

Why Buyers Buy - What makes a business attractive?

Buyers look for a return on their money! The higher the perceived return on their investment, the more attractive the business is. And of course the more attractive the business the more potential buyers are prepared to pay.

Utilising a tool such as the "attractiveness index" is a guideline to how attractive your business is to a potential buyer. You must always consider when calculating your score the reason the buyer wants to invest in your business. This may weight certain criteria in the attractiveness index to be more important than others.

Attractiveness will be relevant to the type of buyer and the reason they are buying. For example, an owner/operator is buying a business to essentially buy themselves a job. The average spending of these buyers would be \$100,000 to \$1,000,000 and any business for sale over this category may be unattractive. A multinational or large company that buys a business for strategic reasons will rarely spend under \$1,000,000. A multinational would not look at a business unless it had enough profit and upside to justify the stringent due diligence, legal and accounting fees.

Within the owner/operator category there are essentially two types of people. These include buyers which are purchasing for leisure and hobby reasons and those which are buying to "get ahead".

The former will be made up of people that are reasonably well off and are either in the twilight of their careers or are looking to take it a bit easy. They are essentially looking at buying a job in an industry which they enjoy working in. They want good profits and a job that is not stressful in a situation where they don't need to work too hard.

Owner/operators that are buying to "get ahead" will be after maximum returns. Their choice of industry is dependent upon growth, profitability and their experience. They are not concerned about working hard or long hours as long as there are solid returns.

A strategic investor (a large business that buys another business) is generally looking to expand or eliminate a competitor. They might be looking to expand and see the strategic benefits of the following:

- Products or services to add to their base
- Intellectual property
- New distribution channels
- Locking in supply
- New ways of approaching customers
- Management expertise
- Brand expansion
- International expansion
- Competitor buyout
- Employee Skills

Certain factors provide the potential buyer with security:

- Ensuring there is a sound financial history.
- Records of a steady increase in profit for the last two to three years, with a similar increase in sales over the same period.

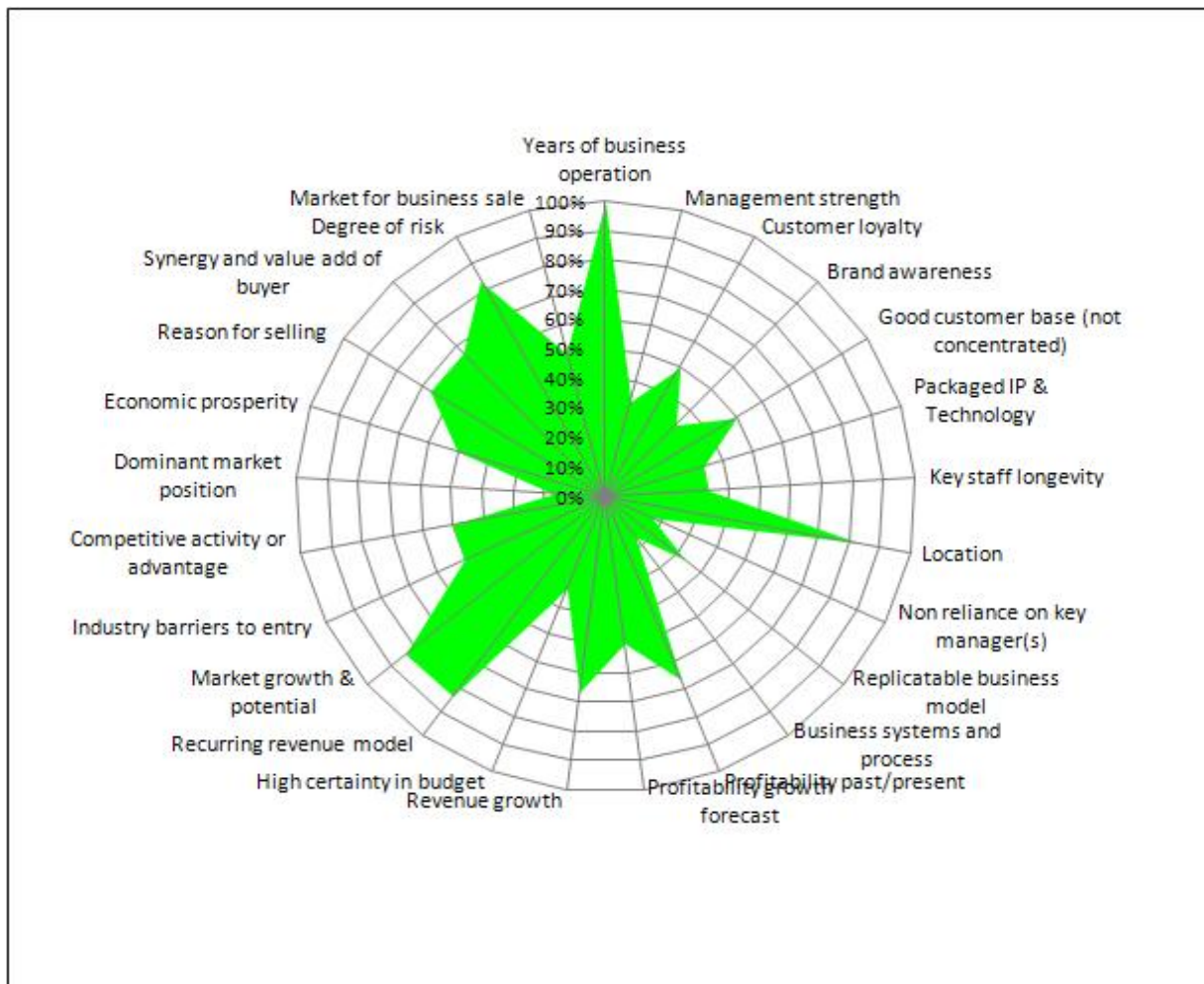
- Positioning the business as a good low risk return on the investment.
- Highlighting an established customer base, sound internal systems, market awareness and credibility, an operational framework and cash flow.
- Highlighting positive industry trends.
- Highlighting company awards, testimonials or even an ecologically responsible product or service.
- Ensuring the business does not appear to be reliant on the owner and that there is a succession of employees that could take over the existing owner's job when he/she departs.

Buyers will minimise their risk by carrying out a thorough due diligence and investigate the business. Sellers can maximise their position by being prepared for the scrutiny that prospective purchasers will put the business under. The more prepared the seller the higher the ultimate price that they may negotiate.

How attractive is your business?	Score	55%
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The "Attractiveness Index" is calculated by averaging your performance across a number of key areas. Based on our questionnaire we have drafted a radar chart that indicates the areas that you need to work on.

Based on your answers to these questions your Business "Attractiveness Index" is;

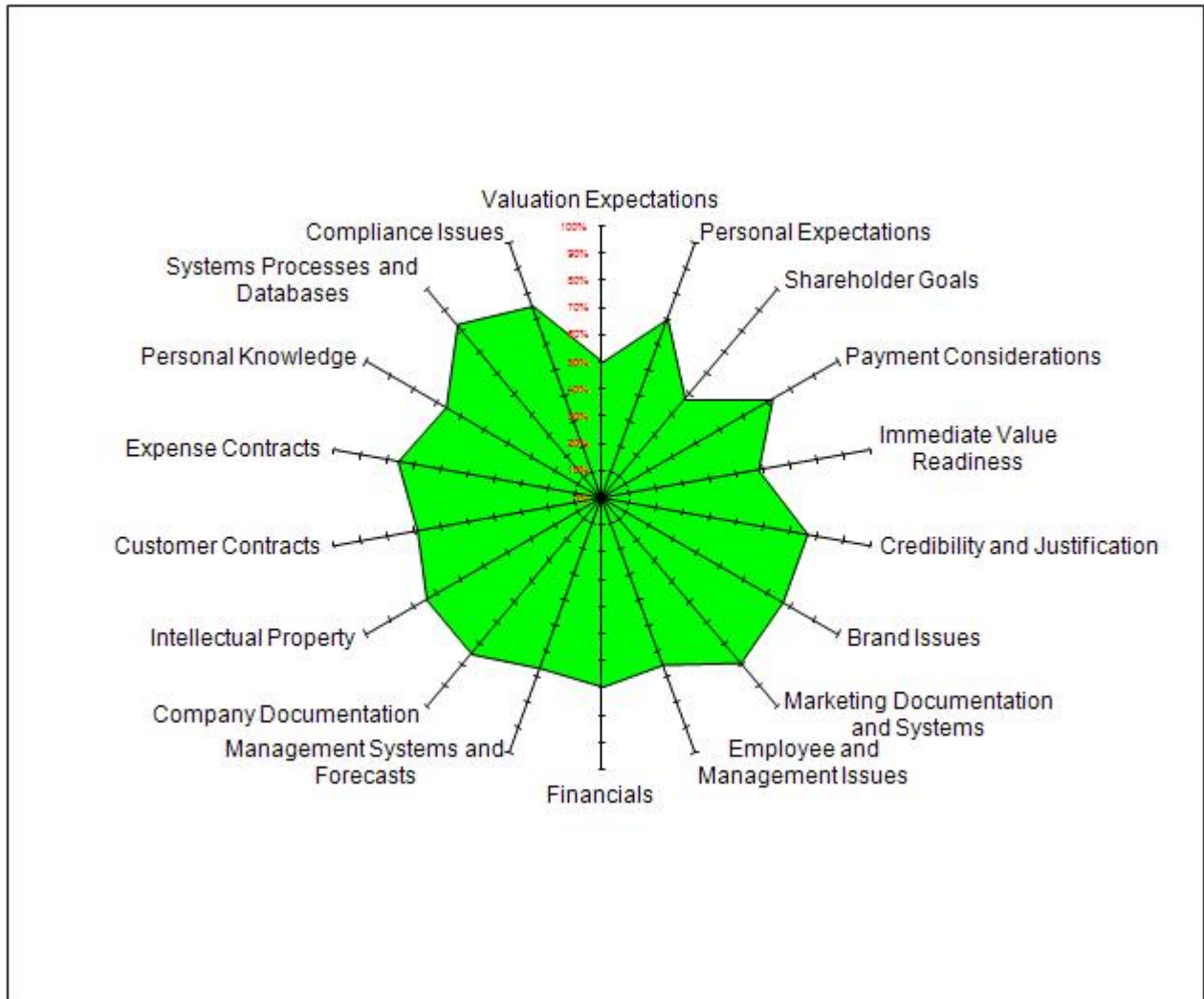


How ready are you to sell?

Score

70%

The "Readiness Index" is calculated by averaging your performance across a number of key areas. Based on our questionnaire we have drafted a radar chart that indicates the areas that you need to work on.



How we can help?

- Prepare an Attractiveness & Readiness Index report
- Provide you with a "Business Worth" methodology report
- Provide you with hard copy templates (book)
- Provide you with electronic forms, questionnaires and calculators
- Work with you on a monthly basis to prepare your business for sale