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# A Snelleman Tom Presentation

## Cashing in the Chips: *Business Exit Strategies*

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# Cashing in the Chips: *Business Exit Strategies*

Presented by  
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Snelleman Tom Consulting  
Accountants & Financial Planners



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# Some Facts...

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- There are around 1 million SME's in Australia
  - 1/3rd are owned by people over 50 yrs old
  - Between half and 2/3rds of all business owners depend on the business to fund their retirement
  - Nearly 40% of all business owners are planning to exit within the next 5 years.
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# Implication

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- That means that more than 100,000 businesses will be on the market per year every year
  - Yet 1/3rd of all business owners believe they will have difficulty selling ... Didn't we say that?
  - More than half of the owners rely on the business for retirement?
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# The Test...

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- The ultimate test of a lifetime of work ...
- The ultimate test of your success as a business person ...

**The ability to realise the value of the business – after all, if it has provided you with a good income, surely it has value to another person?**

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# The Task...

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- Optimise the saleability
- Locate the most appropriate buyer(s)
- Maximise the desirability to that buyer
- Plan the marketing campaign

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**Remember:**

**It takes time to get the business ready for sale.**

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# Optimize the Salability (cont.)

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- Systematize and de-skill the job
  - Document in procedures manuals
  - Enforce adherence to the system
  - Exercise control - make sure systems are being followed
  - Where possible, business succession should be mapped and planned.
  - The majority of purchasers look for established trends. (This means seeing trends over a number of years.)
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# Optimize the Salability

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- If you have a 3-5 year time-frame what are the critical steps?
    - Undertake a business diagnostic and thorough review of entire business (warts and all)
    - Complete a valuation – need a benchmark of what you are worth
    - Start housekeeping – what areas need to be taken up?
    - Business enhancement – based on diagnostic start making changes
    - Create the reporting and results trail that tracks changes.
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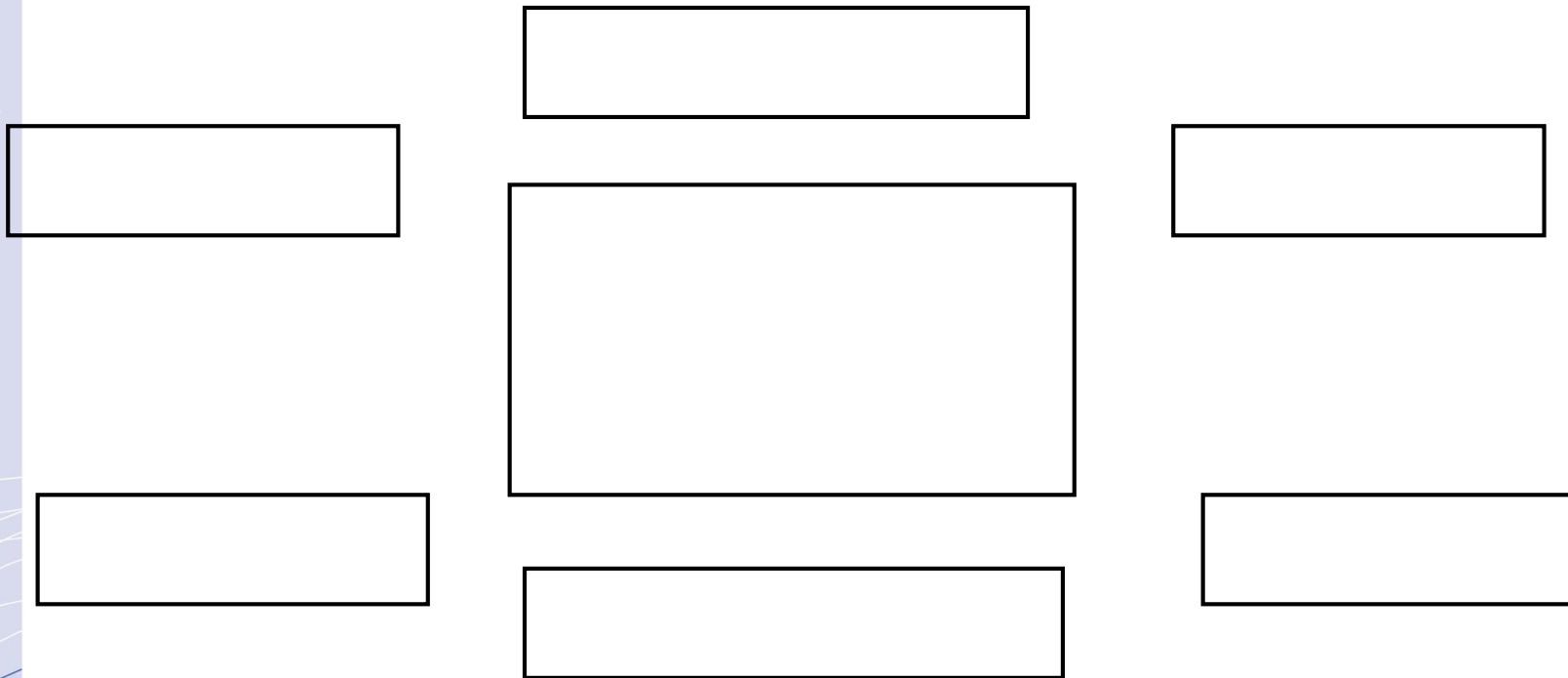
# Locate the most Appropriate Buyers

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(Select your target market)

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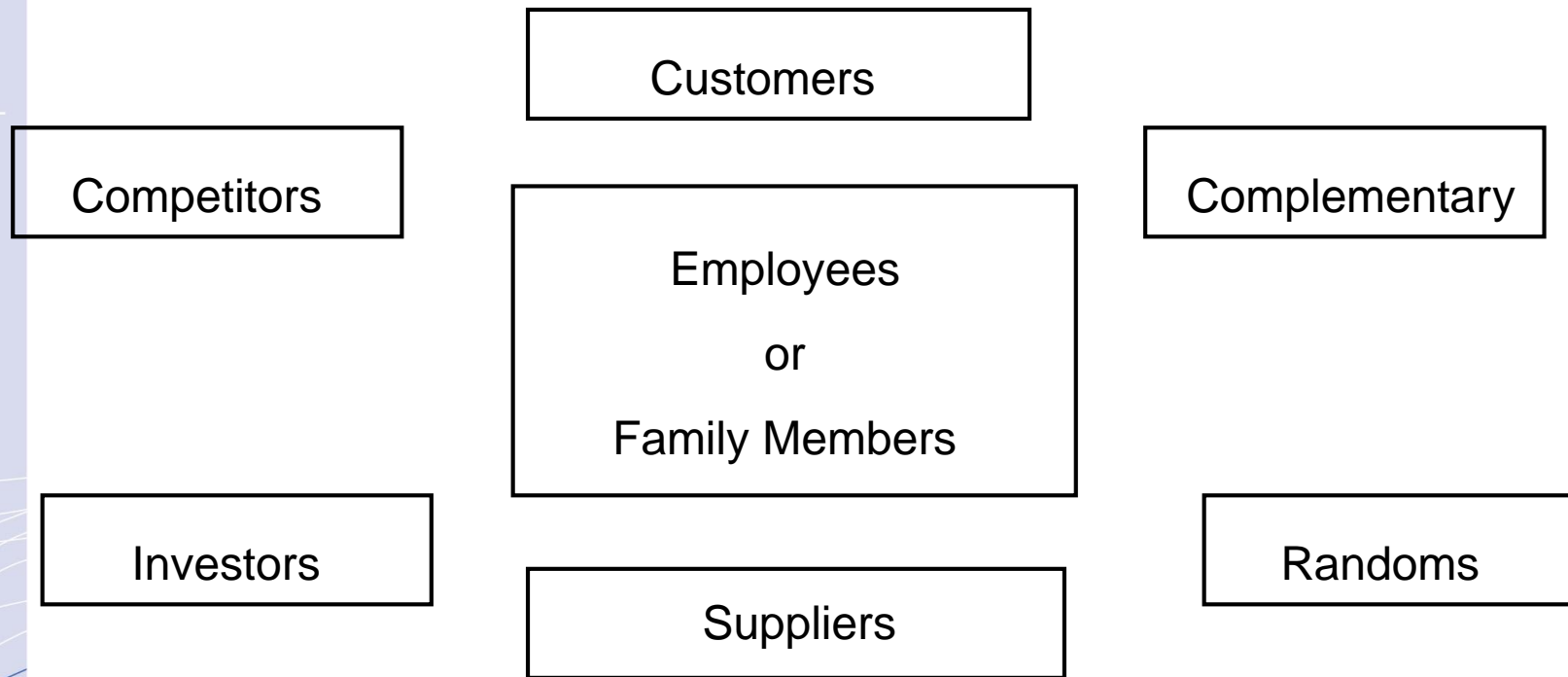
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# Which is your most likely Target Market?

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With Examples



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# Maximise the Value

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- Manage the profit and loss account
  - Manage the balance sheet
  - Understand what you are selling:
    - Market share?
    - Client base?
    - Complementary product line?
    - Return on investment?
    - Reduce competition?
    - Technological innovation?
    - A job?
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# Manage the P & L A/C

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- Delete all personal expenses
  - Bank and declare all takings
  - Work on building Gross Profit %
  - Stable and rising profit is better than fluctuating profit.  
This means that you must:
    - Understand your break-even point
    - Your client base (what do they buy??)
    - Profitability of different product lines
    - Cost structure (cost of goods and expenses)
    - Not over-depreciate your plant
    - Manage your business accordingly.
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# Manage the Balance Sheet

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- Work the debtors
- Manage stock turn-over
- Manage accounts payable
- Correctly depreciate plant (even go back several years)
- Manage Work in Progress and billing. This means that you must:
  - Understand these concepts
  - Set standards and targets
  - Train your team
  - Manage your business accordingly.

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# Manage the Market's Expectation

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- Market share
- Client base
- Complementary product line
- Return on investments
- Reduction in competition
- Technological innovation
- A job

And then – manage the business accordingly

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# Case Histories

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- Brisbane Manufacturer
  - Brisbane Wholesaler- Father & Sons
  - Melbourne - Family - Owned Manufacturer
  - Brisbane Bakery – Father & Sons
  - Engineering Firm – Father & Son
  - Multi-faceted Family Business – Death of the Son
  - Brisbane Builder – Part sale to employee
  - Computer Distributor – Sold to O/S public company
  
  - Snelleman Tom
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# And Finally...

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## Secret of Business Longevity

- Sensitive to the Environment
    - ✓ Economic, technological & political – adapt to changes
  - Cohesive
    - ✓ Strong sense of identity, Distinct Persona
  - Build Constructive relationships with others
    - ✓ Avoid centralised or directive management
  - Conservatively Financed
    - ✓ Grow organically, finance investments internally
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Because...

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“ The Ultimate Goal of the  
Organisation is **Self Perpetuation** ”

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# Succession Planning

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## The Ultimate Test of your Ability as a Business Person

“My Business - Dream Or Nightmare?”

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# Interested to find out more?

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Please contact us on 07 3871 0081 to arrange an appointment or for a free technical bulletin on this topic.

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# Disclaimer

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# About Snelleman Tom

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Snelleman Tom challenges the way you have been advised for years.

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Using an integrated approach of combining accountants, business consultants, financial planners and insurance experts, you or your business will achieve the future you've always dreamed. Snelleman Tom, allows the creativity of wealth creation or the focus of building businesses to be as important as making sure you pay the least amount of tax possible.

## About Our Directors

### Martin Kerrigan

Martin Kerrigan is a Director and CEO of Snelleman Tom Consulting Accountants and Financial Services. Prior to joining the firm in 1994, Martin owned a diverse range of businesses including waste paper contracting, limousines and wholesale nurseries. He holds a Bachelor of Commerce from University of Queensland and is a qualified CPA and Financial Planner. Martin is the chairman of the Snelleman Tom investment committee and a regular contributor to industry forums and parliamentary submissions.

### Grant Titman

Grant Titman also joined Snelleman Tom Consulting Accountants and Financial Services in 1994, and is now a Director, heading up the Accounting division. The business has since grown to be the largest Accounting and Financial Services business in the Western Suburbs of Brisbane. Grant and his team deliver wealth creation solutions to clients as consulting accountants, especially to small and medium size businesses. Grant is also a regular speaker at CPA Australia's Public Practice Certification courses.