through their existing listings. We at Ellis Corporate, for example, can seek out businesses that will best match your wish list, even though they may not be currently listed for sale.

And of course any business choice you make will be governed by your financial priorities and needs.

Determine at the outset how much you are prepared to spend on the business and how much in dollar terms you would like the business to earn annually. Make sure that you can survive if at any stage the return slips below the income level on which you need to live.

In other words take a percentage off the stated profit and see whether that will be enough for your requirements. If not, aim for a higher profit.

You should also find out in advance how much the bank will lend you to buy a business. In all situations make sure you remember to budget for working capital requirements.

Importantly, think about whether you will be using borrowings or cash to finance the purchase of the business. How will the borrowings be secured, and what are the terms? This information will help a business broker to identify the level of earnings that the business will be required to generate.

Finally, keep in mind all the additional costs which are related to buying a business. These include items such as stamp duty, legal advice, accountant's due diligence, any bonds required, bank loan charges, settlement fees, stock taking fees, insurance, workers compensation and public liability premiums, licensing fees, and adjustments to other charges like rent and rates.

Our business brokers at Ellis Corporate bring to the table all the qualifications and experience to enable you to negotiate this uncharted territory. Please feel free to contact us at any time to discuss your requirements.

This brief guide has been compiled as a free service to potential buyers of businesses. It is not meant to be comprehensive or all embracing. Rather it is merely a device to assist potential buyers in crystallising their thoughts and arriving at a possible wish list. The information in this guide is not guaranteed in any way. People who pursue any form of investment based on its content do so at their own risk. In all matters relating to buying a business it is essential to seek out the counsel of an accountant and legal adviser.