



BY DAVID BOYCE, CEO,
NZ TRUCKING ASSOCIATION

Preparing your business for sale



The average age of business owners in the trucking industry is in the mid-50s. This makes it increasingly likely that there will be a significant number of people looking to sell their businesses over the next 10 to 15 years. So how do you make your business an attractive proposition for a potential buyer?

Selling a business is a bit like selling a house or a vehicle – the better its condition and presentation, the more likely the sale price is going to be higher. Selling a business is no different. It is not something you should leave till the last minute, in fact it is something you should be considering from the day you start a new business venture. The most important point to remember is to start your preparations early. Make an appointment with your accountant to discuss your intentions to sell your business. They can help you to review your business's financial condition. Questions to consider; do you have a profitable business model? And do you understand your true business costs? Look at ways to increase the business cash flow and profitability. These include:

- Review your debtors list – anything over 60 days should be collected immediately if possible, if not your accountant can advise you on how to write these debts off correctly for tax purposes.
- Look at your asset list – cull out any non-performing assets, this includes any non-business related assets such as boats, classic trucks or race cars as examples.
- Look at your business expenses – remove unnecessary expenses from the business. These can include driving a less expensive company car, cutting down on the entertainment and coffees, and reducing unnecessary travel. It's important that your financial accounts are up-to-date, preferably the last three years. Prospective buyers will want to learn as much as they can about your business's financial performance before committing to a purchase.

Make an appointment with your lawyer to discuss your intentions to sell your business. Your lawyer can advise you on your legal position. You need to consider the ownership

structure of assets. They may be leased, subject to personal guarantees or included in a family trust. Have you got any outstanding litigations or claims against your business that reduces its value?

Spend more time working on your business, rather than in your business. What happens to your business when you are on holiday for a month or away with a long illness, does the business grind to a halt, or have you got the business structured to successfully continue without you? Remember you are selling your business not yourself. If the business won't operate without your constant attention then you only have assets to sell, not a saleable business. Make yourself redundant.

Does your business have a good image and reputation? How your business is perceived in the community and the business marketplace will impact on its saleable value. You need to consider the presentation and visual image of your employees, vehicles and equipment and premises. Clean and tidy portrays a professional and successful business. Having a good website and online presence helps to reinforce the professional image. Being active in the community helps your public image, it may be something as simple as providing a truck for the local Santa Parade or displaying trucks in a local truck show.

The quality of your business operations and organisation is an important consideration. Having a good business culture where employees are well trained and feel valued is important. Another is having well documented operations and systems. Potential purchasers of your business will want to know about your employees, especially where they have key relationships with your clients.

Understanding your clients is an important factor. Do they support your business because of the quality of the service you offer, because of personal relationships, or are you reliant on obtaining their business by undercutting your competitor's rates? Having a business model that relies on one or two key clients can be a risk to the value of your business, especially if you were unfortunate to lose their business.

Once you have got to the point where your business is ready for sale you need to be able to provide potential purchasers with a realistic and supportable forecast of the business's potential future income. These forecasts need to be reasonable, believable and achievable. These should also be supported by at least one independent business valuation that takes into account all assets and future earnings potential. Your accountant should be able to assist you in verifying the accuracy of any business valuation.

It is important that you maintain confidentiality during the sales process. Otherwise you run the risk of devaluing your business by creating uncertainty among employees, customers and suppliers. Any discussions with potential purchasers should be accompanied by a non-disclosure or confidentiality agreement. When discussing with key employees or business advisors you need to stress the importance of keeping your intentions confidential.

The last part of this process is finding the right buyer for your business. This will be dictated by your own goals. Are you prepared to stay in the business for a while to assist the new owner or do you want to make a clean break? Is it important that your competitors don't know the business is for sale? Do you need to be paid out in one lump sum or are you happy to accept payment over a period of time to assist the purchaser's cash flow?

Once you have worked out your goals there are a couple of ways you can sell your business:

- **Open Market.** Your business is advertised publicly through industry magazines, or social media. No confidentiality here, but a bigger group of potential buyers.
- **Tender Process.** This is where you or your advisors identify and approach potential buyers and invite them to tender for your business. This is a good way to maintain confidentiality, but does restrict the number of potential buyers. ■

**For more information, call
0800 338 338 or visit
info@nztruckingassn.co.nz**

PH 0800 338 338

HEAD OFFICE

NZ Trucking Association, 778 Halswell Junction Road, Islington, Christchurch 8042

www.nztruckingassn.co.nz

info@nztruckingassn.co.nz