

Grapester

Exit Planning Readiness

This document was prepared for *John Levine*
by *Bruce McGechan*



EXIT PLANNING READINESS

Executive Summary

Name: John Levine

Date: 07 Dec 2020

| | Total Answer | Possibility Answers | Score | | Comments |
|---------------------------------------|--------------|---------------------|------------|---|----------------------------|
| Exit Planning Readiness Custom | | | 45% | | |
| Valuation Expectations | 6 | 30 | 25% |  | does not meet requirements |
| Personal Expectations | 6 | 30 | 20% |  | does not meet requirements |
| Shareholder Goals | 8 | 36 | 44% |  | does not meet requirements |
| Payment Considerations | 7 | 18 | 39% |  | does not meet requirements |
| Value Readiness | 17 | 30 | 57% |  | nearly meets requirements |
| Credibility and Justification | 10 | 30 | 33% |  | does not meet requirements |
| Brand Issues | 17 | 30 | 57% |  | nearly meets requirements |
| Marketing Documentation & Systems | 4 | 24 | 17% |  | does not meet requirements |
| Employee and Management Issues | 57 | 132 | 43% |  | does not meet requirements |
| Financials | 19 | 36 | 53% |  | nearly meets requirements |
| Management Systems and Forecasts | 7 | 18 | 39% |  | does not meet requirements |
| Company Documentation | 16 | 24 | 89% |  | meets requirements |
| Intellectual Property | 15 | 24 | 62% |  | nearly meets requirements |
| Customer Contracts | 15 | 36 | 42% |  | does not meet requirements |
| Expense Contracts | 16 | 30 | 53% |  | nearly meets requirements |
| Personal Knowledge | 2 | 12 | 17% |  | does not meet requirements |
| Systems Processes | 12 | 36 | 33% |  | does not meet requirements |
| Compliance Issues | 21 | 24 | 88% |  | meets requirements |
| Profit Improvement | 32 | 60 | 59% |  | nearly meets requirements |
| Government Grants | 3 | 18 | 17% |  | does not meet requirements |
| Revenue Drivers | 11 | 30 | 37% |  | does not meet requirements |
| Product Strategies | 15 | 24 | 62% |  | nearly meets requirements |

EXIT PLANNING READINESS

Highlights Report

Name: John Levine
Date: 07 Dec 2020
Result: 45%

| | Answer | Best Answer | Score | | Comments |
|--------------------------------------|--------|-------------|------------|---|--|
| Valuation Expectations 😞 | | | 25% | | |
| Business Valuation | 1 | 6 | 17% | ✗ | No, John hears all sorts of ways to value a company and is unclear on this. |
| Satisfaction with Valuation | 0 | 6 | | | No valuation, N/A. |
| Value Improvements | 2 | 6 | 33% | ✗ | There are always things to be done but the keys one seem to be the new products, new markets and putting systems into place in John's opinion. |
| Time Frame | 2 | 6 | 33% | ✗ | John has reached retirement age but still feels young, figures he has a few years in him yet! |
| Transition Period | 1 | 6 | 17% | ✗ | Not up to speed on transitions. |
| Personal Expectations 😞 | | | 20% | | |
| Activities After Sale | 1 | 6 | 17% | ✗ | John and Claudia would like to travel but are a little hazy after that. |
| Sustainability | 1 | 6 | 17% | ✗ | Not sure. |
| Lifestyle Sustainability | 1 | 6 | 17% | ✗ | No. |
| Exit Plan Issues | 2 | 6 | 33% | ✗ | Thought about it and discussed it with Claudia. |
| Exit Plan Vision | 1 | 6 | 17% | ✗ | No other than assuming it will continue on its current trajectory. |
| Shareholder Goals 😞 | | | 44% | | |
| Shareholders | 6 | 6 | 100% | ✓ | Yes, just John. |
| Shareholders Exit Strategy Agreement | 0 | 6 | | | One shareholder. |
| Shareholders Exit Plan Time Frame | 0 | 6 | | | One shareholder. |
| How Strategy Agreement | 0 | 6 | | | One shareholder. |
| Buyer Options | 1 | 6 | 17% | ✗ | No, not clear on exit options. |

| | | | | | |
|--|---|---|------------|---|--|
| Selling Price Strategy | 1 | 6 | 17% | ✗ | No, not sure about the price. |
| Payment Considerations 😞 | | | 39% | | |
| Selling Considerations | 3 | 6 | 50% | ✗ | Would sell the whole company but appreciate there is real estate that could be sold separately. |
| Taxation Relief | 1 | 6 | 17% | ✗ | Unsure, need tax advice. |
| Bonuses | 3 | 6 | 50% | ✗ | Never thought of the need to have bonuses. Open to the idea though. |
| Value Readiness 😊 | | | 57% | | |
| Business Consistency | 6 | 6 | 100% | ✓ | Business has had consistent and strong growth. |
| Single Person Ownership | 1 | 6 | 17% | ✗ | John is clearly key to the company. |
| Positioning in Growth Market | 4 | 6 | 67% | ✓ | The grape harvester market is growing. |
| Current Products Offered | 4 | 6 | 67% | ✓ | The products are not leading the market but they are close followers with new products coming on stream soon. |
| Strategic Buyers | 2 | 6 | 33% | ✗ | Assumed that was an option but no written list. |
| Credibility and Justification 😞 | | | 33% | | |
| Customer Testimonials | 1 | 6 | 17% | ✗ | Never thought to do this but easy enough to do. |
| Case Studies | 1 | 6 | 17% | ✗ | Never thought to do this, the benefits of machine harvesting could be shown easily but not sure of how to do it for Grapester. |
| Credible Customers | 2 | 6 | 33% | ✗ | We have a list care of accounts receivable system. |
| Awards/Recognition | 1 | 6 | 17% | ✗ | Never really entered into award programs. |
| Community Involvement | 5 | 6 | 83% | ✓ | We support the local rugby team, we offer viticulture cadetship scholarships and we given money to the local schools and bowling club. |
| Brand Issues 😊 | | | 57% | | |
| Brand Improvement | 2 | 6 | 33% | ✗ | Brand seems fine but never spent much money on it given our B2B focus. |
| Brand Name | 3 | 6 | 50% | ✗ | Yes, all about the grapes. |
| Business Name | 6 | 6 | 100% | ✓ | No. |
| Brand Cost | 2 | 6 | 33% | ✗ | Not really all that well known outside of NZ. |

| | | | | | |
|---|---|---|-----|---|--|
| Desirable Brand for Purchasers | 4 | 6 | 67% | ✓ | No issue here. |
| Marketing Documentation & Systems ☹️ | | | | | 17% |
| Systemised Marketing | 1 | 6 | 17% | ✗ | We just don't do much sales and marketing, we focus on the dealer customers and speak to viticulturists when we have the time. |
| List of Past Advertising | 1 | 6 | 17% | ✗ | No. |
| Past Sales Letters | 1 | 6 | 17% | ✗ | No. |
| Success of Campaigns | 1 | 6 | 17% | ✗ | No. |
| Employee and Management Issues ☹️ | | | | | 43% |
| Business Reliance | 1 | 6 | 17% | ✗ | John is key. |
| Expansion Business Reliance | 2 | 6 | 33% | ✗ | Yes, thought about it and have put people in place over time. |
| Who Will Take Over | 2 | 6 | 33% | ✗ | Assuming Zane would take over in time. |
| Task Assignment | 3 | 6 | 50% | ✗ | In detail in production, not so much in other departments. |
| Training | 2 | 6 | 33% | ✗ | No planning for new roles post owner. |
| When | 1 | 6 | 17% | ✗ | No planning for new roles post owner. |
| Salary & Commissions | 1 | 6 | 17% | ✗ | No, assuming it will be the same. |
| Possible Dissatisfaction | 1 | 6 | 17% | ✗ | No, haven't thought about the new roles post owner. |
| Delegation | 1 | 6 | 17% | ✗ | No planning for new roles post owner. |
| Job Descriptions | 2 | 6 | 33% | ✗ | Some do but many key ones don't including some of the managers. |
| Employee Manual | 3 | 6 | 50% | ✗ | Yes, covers all the basics. |
| Employee Contract | 3 | 6 | 50% | ✗ | Yes bar a few managers. |
| IP sign off employees | 5 | 6 | 83% | ✓ | In employment contracts. |
| IP Sign Off Contractors | 1 | 6 | 17% | ✗ | Haven't considered this. |
| Polices & Procedures | 4 | 6 | 67% | ✓ | Yes, in production, a little loose elsewhere. |
| Performance Review | 4 | 6 | 67% | ✓ | Yes, in production. |
| Employee Communication | 1 | 6 | 17% | ✗ | No, really need to get some advice on this. |
| Employee Reaction | 2 | 6 | 33% | ✗ | I worry about this. |
| Employee Morale | 5 | 6 | 83% | ✓ | Good family business, we treat our staff well. |
| Strong Management | 4 | 6 | 67% | ✓ | Production and engineering are strong, Zane and Victoria |

| | | | | | |
|---|---|---|------------|---|---|
| | | | | | are a little young but show strong skills. |
| Organisational Chart | 4 | 6 | 67% | ✓ | Yes. |
| Staff Turnover | 5 | 6 | 83% | ✓ | Yes, as a regional company with an excellent local reputation we offer good employment. |
| Financials 😞 | | | 53% | | |
| Tax Returns | 5 | 6 | 83% | ✓ | Yes. |
| Management Reports | 5 | 6 | 83% | ✓ | Yes in our accounting system. |
| Customer Sales | 4 | 6 | 67% | ✓ | Yes in our accounting system. |
| Product Sales | 3 | 6 | 50% | ✗ | We can do this, just need to pull it from the system the right way. |
| Customer Analysis | 1 | 6 | 17% | ✗ | No, we don't have the time to do this. |
| Profit Plus Add-backs | 1 | 6 | 17% | ✗ | Not sure how to do this. |
| Management Systems and Forecasts 😞 | | | 39% | | |
| Forecast 12-24 Month | 2 | 6 | 33% | ✗ | No but the next 12 months looks easily forecasted. |
| Forecast 3 Years | 2 | 6 | 33% | ✗ | No but we can give some thoughts. |
| Scorecard | 3 | 6 | 50% | ✗ | Production does but not other departments. |
| Company Documentation 😊 | | | 89% | | |
| Company Formation Paperwork | 4 | 6 | 67% | ✓ | Yes, maybe not printed but its there. |
| Current Share Registry/Documents | 6 | 6 | 100% | ✓ | Easy with one shareholder. |
| Shareholder Details | 0 | 6 | | | |
| Business & Company Names | 6 | 6 | 100% | ✓ | Yes, just the import subsidiaries and the major company. |
| Intellectual Property 😞 | | | 62% | | |
| Trademarks | 4 | 6 | 67% | ✓ | In our files somewhere or from the lawyer. |
| Patents & Documentation | 4 | 6 | 67% | ✓ | In our files somewhere or from the lawyer. |
| Software Copyrights | 3 | 6 | 50% | ✗ | Will be somewhere, not sure exactly. |
| Domain Names | 4 | 6 | 67% | ✓ | Yes, just the one, in our files. |
| Customer Contracts 😞 | | | 42% | | |
| Customer Contracts | 3 | 6 | 50% | ✗ | No, it is in various places, and not really a contract. |
| Documentation of Alliance Partners | 1 | 6 | 17% | ✗ | No. |

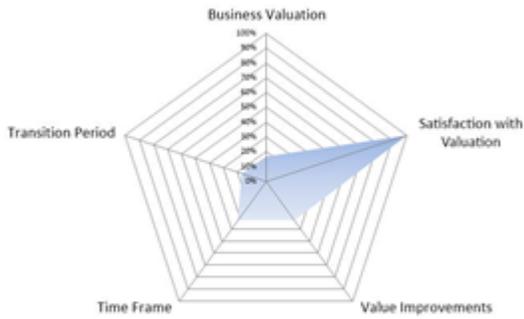
| | | | | | |
|----------------------------------|---|---|------------|---|--|
| Documentation of Major Contracts | 3 | 6 | 50% | ✗ | We don't have contracts really, more verbal agreements with dealers. |
| Support/Maintenance Contracts | 4 | 6 | 67% | ✓ | We do have agreements on who is responsible for maintenance. |
| Warranties & Guarantees | 3 | 6 | 50% | ✗ | Not in a single file. |
| Customer-Related Contracts | 1 | 6 | 17% | ✗ | No contracts. |
| Expense Contracts 😞 | | | 53% | | |
| Supplier Contracts | 3 | 6 | 50% | ✗ | In our email system. |
| Leases/Finance Contracts | 3 | 6 | 50% | ✗ | The odd small finance contract, in email system. |
| Insurance Contracts | 4 | 6 | 67% | ✓ | In John's file. |
| Documentation on Web Hosting | 3 | 6 | 50% | ✗ | In our email system. |
| All Contract Documentation | 3 | 6 | 50% | ✗ | In our email system. |
| Personal Knowledge 😞 | | | 17% | | |
| Knowledge of Valuation | 1 | 6 | 17% | ✗ | No clear knowledge about valuation. |
| Key Buyer Criteria | 1 | 6 | 17% | ✗ | Not really thought about buyers. |
| Systems Processes 😞 | | | 33% | | |
| CRM | 1 | 6 | 17% | ✗ | No. |
| Regular Stocktaking | 5 | 6 | 83% | ✓ | Very good manual stocktake. |
| Accounting | 2 | 6 | 33% | ✗ | Working on this. |
| Customer Database | 1 | 6 | 17% | ✗ | No. |
| Enquiry Database | 1 | 6 | 17% | ✗ | None. |
| Records | 2 | 6 | 33% | ✗ | Kept but not analyzed, |
| Compliance Issues 😊 | | | 88% | | |
| Tax Returns | 6 | 6 | 100% | ✓ | Yes, have a chartered accountant and accounting manager. |
| Superannuation Obligations | 5 | 6 | 83% | ✓ | KiwiSaver is implemented well. |
| Employee Obligations | 4 | 6 | 67% | ✓ | Yes but need to review. |
| Tax, GST or VAT Obligations | 6 | 6 | 100% | ✓ | Yes. |
| Profit Improvement 😞 | | | 59% | | |
| Telephone Management | 5 | 6 | 83% | ✓ | Recently reviewed and renegotiated. |
| Managing Insurance Expenses | 2 | 6 | 33% | ✗ | Not sure about this. |
| Managing Banking Expenses | 3 | 6 | 50% | ✗ | Seems average. |

| | | | | | |
|---|---|---|------------|---|---|
| Overdraft Management | 3 | 6 | 50% | ✗ | Seems average. |
| Inventory Management | 4 | 6 | 67% | ✓ | Believe done well through lean production but still carry a lot of stock on the balance sheet. |
| Management of Quotes and Tenders | 4 | 6 | 67% | ✓ | Tend to stick to our prices. Tenders n/a. |
| Expense Management of Payroll | 4 | 6 | 67% | ✓ | Seem to run a lean staff. |
| Managing Expenses | 4 | 6 | 67% | ✓ | GP believed healthy but not high. |
| Commission Payment | 0 | 6 | | | Don't pay commission. |
| Human Resources Expenses | 3 | 6 | 50% | ✗ | Accounting and admin staff keep costs down. |
| Government Grants 😞 | | | 17% | | |
| Export Grant Funding | 1 | 6 | 17% | ✗ | Haven't looked at government funding options. |
| R&D | 1 | 6 | 17% | ✗ | As above. |
| Government Grants Applicable | 1 | 6 | 17% | ✗ | As above. |
| Revenue Drivers 😞 | | | 37% | | |
| Average Value Sale | 4 | 6 | 67% | ✓ | Are very aware of our pricing, have decided to keep it consistent. |
| Frequency of Purchase | 1 | 6 | 17% | ✗ | Could be a possibility with dealers. |
| Increasing Customers | 4 | 6 | 67% | ✓ | Regard this as central to our sales, especially export trade channels. |
| Increasing Leads | 1 | 6 | 17% | ✗ | No, don't handle leads very well. |
| Improving Conversation Rates | 1 | 6 | 17% | ✗ | No, don't track this. |
| Product Strategies 😞 | | | 62% | | |
| Launch into Existing Markets | 5 | 6 | 83% | ✓ | Working on new products including OTT machine. |
| Launch into New Markets | 1 | 6 | 17% | ✗ | No, we would go into new markets with existing products. |
| Existing Products Into Existing Markets | 5 | 6 | 83% | ✓ | We actively improve our core machinery and technology. |
| Existing Products Into New Markets | 4 | 6 | 67% | ✓ | We are considering potential importers in other countries. We only have a toe hold in the US, so regional new markets are possible. |

One Page Snapshot of Results

Your Score **45%**

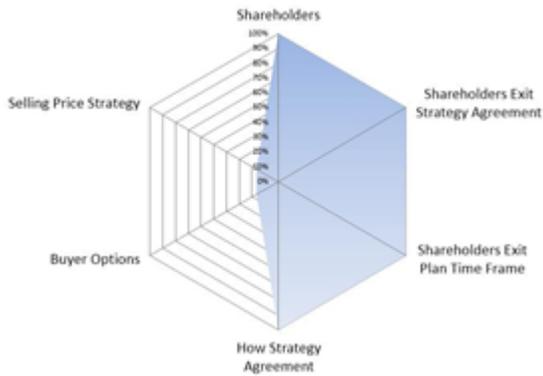
Valuation Expectations



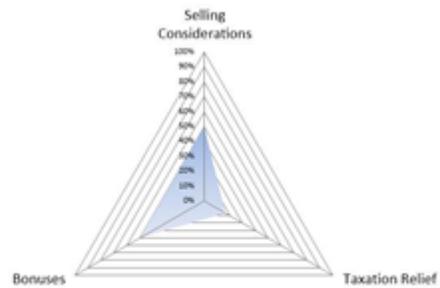
Personal Expectations



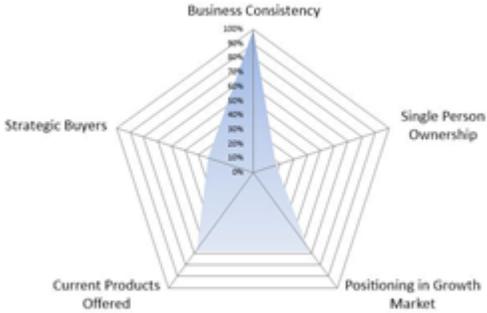
Shareholder Goals



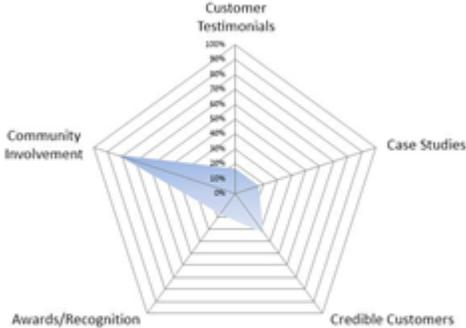
Payment Considerations



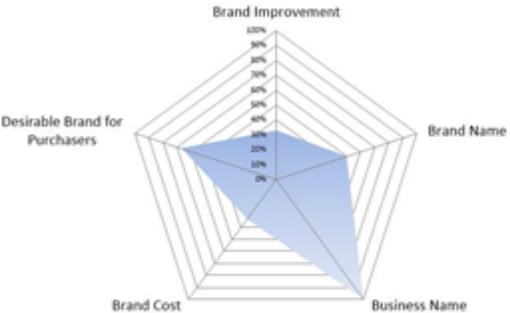
Value Readiness



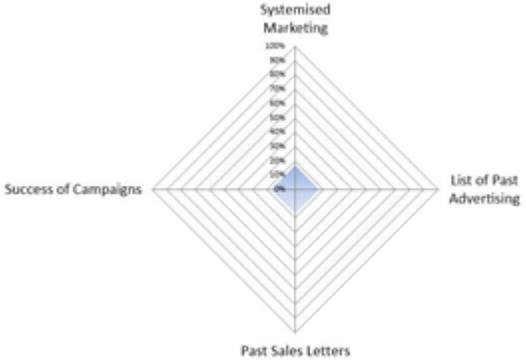
Credibility and Justification



Brand Issues



Marketing Documentation & Systems



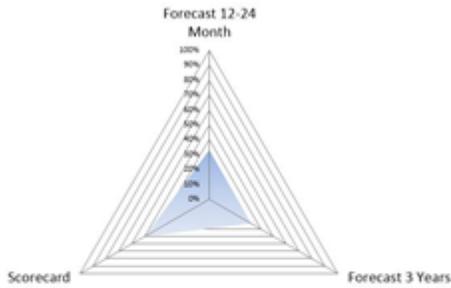
Employee and Management Issues



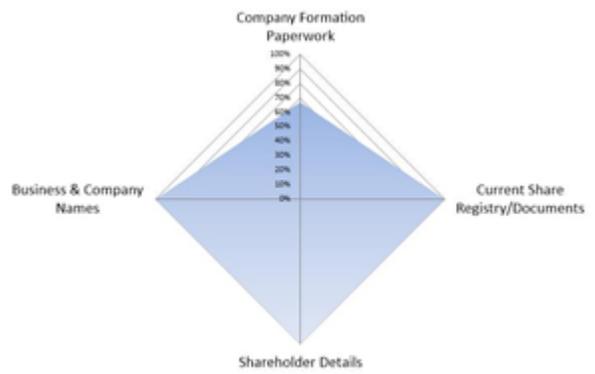
Financials



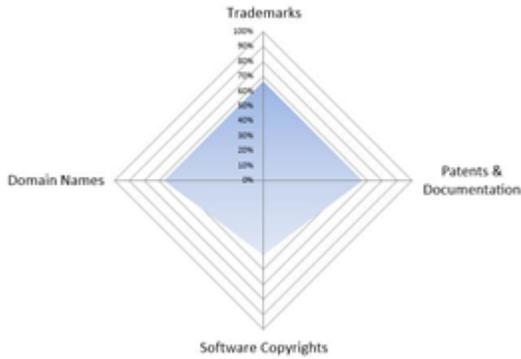
Management Systems and Forecasts



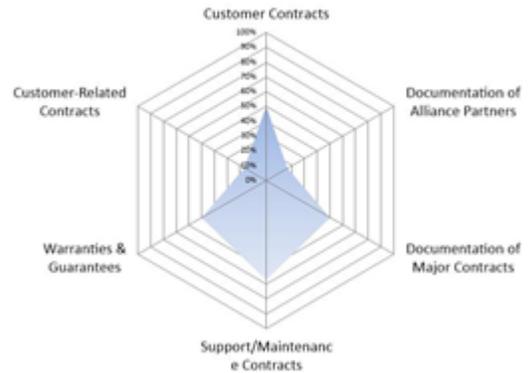
Company Documentation



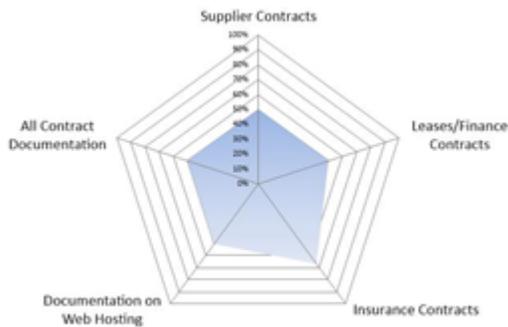
Intellectual Property



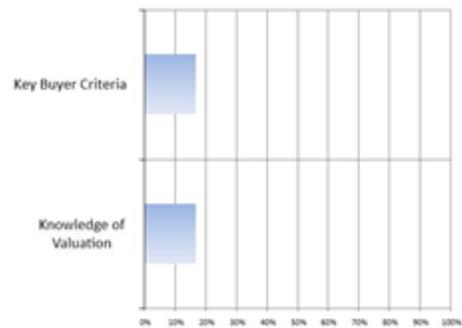
Customer Contracts



Expense Contracts



Personal Knowledge



Systems Processes



Compliance Issues



Profit Improvement



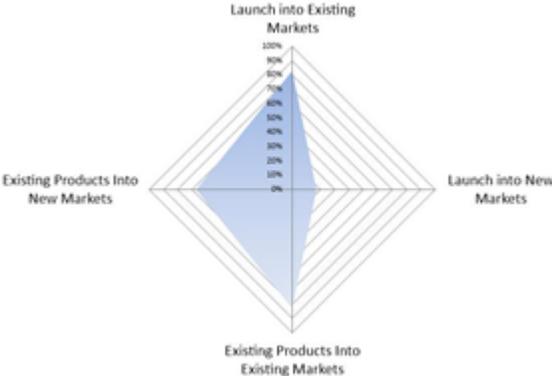
Government Grants



Revenue Drivers



Product Strategies



Exit Planning Readiness

Score **45%**

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



Based on your answers to these questions your score is 45%.

Valuation Expectations



This section looks at whether you have an understanding of how much your business is worth and whether you would be prepared to sell for that amount. If you would only be prepared to sell at more than this amount then obviously you need to improve the value of your business before selling.

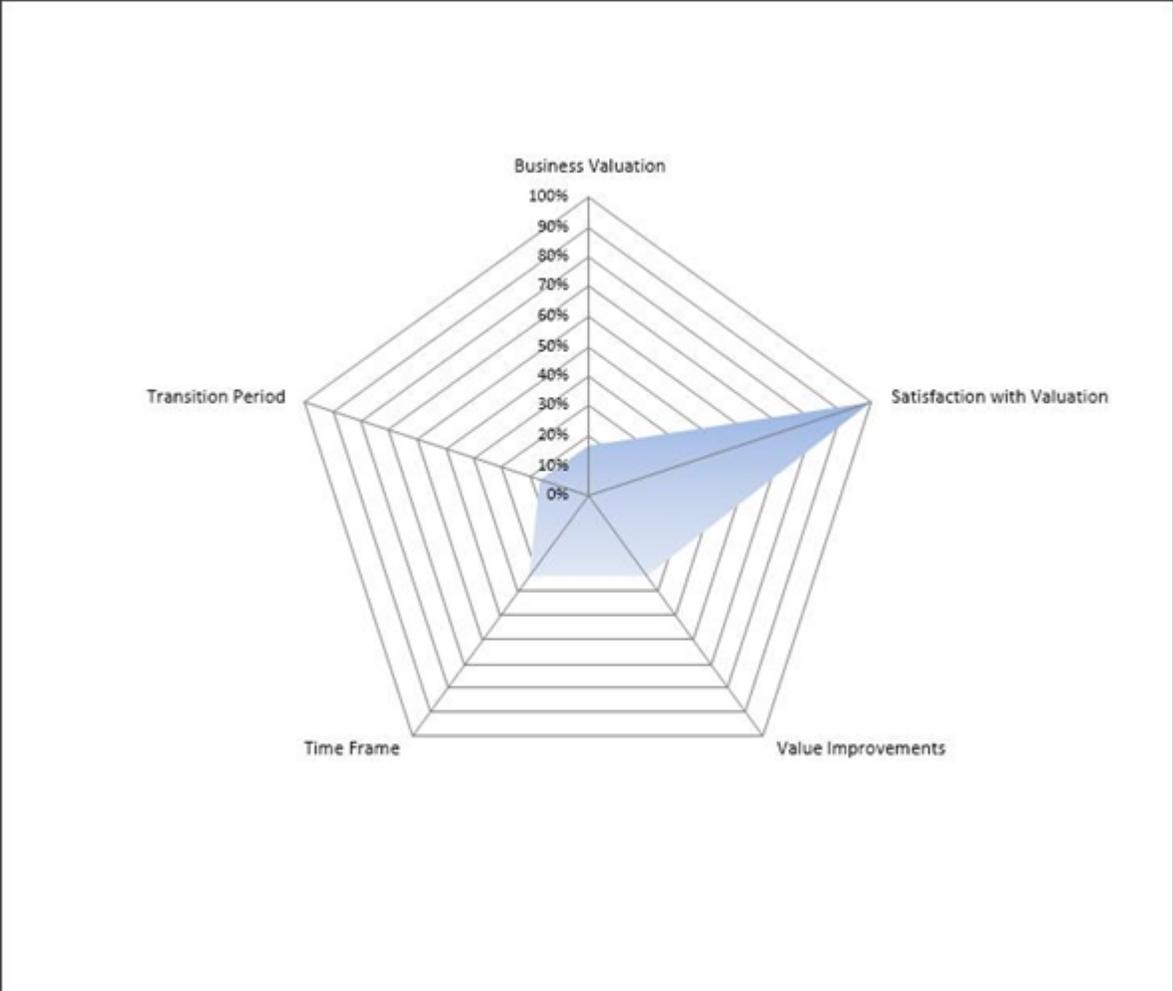
You should also be considering whether it is possible to increase the value of your business to the level of worth that would satisfy you.

When you review this area you should also be looking at the time frame. If your business is worth what you would be prepared to sell then your timeframe to sell can be very short. If your business falls below the value for which you would sell then you need to set a timeframe that is realistic in building value.

Based on your answers to our questionnaire, your business score is 25% in this area.

| Topic | Analysis Area | Score |
|-----------------------------|--|-------|
| Business Valuation | Do you know how much your business is worth today? | 1 |
| Satisfaction with Valuation | Would you be happy to sell your business for this amount? | 0 |
| Value Improvements | Are there any changes you could make to improve your business worth? Answer completed if there are no further changes that could be made. | 2 |
| Time Frame | Do you have a time frame for which you are looking at to sell your business? | 2 |
| Transition Period | Have you determined how long you will allow for a handover and transition period? | 1 |

Graph of Valuation Expectations



Personal Expectations



When contemplating the sale of your business, you need to consider what you will be doing after you sell. Will you be retiring, vacationing or going straight back to work? Are you able to easily get a job after you sell or will you need to apply for a job?

The key to this topic is understanding the financial implications to your proposed lifestyle and to see whether the business can be sold for enough money to support these objectives.

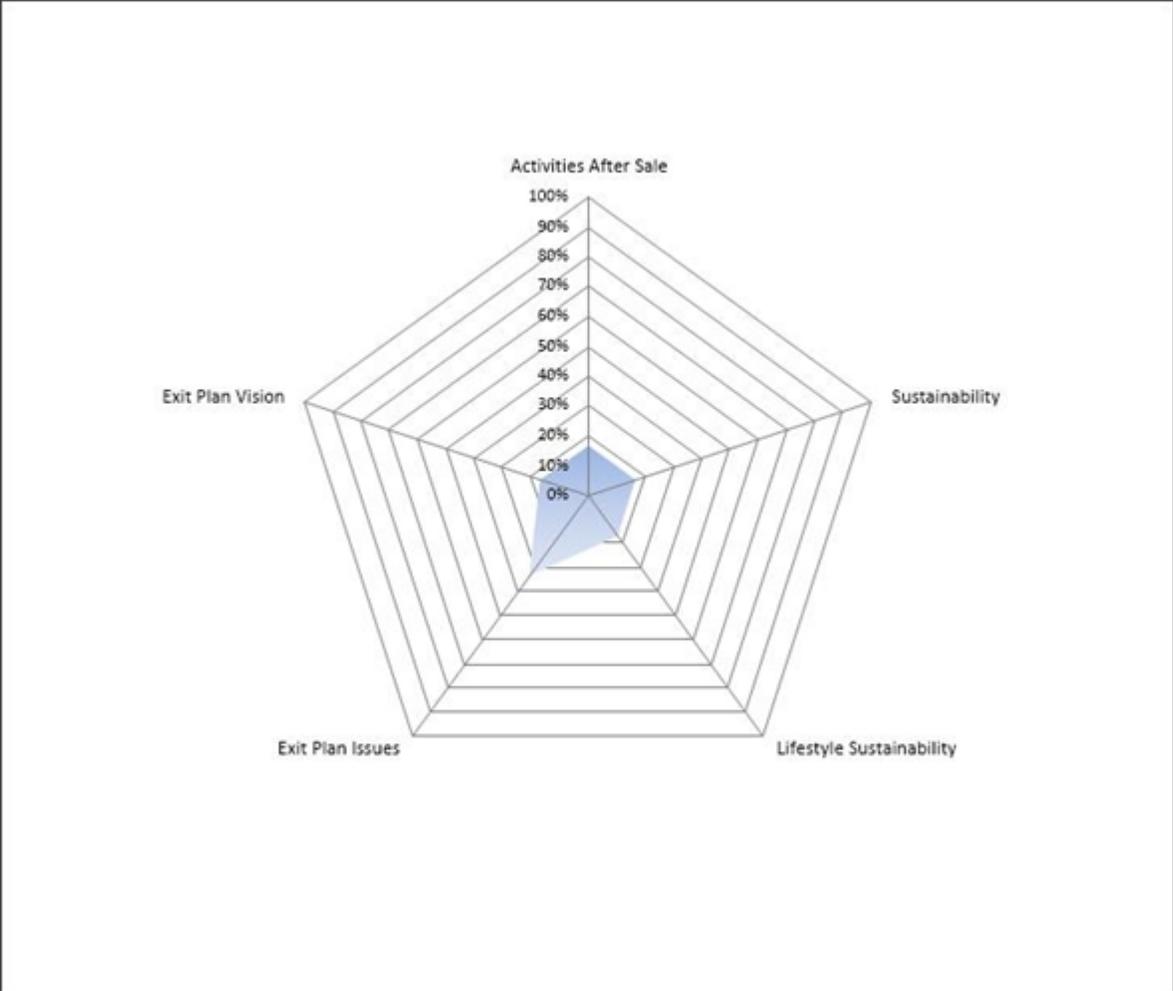
You may also need to consider whether there are some forced retirement or business exit parameter decisions that will mean that you will need to sell by a certain date.

You may also consider your vision for the business. You may want the brand and business to thrive and grow on your departure. That would mean that you would be looking for a certain type of buyer and structuring the business so that it appeals to this type of buyer.

Based on your answers to our questionnaire, your business score is 20% in this area.

| Topic | Analysis Area | Score |
|--------------------------|--|-------|
| Activities After Sale | Do you know what you will do after you sell the business? | 1 |
| Sustainability | Will you be able to sustain this lifestyle based on what the business is worth now? | 1 |
| Lifestyle Sustainability | Do you know the amount of money would you actually need to achieve your lifestyle objective? | 1 |
| Exit Plan Issues | Have you considered the issue of retirement or when you might need to exit the business? | 2 |
| Exit Plan Vision | Do you have a vision for what will happen to the business after you sell it? | 1 |

Graph of Personal Expectations



Shareholder Goals



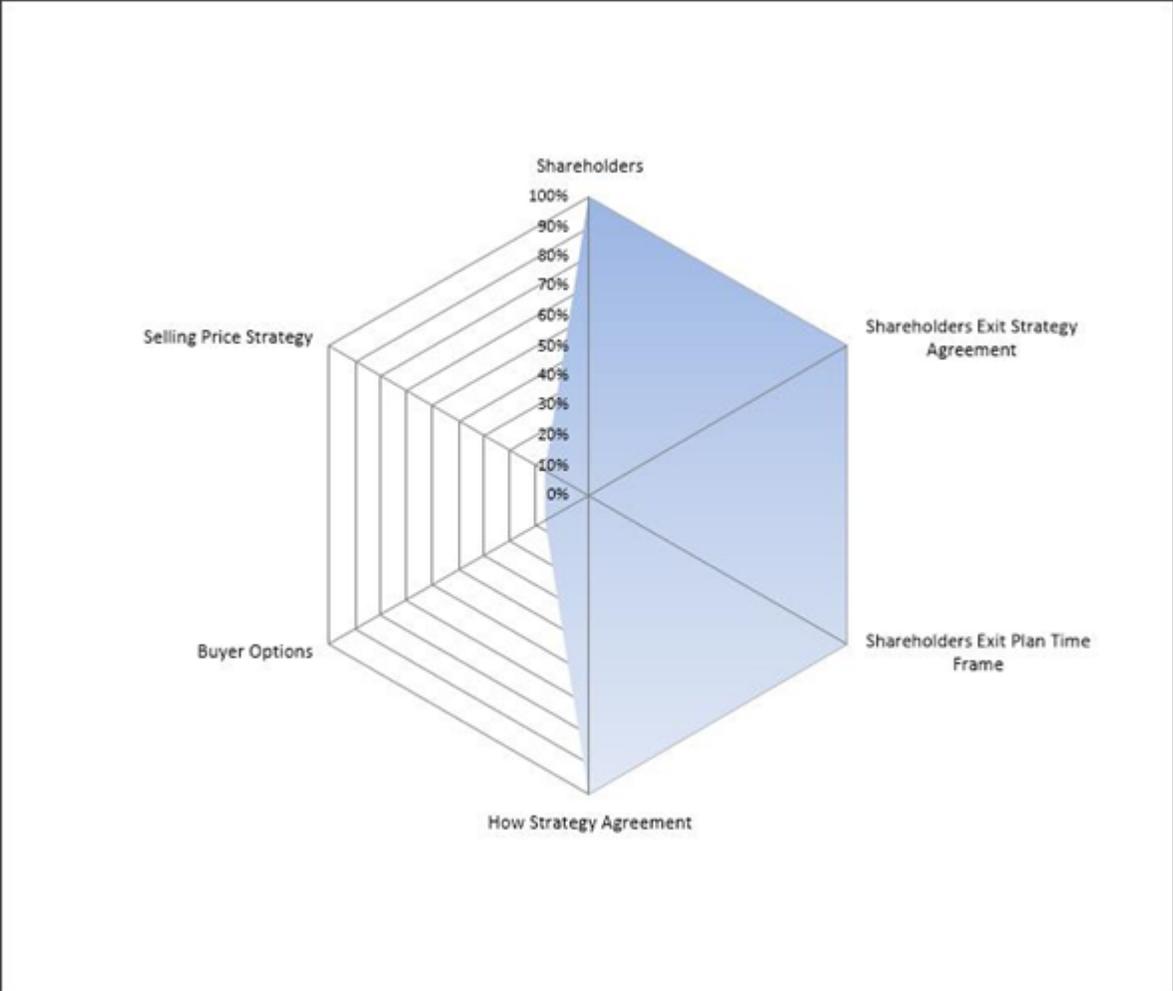
Most businesses have multiple shareholders that effectively own the business. If you are a small business you may have formed the company many years ago and have both the husband and wife as shareholders. In some situations where divorce or separation may have interrupted a good relationship then selling the business and transferring shares may be difficult. It is best to think of these things in advance.

When you are preparing to sell the business, all major shareholders should be consulted. Does everyone agree to the time-frame that the business will be sold, the price that it should be sold for and whether the sale should be financed by cash, shares or even seller finance?

Based on your answers to our questionnaire, your business score is 44% in this area.

| Topic | Analysis Area | Score |
|--------------------------------------|--|-------|
| Shareholders | Do you have a printed list of the names and addresses of all the shareholders in the business? | 6 |
| Shareholders Exit Strategy Agreement | Do all shareholders agree on the exit strategy? | 0 |
| Shareholders Exit Plan Time Frame | Do all shareholders agree on the when strategy? ie have you agreed on a time frame? | 0 |
| How Strategy Agreement | Do all shareholders agree on the how strategy? ie Cash, shares, earn out, etc | 0 |
| Buyer Options | Have you agreed on who will buy your business? ie Management buyout, family member, strategic, investor, etc | 1 |
| Selling Price Strategy | Have all shareholders agreed on the price strategy? ie the amount that you will sell the business for? | 1 |

Graph of Shareholder Goals



Payment Considerations



When you sell a business you can sell either the goodwill and assets or the shares of the company. The buyer will often only want to buy the goodwill and assets as opposed to the shares because of the potential liabilities. There are however circumstances where either might be desirable.

From a tax perspective both may have different implications. Selling the shares in a company might attract less tax than the sale of assets and goodwill. The best person to talk to about the advantages and disadvantages is your accountant.

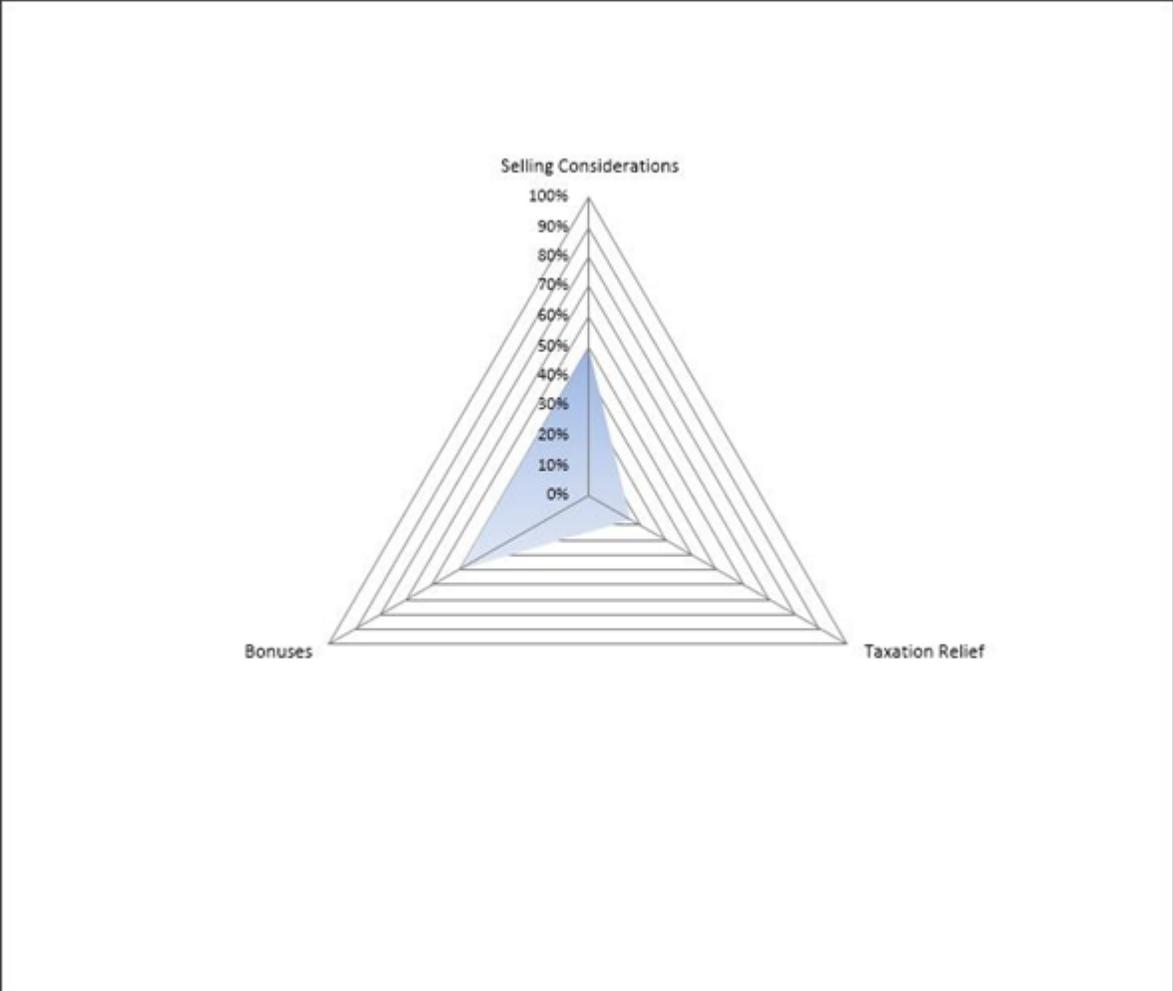
The difference in the tax rate could vary greatly and it is worthwhile considering. Sometimes if you sell over a certain amount then you might not get the tax exemptions. In other cases if you are approaching retirement age, you may get exemptions. Other tax exemptions may be applied with time. I.e. if you have held the shares in the business for longer than a certain period you may qualify for tax exemptions.

The other factor to consider in this area are employee and family bonuses. You may wish to reward staff and family for their support of your business. Factoring all these elements allows you to think through the “How much” and the “When” decisions without making a irritated decision that you will regret for the rest of your life.

Based on your answers to our questionnaire, your business score is 39% in this area.

| Topic | Analysis Area | Score |
|------------------------|---|-------|
| Selling Considerations | Have you determined what will be sold? I.e. sell the Pty Ltd company or just goodwill and assets? | 3 |
| Taxation Relief | Is there a tax deduction that you could apply for? | 1 |
| Bonuses | Do you want to offer bonuses or payments to staff or family? | 3 |

Graph of Payment Considerations



Value Readiness



If your business is a start-up or has had poor performance in its financial track record then the value of your business will be lower than if you had a strong financial history. Your goal when you wish to sell your business is to pitch it as a great “low risk” investment for a potential buyer. Two businesses with the same potential with the same recent sales and profitability may be valued at different ends of the spectrum. Look at the following cases.

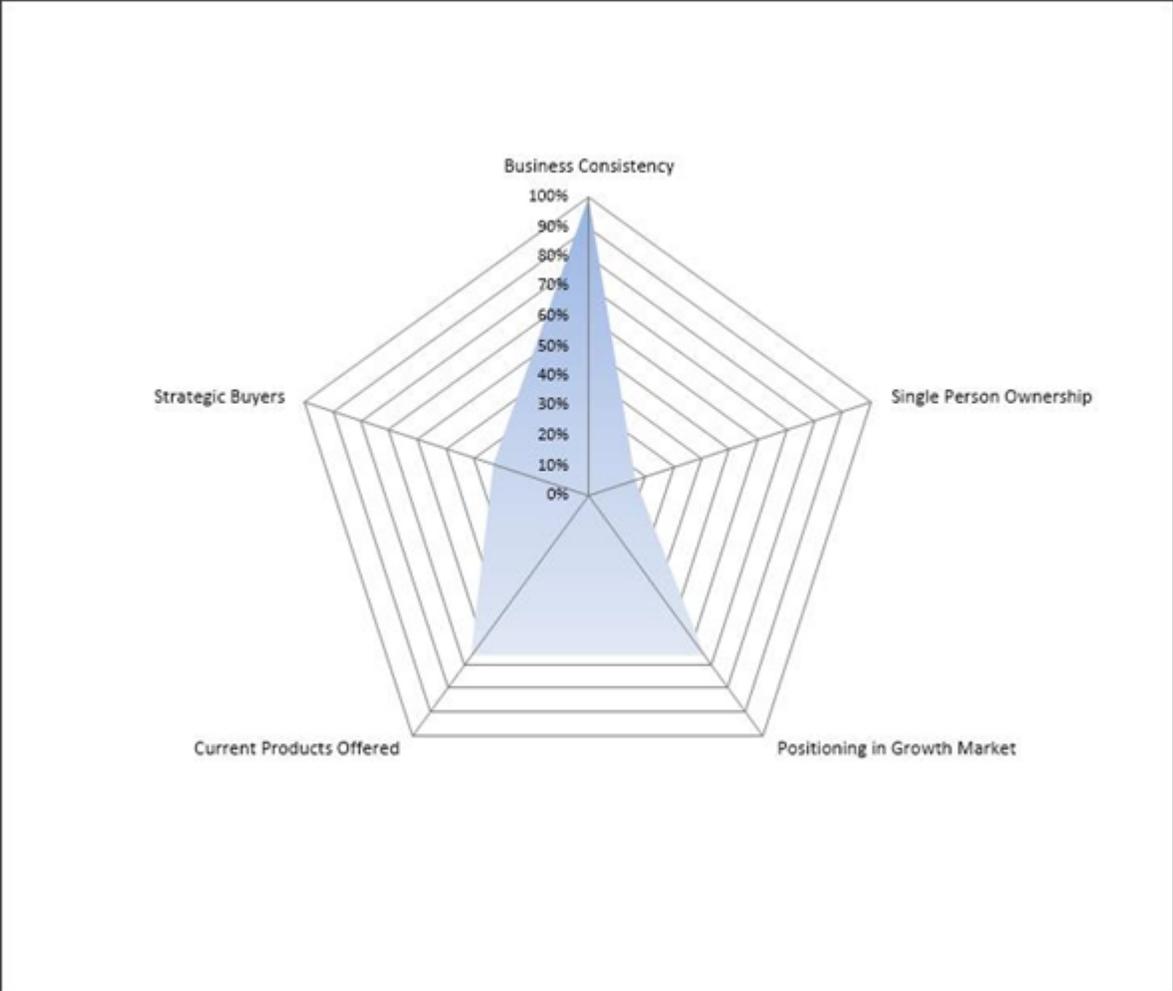
- One business appears to rely on the Directors and Owners and the other appears to rely on staff members. That means that when a potential buyer takes over the chance of success is much higher.
- One may be a new start-up company and the other may be an established company with 5 years of positive history.
- One of the companies may have spent a considerable amount on R&D that will lift their profits in the future.
- One may have developed long term contracts that will ensure the profit for the next 24 months whereas the other will have to rely on winning contracts or work on a weekly basis.
- One of the companies may have developed a product that is positioned in a growth market and the other may not.
- One may be in a better geographical segment.
- One may have a brand that is more recognizable.
- One of the companies may have developed a worldwide patent that locks the brand into immediate worldwide distribution.
- One of the companies may be a dominant player in a niche whereas the other is a smaller player with less of a competitive advantage in a wider marketplace.
- One business may be a strategic fit to another business and therefore the acquiring business may be able to generate more profit in the future as a result of this strategic fit.

This is just the start of a list of factors that will improve your appearance to a potential buyer.

Based on your answers to our questionnaire, your business score is 57% in this area.

| Topic | Analysis Area | Score |
|------------------------------|---|-------|
| Business Consistency | Does the business show a steady increase over the last two to three years or at least a consistency in profit? | 6 |
| Single Person Ownership | Does the business rely on a single person or have the appearance of relying on a single person? | 1 |
| Positioning in Growth Market | Is the business positioned in growth markets? (The business will be more attractive to a strategic buyer if it is). | 4 |
| Current Products Offered | Are the current products that the business offer attractive? | 4 |
| Strategic Buyers | Have you considered whether your business could be sold to a strategic buyer? | 2 |

Graph of Value Readiness



Credibility and Justification



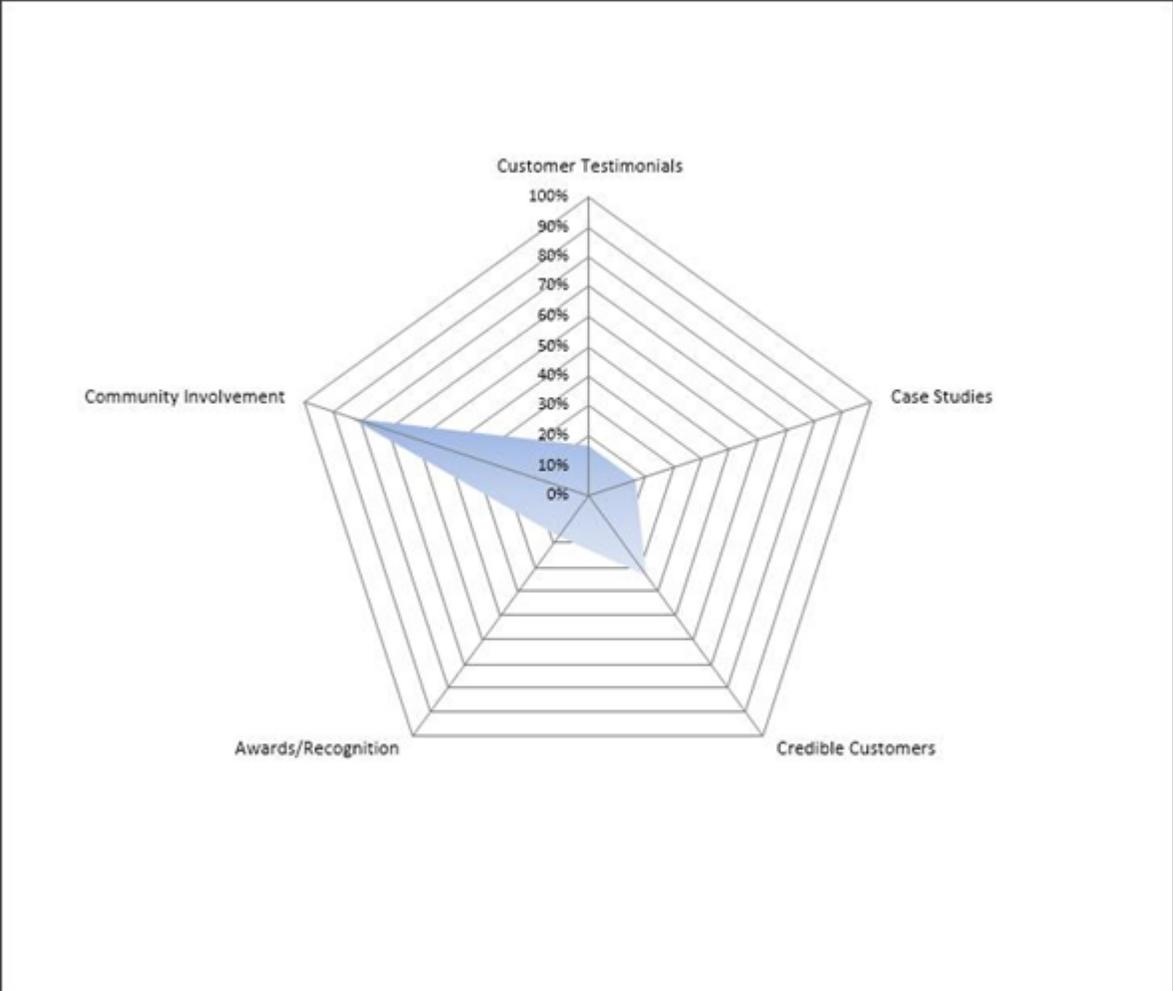
You know how good your company is but will your potential buyer? You need to make sure you print out any customer testimonials and any other awards or recognition's.

If you have actively been involved in community programs then this is worthwhile highlighting. Also see if you can put together some case studies of high profile companies that have used your product and saved time or money or improved their life.

Based on your answers to our questionnaire, your business score is 33% in this area.

| Topic | Analysis Area | Score |
|-----------------------|--|-------|
| Customer Testimonials | Do you have a list of customer testimonials? | 1 |
| Case Studies | Do you have case studies of where the products or services have been used and the benefits that your products or services have demonstrated to the customer? | 1 |
| Credible Customers | Do you have a list of credible customers? | 2 |
| Awards/Recognition | Do you have a list of awards or recognition? | 1 |
| Community Involvement | Do you have a list of your community involvement? | 5 |

Graph of Credibility and Justification



Brand Issues



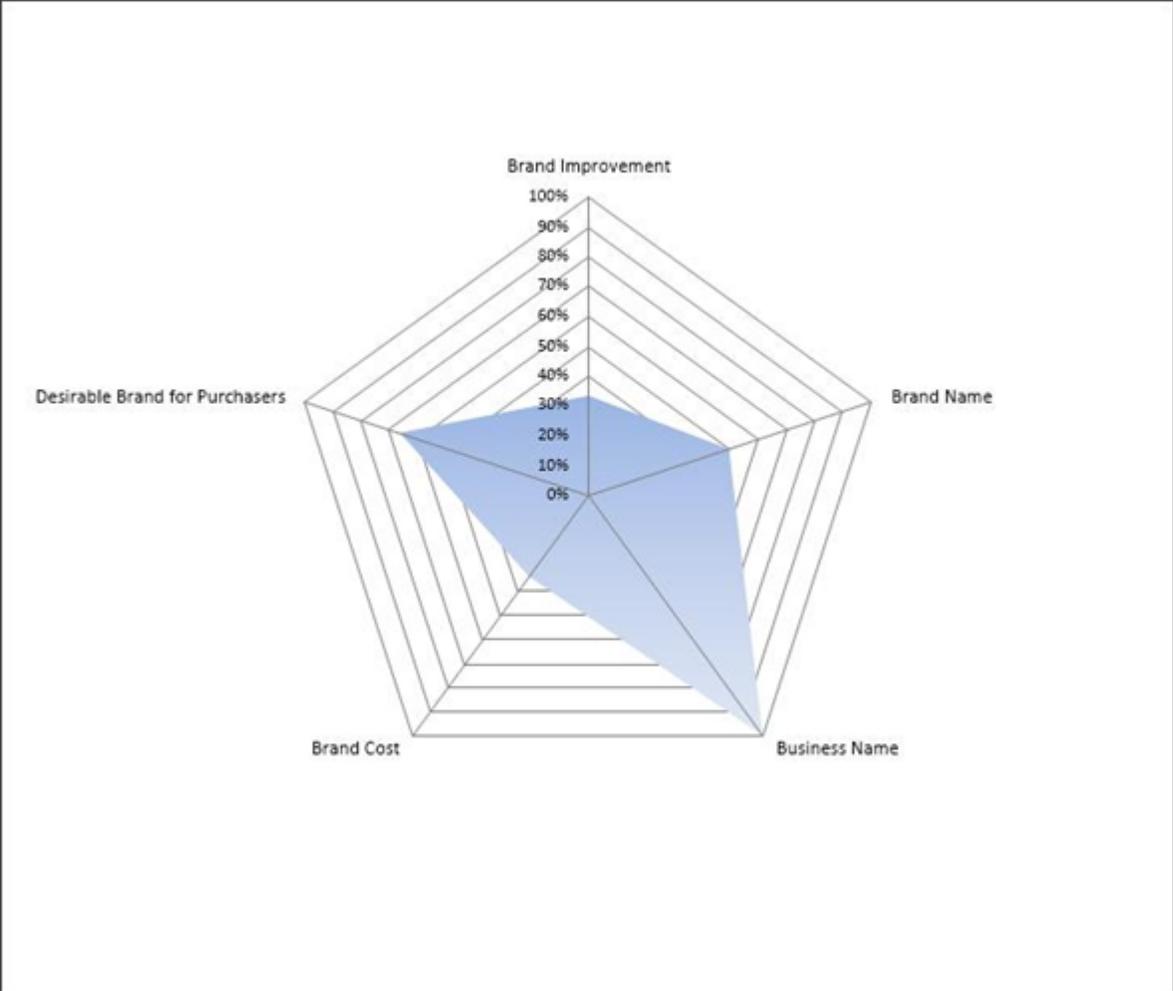
The most common mistake that small businesses make is to name their business after themselves. In some situations this may work but in most cases this is likely to reduce the attractiveness of the brand to a potential purchaser. It is also flagging the fact that the business is reliant on the original owner.

Look at your business name and product names. Make sure that the brand appeals and will not limit you to a segment that in the future may become obsolete.

Based on your answers to our questionnaire, your business score is 57% in this area.

| Topic | Analysis Area | Score |
|--------------------------------|--|-------|
| Brand Improvement | The brand effects the goodwill payment. Is the brand suitable and cannot be improved? | 2 |
| Brand Name | Does the brand name suit the image of the company? | 3 |
| Business Name | Does the business name include the business owner's name? | 6 |
| Brand Cost | Could a potential purchaser add any weight to the purchase price because of the brand? | 2 |
| Desirable Brand for Purchasers | Could your brand be undesirable to certain potential purchasers? | 4 |

Graph of Brand Issues



Marketing Documentation & Systems



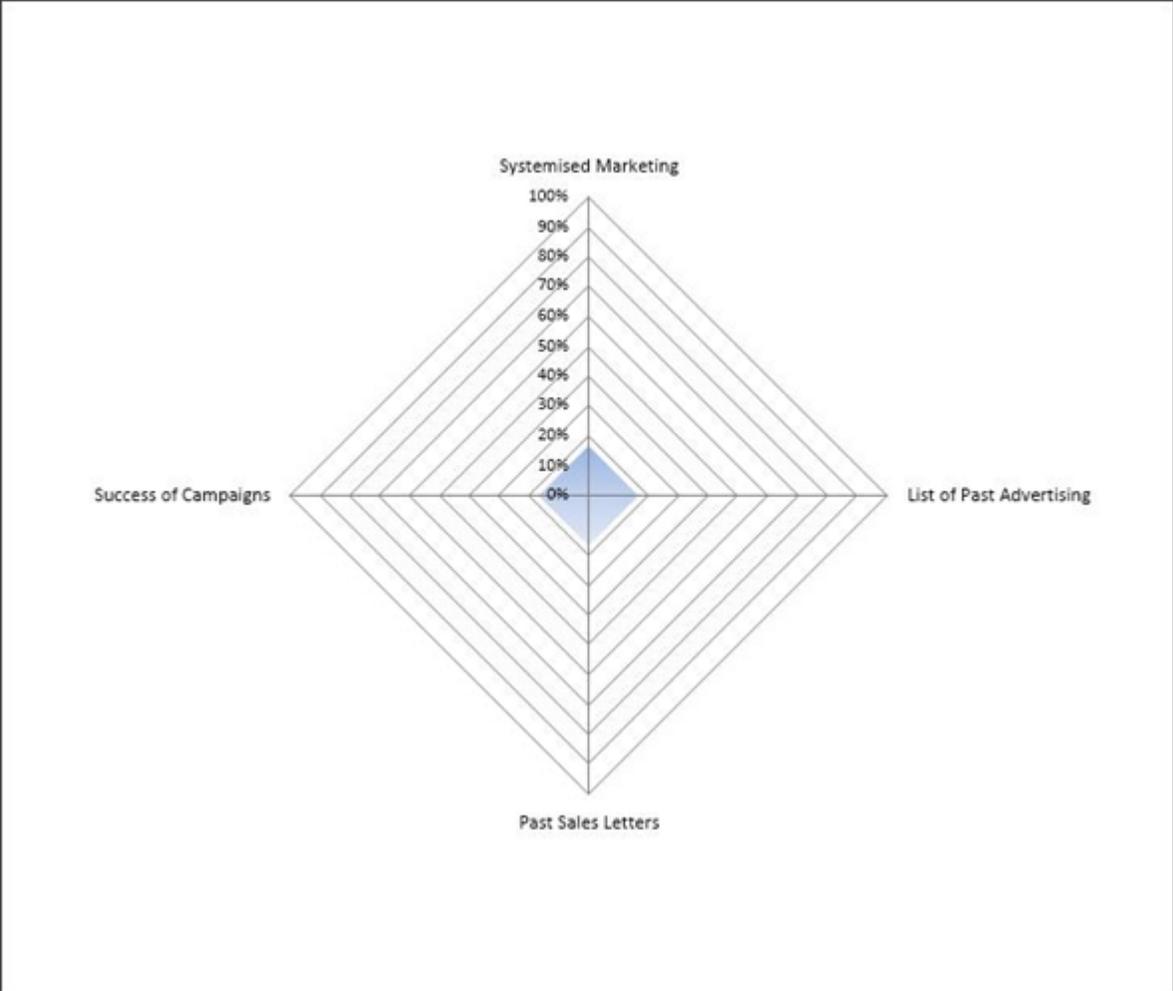
When a potential buyer looks at your business, they will be evaluating whether they can replicate your model to continue to make money. The way that they will judge this is to review your marketing and sales systems.

If your business does not appear systemised then your business value will go down. A list of where you spend your advertising and the success of past campaigns will impress your potential buyer.

Based on your answers to our questionnaire, your business score is 17% in this area.

| Topic | Analysis Area | Score |
|--------------------------|---|-------|
| Systemised Marketing | Does your marketing look systemised as though it will be easily replicatable when you leave? | 1 |
| List of Past Advertising | Do you have a list of past advertising and promotional campaigns? | 1 |
| Past Sales Letters | Do you have copies of past sales letters and promotional material? | 1 |
| Success of Campaigns | Do you monitor the success of these sales and marketing campaigns and do you have a record of past performance? | 1 |

Graph of Marketing Documentation & Systems



Employee and Management Issues



Your business should not be perceived as being reliant on the business owner. If this perception exists then the value of the business will drop.

You need to start planning ahead in advance of placing your business on the market.

The owner's job should be able to be performed by employees. Sometimes this transition may take time so start considering all the roles that are performed by the owner, who will take over in the future and what level of training do you need to do now to get them to this level.

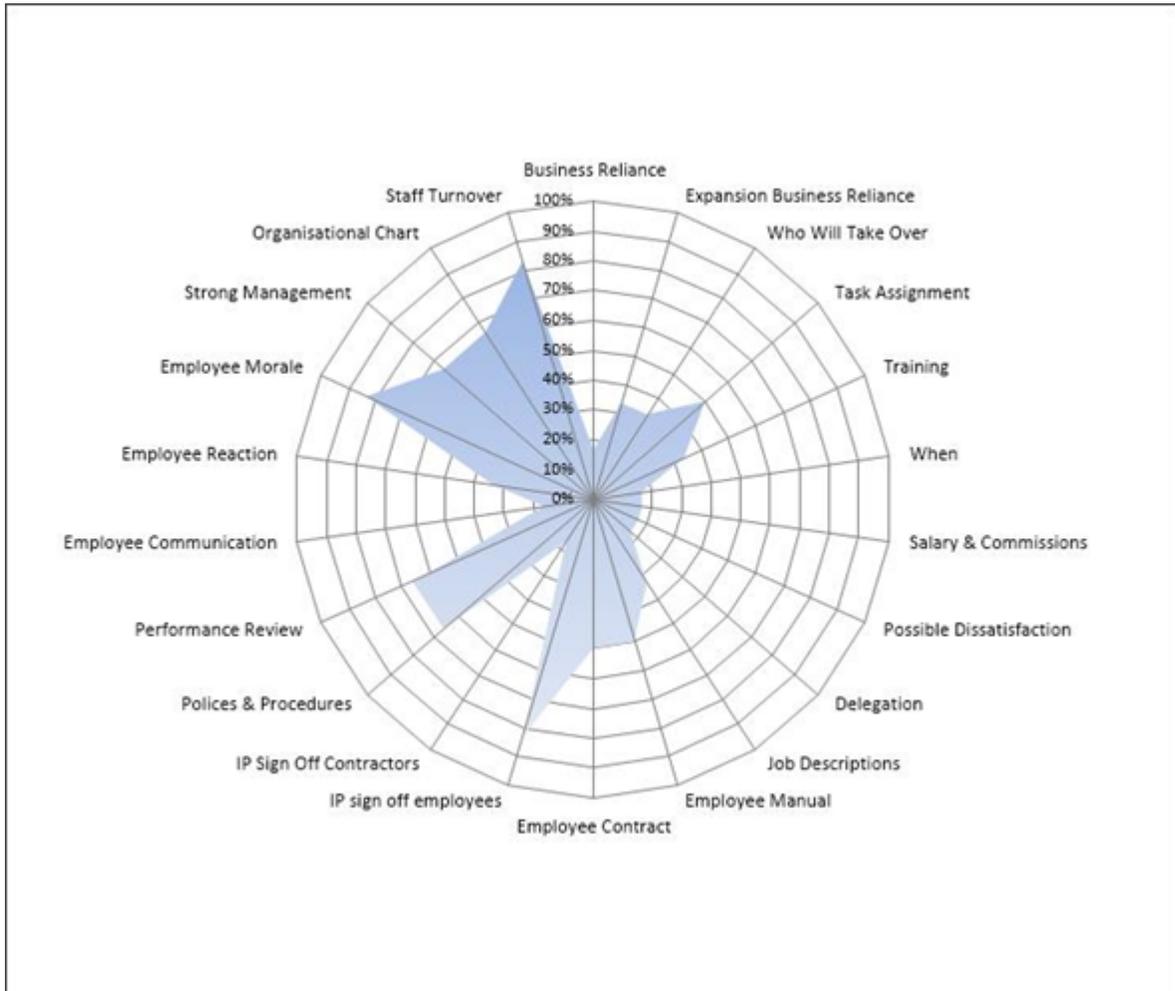
Start a program where you build competency and in the process you will make your business a stronger business. Build the right systems including job descriptions, employee contracts employee manuals and other documentation that replaces uncertainty with clear direction.

Based on your answers to our questionnaire, your business score is 43% in this area.

| Topic | Analysis Area | Score |
|-----------------------------|---|-------|
| Business Reliance | The business is not reliant on a single person or this is not the perception? | 1 |
| Expansion Business Reliance | Have you considered if the business can be expanded to rely on multiple people? | 2 |
| Who Will Take Over | Have you decided which of your employees will take over the role of the owner? | 2 |
| Task Assignment | Have you developed a plan that details what tasks will be done by which employees? | 3 |
| Training | Have you planned what training is needed to get employees qualified for their new roles? | 2 |
| When | Have you planned when the employees should transition into the new roles? | 1 |
| Salary & Commissions | Have you determined the changes to salaries and/or incentives that will be required? | 1 |
| Possible Dissatisfaction | Have you determined whether the role changes will cause any dissatisfaction among the other employees? | 1 |
| Delegation | Have you planned the time frame when the new roles should commence and whether some tasks need to be delegated immediately? | 1 |
| Job Descriptions | Do all employees have job descriptions? | 2 |
| Employee Manual | Does the business have a current employee manual? | 3 |
| Employee Contract | Do all employees have an employee contract? | 3 |

| | | |
|-------------------------|--|---|
| IP sign off employees | Is there a sign off (in an employment contract or elsewhere) that all intellectual property is owned by the company? | 5 |
| IP Sign Off Contractors | Is there a sign off by all contractors that all intellectual property is owned by the company? | 1 |
| Policies & Procedures | Does the organisation have clear policies and procedures? | 4 |
| Performance Review | Do all employees have an established performance review process? | 4 |
| Employee Communication | Have you decided whether you will communicate the sale to your employees? | 1 |
| Employee Reaction | Have you thought through how your employees will react to the sale of your business? | 2 |
| Employee Morale | Are your employees happy? If not you should consider what is wrong and develop steps to improve morale. | 5 |
| Strong Management | Does management appear strong on paper? | 4 |
| Organisational Chart | Has an organisational chart been developed with summaries of the key employees? | 4 |
| Staff Turnover | Is staff turnover reasonable? (If not an explanation may be required for the new buyer). | 5 |

Graph of Employee and Management Issues



Financials



Well documented financials are critical to a successful sale. You need to have a copy where applicable of the last 3 years tax returns for the business.

You also need to produce a reconciliation that includes “Addbacks”. “Addbacks” are all the personal, or one-off expense items that are included in the tax returns. It should also include all payments and wages paid to the owner (and associated personnel). This then provides a net payment of the return to the business owner. You should also add back depreciation which show the cash return to the owner.

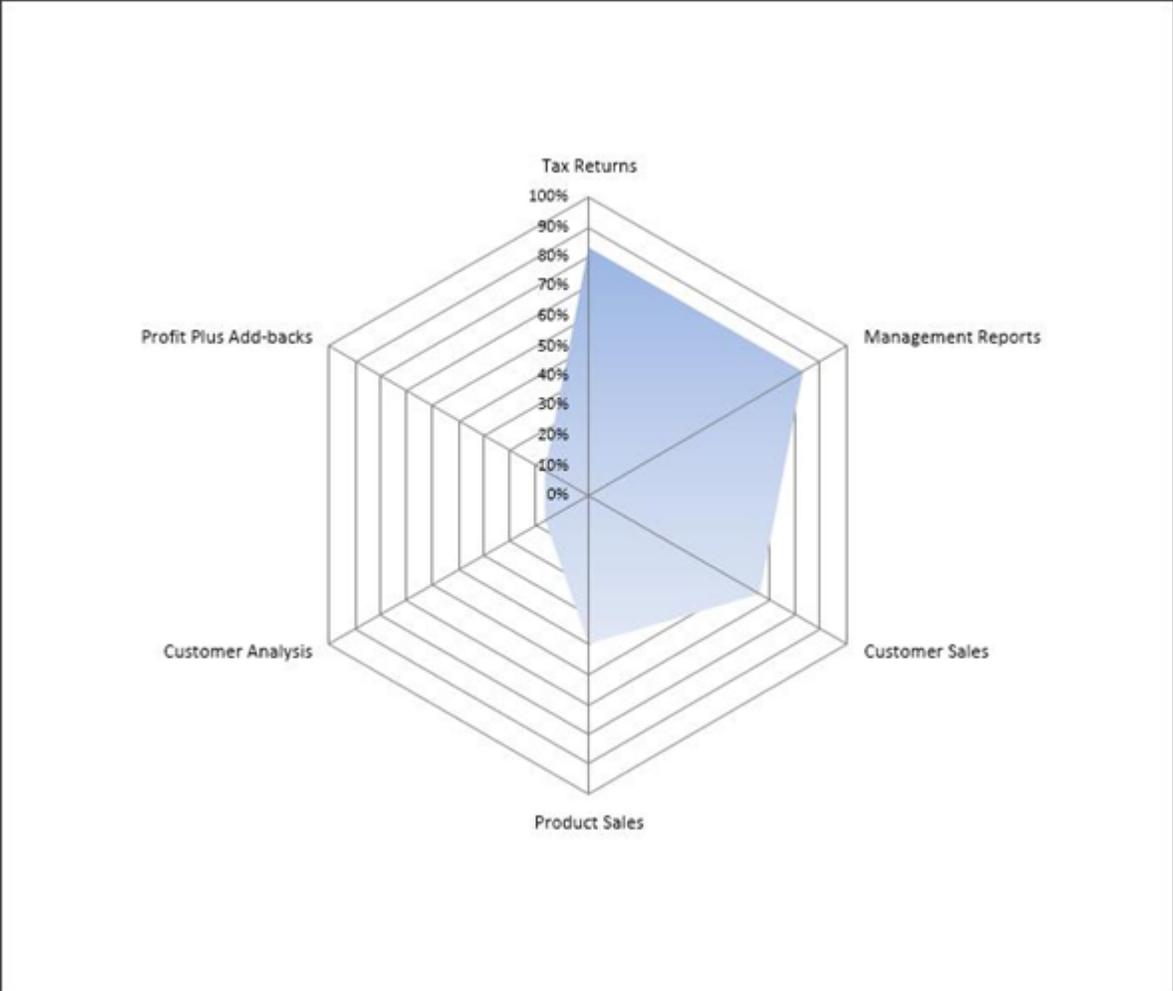
This figure of profit before tax plus “Addbacks” is often used as valuation tool. Most buyers will also demand that a market payment for a business manager be also added back.

When you are negotiating the sale of the business, sales by customers and products and detailed management reports are necessary to demonstrate how the business has been performing at the micro level.

Based on your answers to our questionnaire, your business score is 53% in this area.

| Topic | Analysis Area | Score |
|-----------------------|---|-------|
| Tax Returns | Do you have 2 years of tax returns or audited statements available? | 5 |
| Management Reports | Do you have documented last year's management reports and profit and loss? | 5 |
| Customer Sales | Do you have documented your sales by customers? | 4 |
| Product Sales | Do you have documented sales by products? | 3 |
| Customer Analysis | Do you have documented an analysis of your key customers? | 1 |
| Profit Plus Add-backs | Have you determined your profit plus add-backs and have this available in a reconciliation statement? | 1 |

Graph of Financials



Management Systems and Forecasts



Businesses are valued based on the amount of future income that they may be able to generate factored against risk.

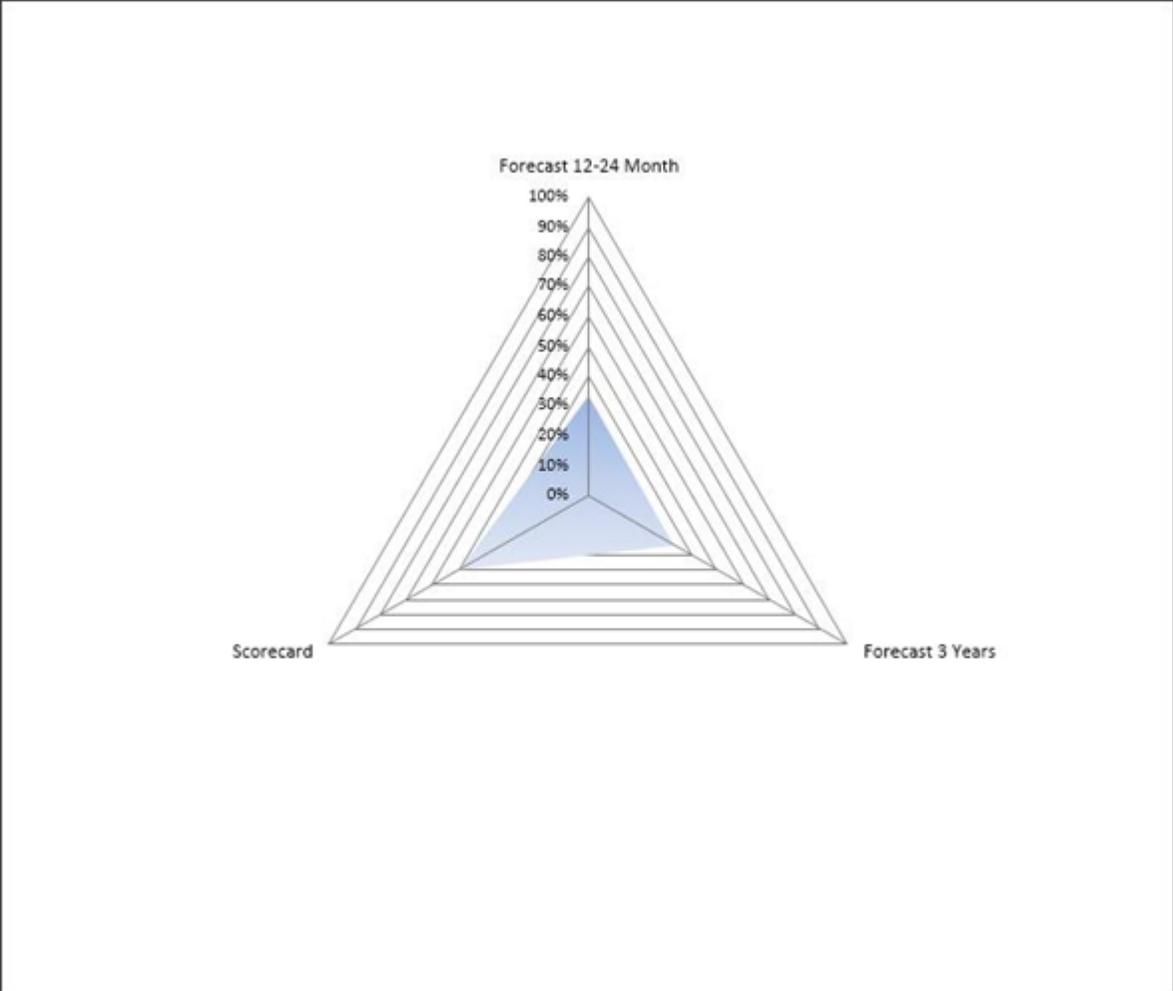
Many valuation methodologies use a multiple of profit or a calculation of future profits to arrive at a valuation of the company. Therefore the more credible your forecast and the more reliable it is seen as a projection for future income then the higher the likely value of your business.

If your forecast is non-existent or seen as unreliable then it is likely that your business will be valued on historical earnings. This may lead to a downward valuation.

Based on your answers to our questionnaire, your business score is 39% in this area.

| Topic | Analysis Area | Score |
|----------------------|---|-------|
| Forecast 12-24 Month | Have you prepared a detailed forecast with justification for the next 12-24 months? | 2 |
| Forecast 3 Years | Have you prepared a 3 year forecast? | 2 |
| Scorecard | Do you have a scorecard or management control system that adds weight to this forecast? | 3 |

Graph of Management Systems and Forecasts



Company Documentation



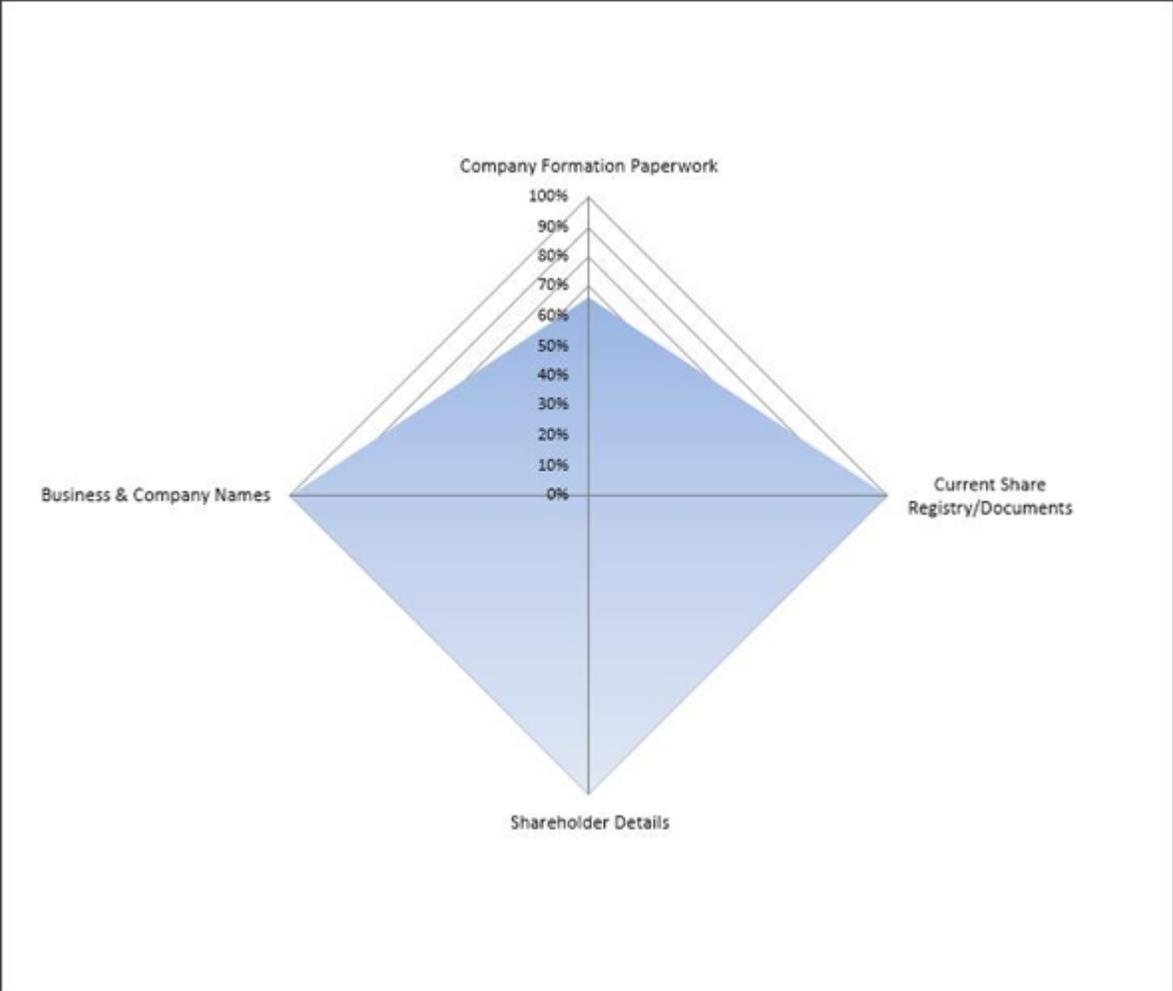
When a buyer makes an offer which you accept, the next stage of the process is due diligence. This is where the buyer inspects all elements of the company.

You must have printouts and the original share registry, list and addresses of all shareholders and any other pertinent company documentations.

Based on your answers to our questionnaire, your business score is 89% in this area.

| Topic | Analysis Area | Score |
|----------------------------------|---|-------|
| Company Formation Paperwork | Have you printed and have readily available your company formation “memorandum of incorporation” paperwork? | 4 |
| Current Share Registry/Documents | Have you printed and have readily available your current share registry and similar such documentation? | 6 |
| Shareholder Details | Have you printed and have readily available the address and contact details of other shareholders? | 0 |
| Business & Company Names | Do you have a list of all business and company names? | 6 |

Graph of Company Documentation



Intellectual Property



You need to have a list of all your trade mark and patent documentation where applicable.

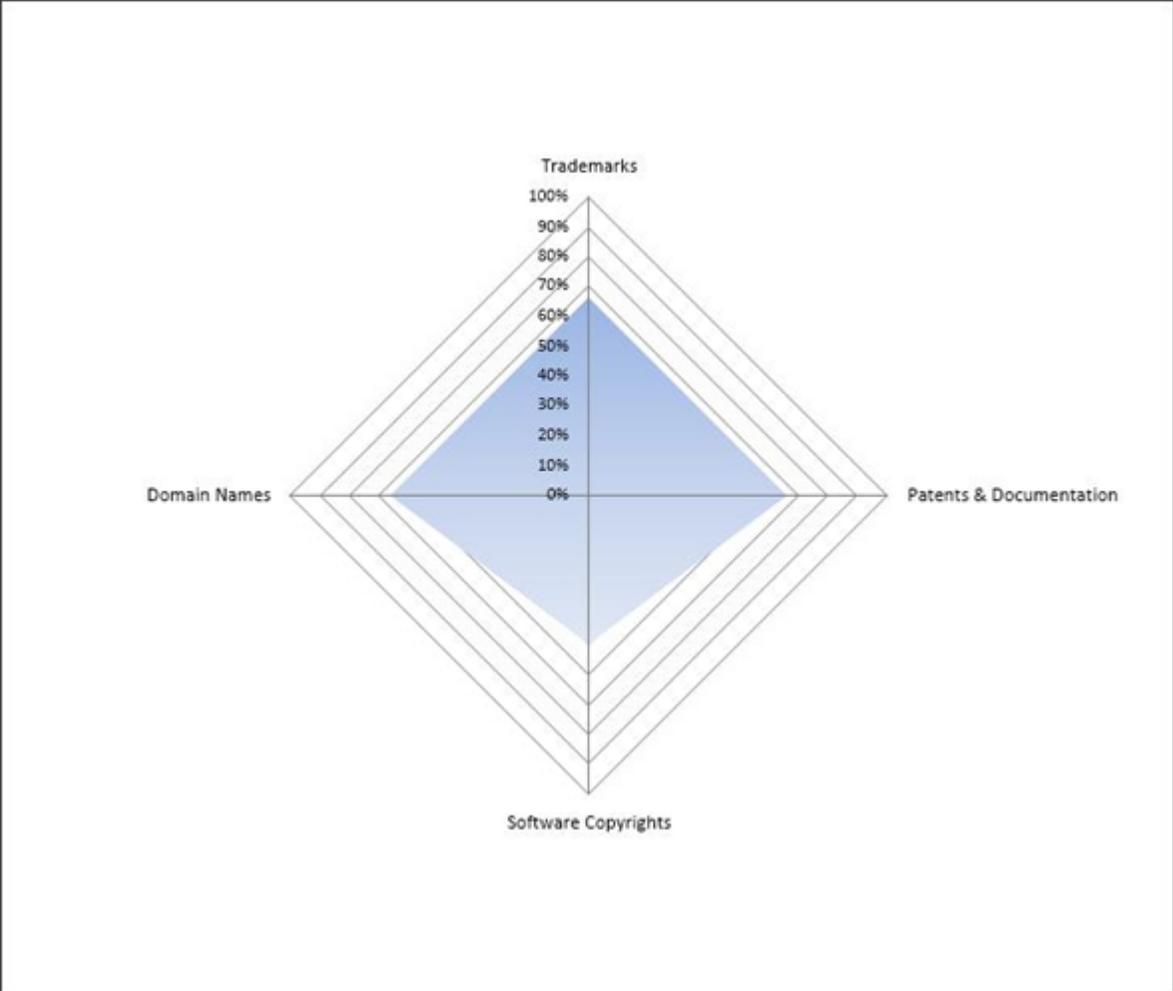
If you have a website or sites you need to have a list of all the domain names and where they were registered. This is important because when you sign the business over to someone else you will likely be assigning the rights of all your websites, trade marks and patents.

You do not want to delay the sale process by not having this necessary documentation. You will need to contact all these agencies at “Completion” and transfer ownership to the new party. (Note: “Completion” refers to the final purchase of the business based on the signing of the purchase agreement and the handover of the agreed purchase price of the business.)

Based on your answers to our questionnaire, your business score is 62% in this area.

| Topic | Analysis Area | Score |
|-------------------------|---|-------|
| Trademarks | Do you have readily available a list of all trademarks and documentation with expiry dates? | 4 |
| Patents & Documentation | Do you have readily available a list of all patents and documentation with expiry dates? | 4 |
| Software Copyrights | Do you have readily available a list of all copyright ownership of software and agreements? | 3 |
| Domain Names | Do you have readily available a list of all domain names, documentation and expiry dates? | 4 |

Graph of Intellectual Property



Customer Contracts



Any potential purchaser is going to want to review all the contracts that the business has signed. If it is a company share transfer then the new buyer will have all the liabilities of these contracts transferred.

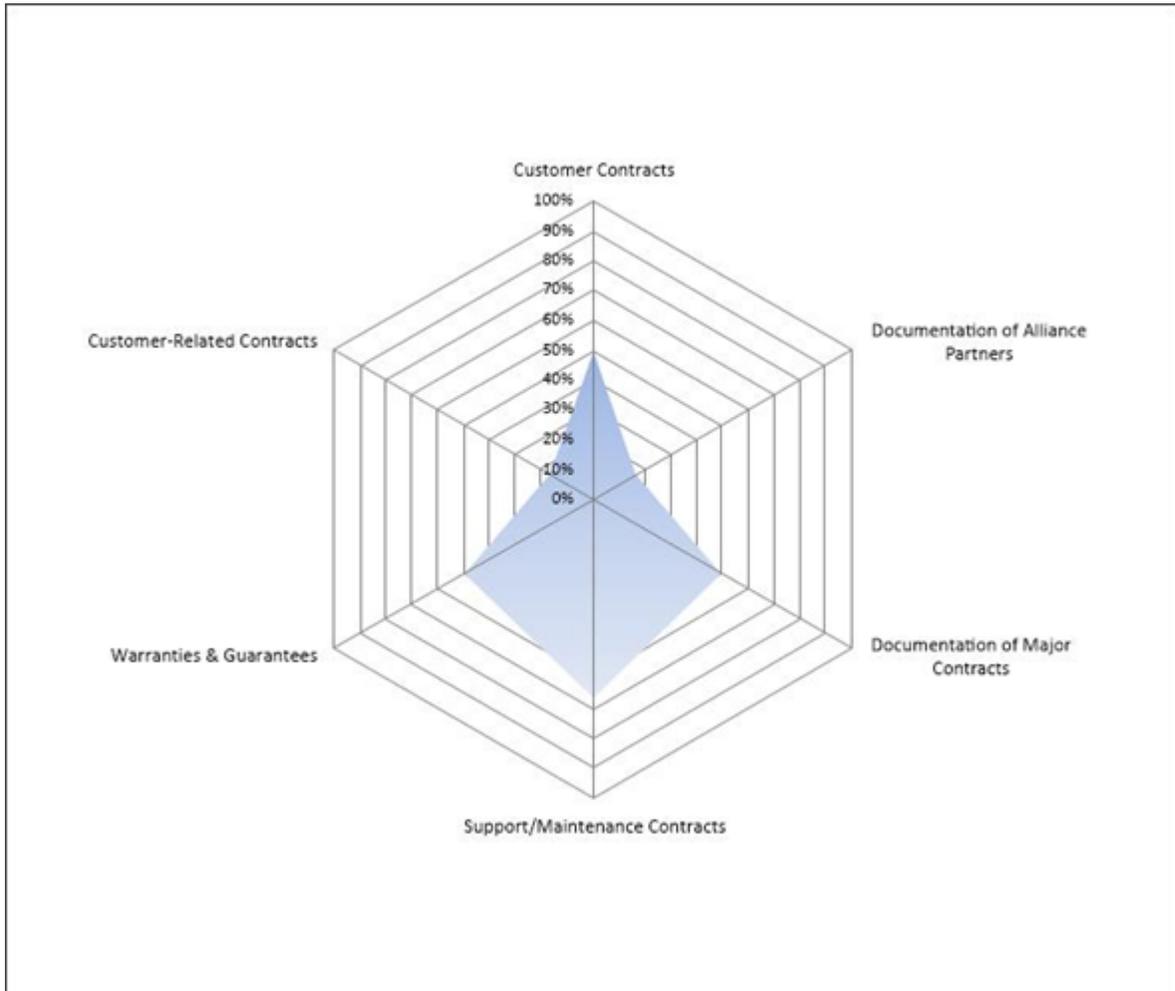
Contracts should be broken into two areas; customer contracts and supplier contracts.

Customer contracts include all contracts that bring money into the business or are part of revenue obligations. This would include any sale or distribution contracts, and strategic alliances, warranties, support and maintenance and any other customer related areas.

Based on your answers to our questionnaire, your business score is 42% in this area.

| Topic | Analysis Area | Score |
|------------------------------------|--|-------|
| Customer Contracts | Do you have in a single file a list of customer contracts? | 3 |
| Documentation of Alliance Partners | Do you have in a single file a list of strategic alliance partners? | 1 |
| Documentation of Major Contracts | Do you have in a single file a list of major contracts by product line? | 3 |
| Support/Maintenance Contracts | Do you have in a single file a list of support/maintenance contracts? | 4 |
| Warranties & Guarantees | Do you have in a single file a list of warranties and guarantees? | 3 |
| Customer-Related Contracts | Do you have in a single file a list of other customer-related contracts? | 1 |

Graph of Customer Contracts



Expense Contracts

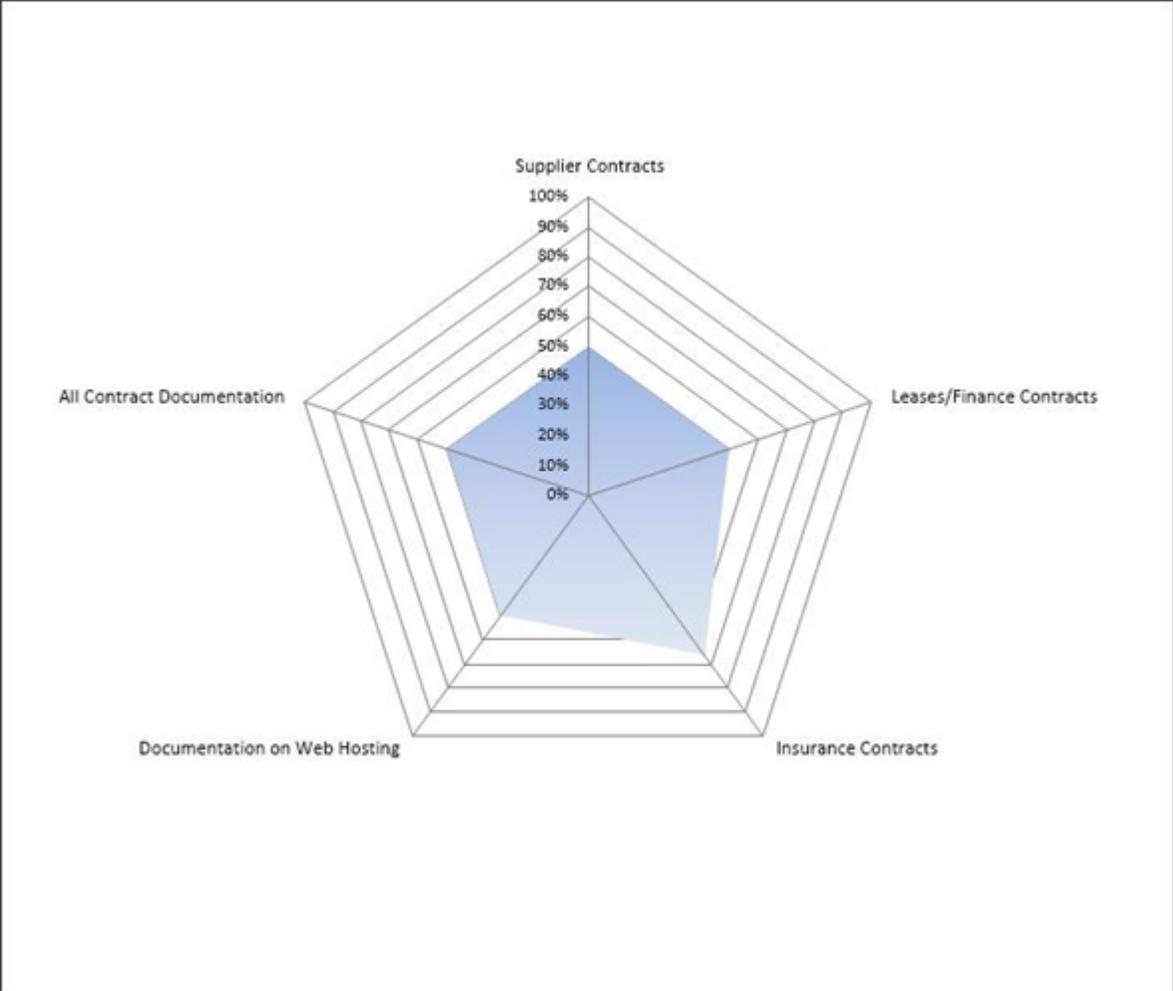


Supplier contracts include all expense type areas such as the lease of premises, equipment or motor vehicle, web hosting, insurance, cost of goods and any other obligations.

Based on your answers to our questionnaire, your business score is 53% in this area.

| Topic | Analysis Area | Score |
|------------------------------|--|-------|
| Supplier Contracts | Do you have in a single file a list of supplier contracts? | 3 |
| Leases/Finance Contracts | Do you have in a single file a list of leases/finance contracts? | 3 |
| Insurance Contracts | Do you have in a single file a list of insurance contracts? | 4 |
| Documentation on Web Hosting | Do you have in a single file a list of all web hosting agreements and documentation? | 3 |
| All Contract Documentation | Do you have in a single file a list of other contracts? | 3 |

Graph of Expense Contracts



Personal Knowledge



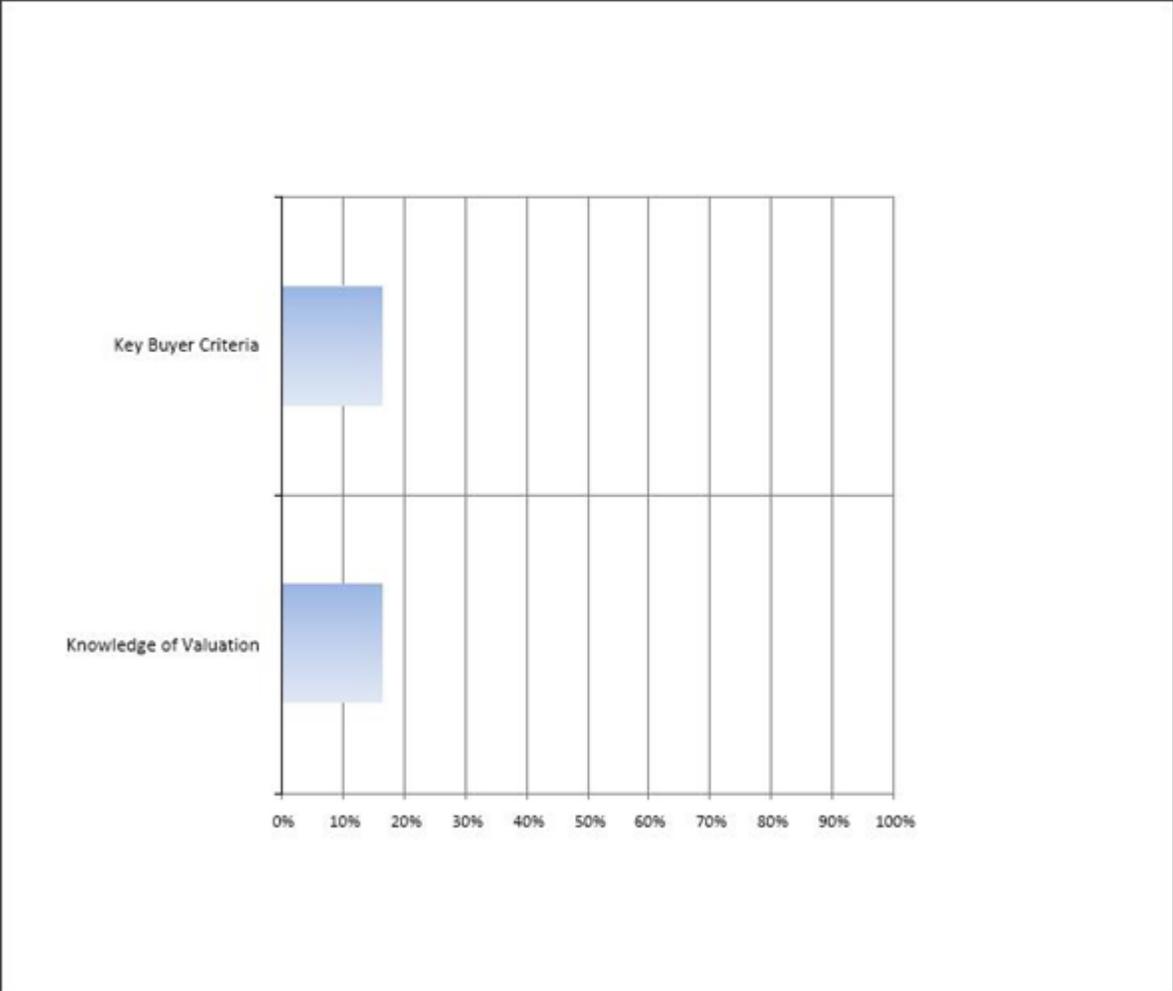
In order to successfully negotiate the sale of your business you will need to understand the needs and drives of potential buyers. You will need to understand what factors lead to a high valuation and what might lead to a lower valuation.

When a buyer commences a dialog with you about your business you need to know how to negotiate based on a fundamental knowledge of valuation or you need to contract out these negotiations to a business broker.

Based on your answers to our questionnaire, your business score is 17% in this area.

| Topic | Analysis Area | Score |
|------------------------|---|-------|
| Knowledge of Valuation | Do you (and all major shareholders) understand about valuation methodology as this will impact on negotiations? | 1 |
| Key Buyer Criteria | Do you (and all major shareholders) understand about the key criteria that a buyer will be looking for? | 1 |

Graph of Personal Knowledge



Systems Processes



Buyers will always be tentative at the beginning. They will start to quickly form a judgement on whether all the information that they have received is credible and whether the business has a good chance of continuing the income into the future.

Their opinions of your business will be swayed by what they see when they start to conduct their due diligence. A prospective buyer will want to see your customer database and enquiry database. You will want to make sure that your database looks clean and that you know the number of unique records.

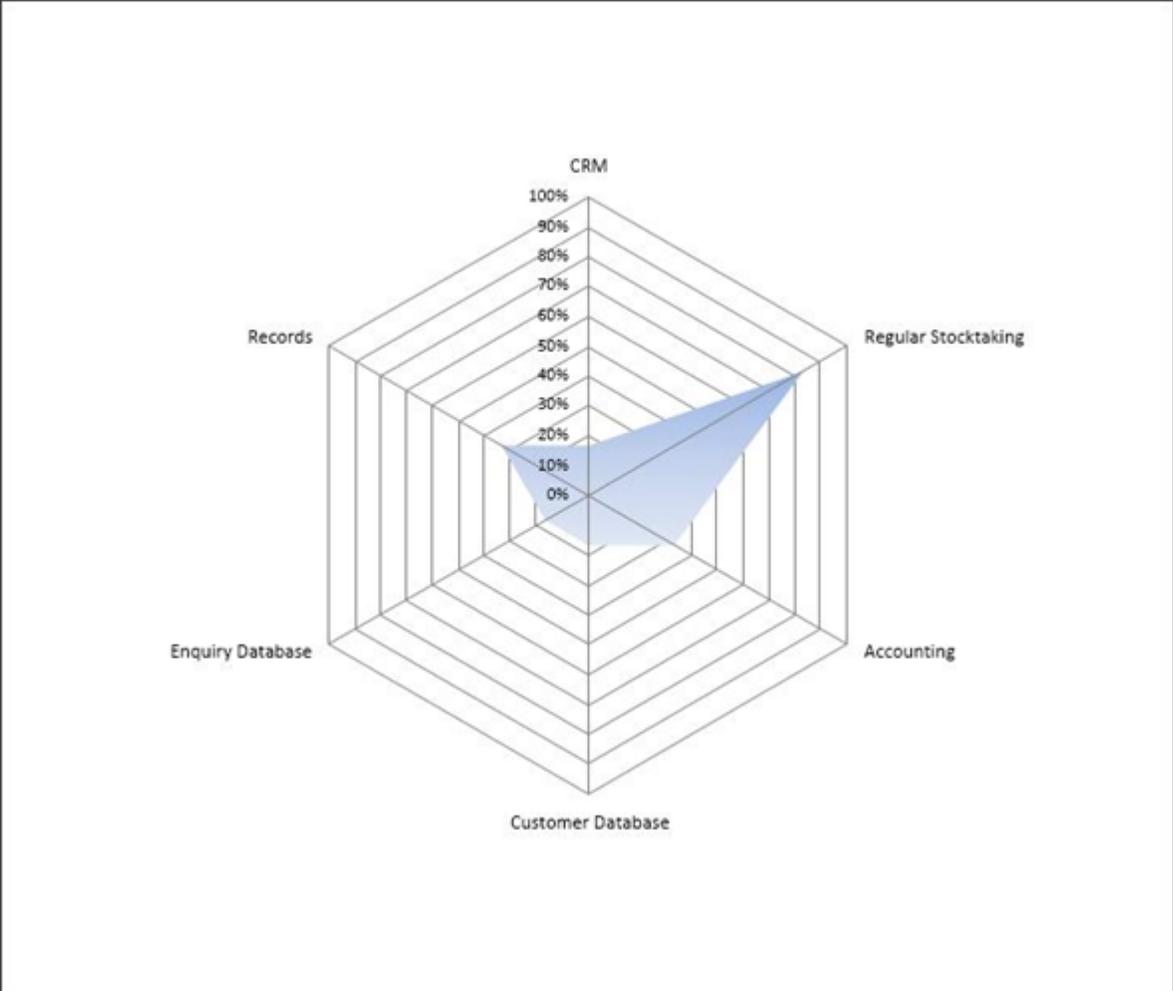
You will want to demonstrate that you have a streamlined sales process and customer relationship management program.

Remember that a buyer is basically looking to buy a business that will fast-track them from starting their own business from scratch. Existing customer records and systems are critical to them making a favourable decision.

Based on your answers to our questionnaire, your business score is 33% in this area.

| Topic | Analysis Area | Score |
|---------------------|--|-------|
| CRM | Is there a CRM or contact management system in place? | 1 |
| Regular Stocktaking | Is the inventory well managed with regular stocktakes? | 5 |
| Accounting | Is the accounting system streamlined to show management reports such as sales by product, customer, receivables, payables etc? | 2 |
| Customer Database | Is the customer database clean and managed without duplicates and a high degree of accuracy with company and contact details? | 1 |
| Enquiry Database | Is the enquiry database clean and managed without duplicates and a high degree of accuracy with company and contact details? | 1 |
| Records | Are records kept and analysed? | 2 |

Graph of Systems Processes



Compliance Issues



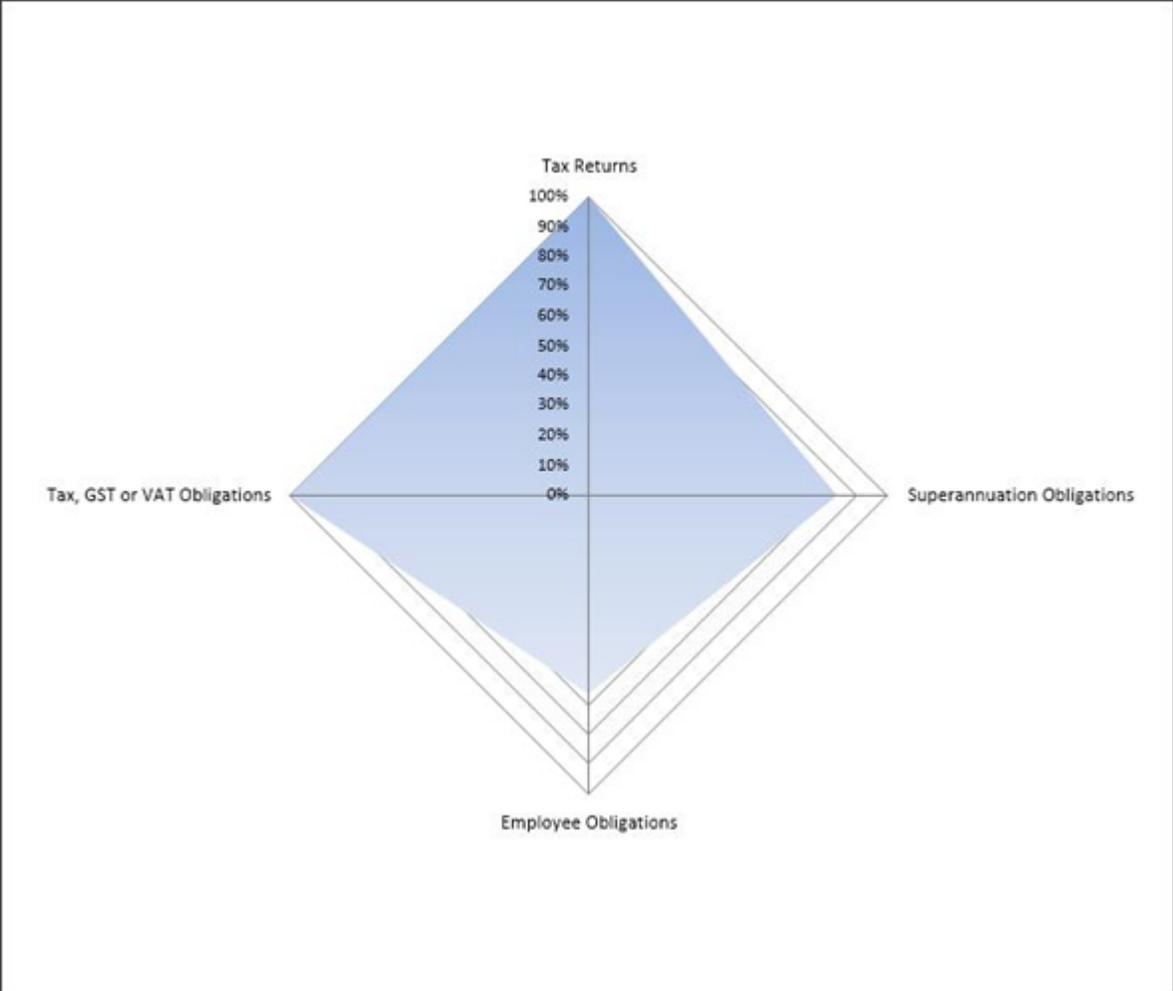
If a buyer purchases the shares of a company then they purchase all the liabilities of the company.

Any buyer will want to make sure that tax returns, holiday pay to employees, long service leave and superannuation obligations are up to date.

Based on your answers to our questionnaire, your business score is 88% in this area.

| Topic | Analysis Area | Score |
|-----------------------------|--|-------|
| Tax Returns | Are your tax returns up to date? | 6 |
| Superannuation Obligations | Have you paid all your superannuation obligations? | 5 |
| Employee Obligations | Have you provisioned or paid all your long service leave and other employee obligations? | 4 |
| Tax, GST or VAT Obligations | Are your tax, GST or VAT obligations met? | 6 |

Graph of Compliance Issues



Profit Improvement



Before you start to sell your business, you should look at whether you can increase profits by focusing on some basic expense reduction strategies.

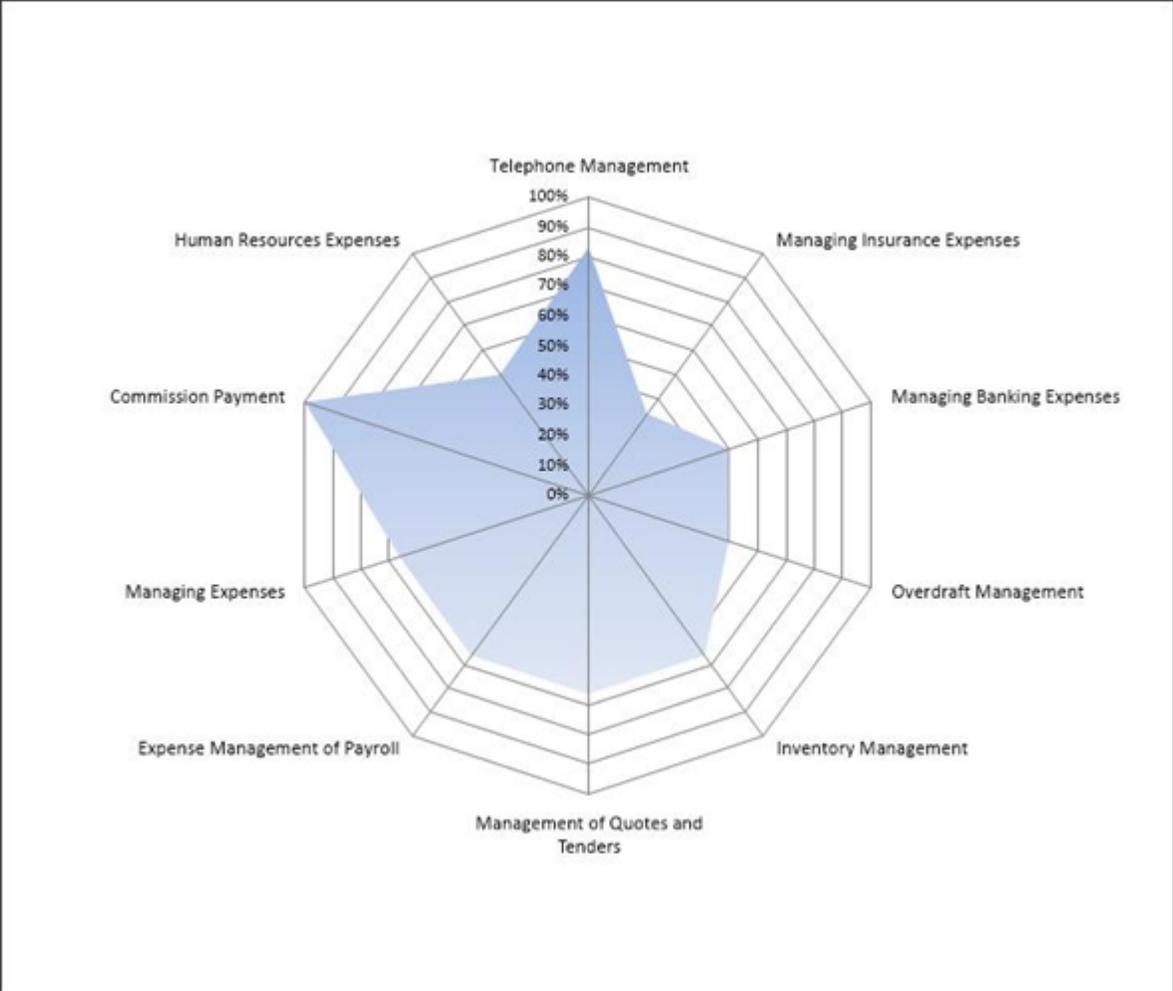
If it is possible to quite painlessly increase profit by reducing expenses then you should do it before selling so that the increased profit will result in a higher valuation of your company.

Expense reduction might be able to be achieved by reviewing your telephone and communication costs, motor vehicle, bank charges, supplier agreements and other overhead obligations.

Based on your answers to our questionnaire, your business score is 59% in this area.

| Topic | Analysis Area | Score |
|----------------------------------|--|-------|
| Telephone Management | You manage the following expense area very well and cannot leverage any extra profit- Telephone | 5 |
| Managing Insurance Expenses | You manage the following expense area very well and cannot leverage any extra profit- Insurance | 2 |
| Managing Banking Expenses | You manage the following expense area very well and cannot leverage any extra profit- Banking | 3 |
| Overdraft Management | You manage the following expense area very well and cannot leverage any extra profit- Overdraft | 3 |
| Inventory Management | You manage the following expense area very well and cannot leverage any extra profit- inventory management | 4 |
| Management of Quotes and Tenders | You manage the following expense area very well and cannot leverage any extra profit- Quotes and tender system | 4 |
| Expense Management of Payroll | You manage the following expense area very well and cannot leverage any extra profit- Payroll | 4 |
| Managing Expenses | You manage the following expense area very well and cannot leverage any extra profit- Cost of goods | 4 |
| Commission Payment | You manage the following expense area very well and cannot leverage any extra profit- Commission payment | 0 |
| Human Resources Expenses | You manage the following expense area very well and cannot leverage any extra profit- Human resources | 3 |

Graph of Profit Improvement



Government Grants



One instant way to improve profit is to apply for a government grant. There might be a government grant that will add assistance to your business that can help you in immediate growth or impact instantly on your profit.

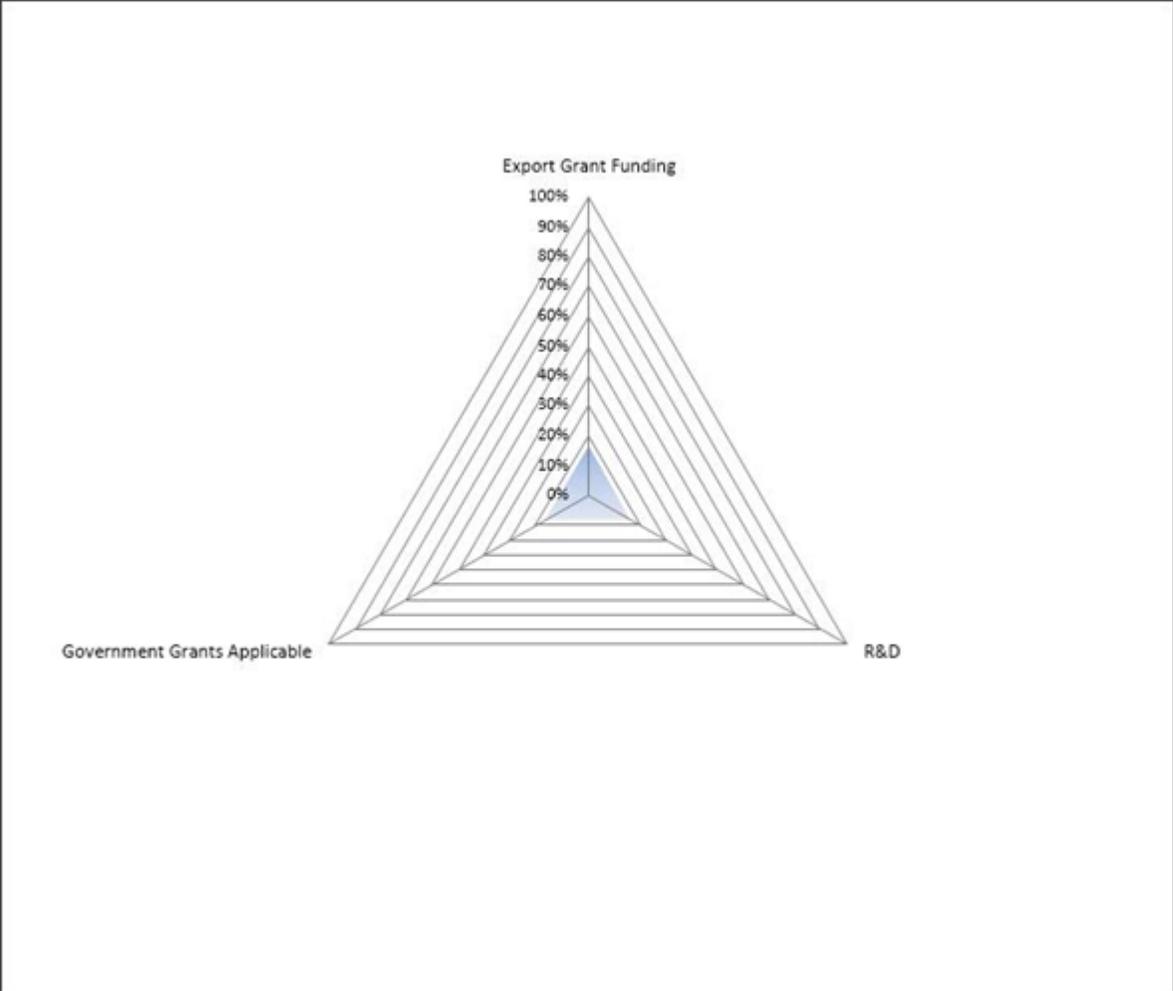
There are widely applicable grants that you should explore in export market development and research and development. You should get a list of all government grants and see if any are applicable for your business.

Sometimes there are specialist consultants that work on a commission only basis in helping companies apply for these grants.

Based on your answers to our questionnaire, your business score is 17% in this area.

| Topic | Analysis Area | Score |
|------------------------------|--|-------|
| Export Grant Funding | Have you maximised your ability for export grant funding? | 1 |
| R&D | Have you applied for all possible R&D tax concessions? | 1 |
| Government Grants Applicable | Have you fully researched and applied for all government grants applicable to your business? | 1 |

Graph of Government Grants



Revenue Drivers



Before selling your business, look to see if you can improve your profitability by increasing the average value sale.

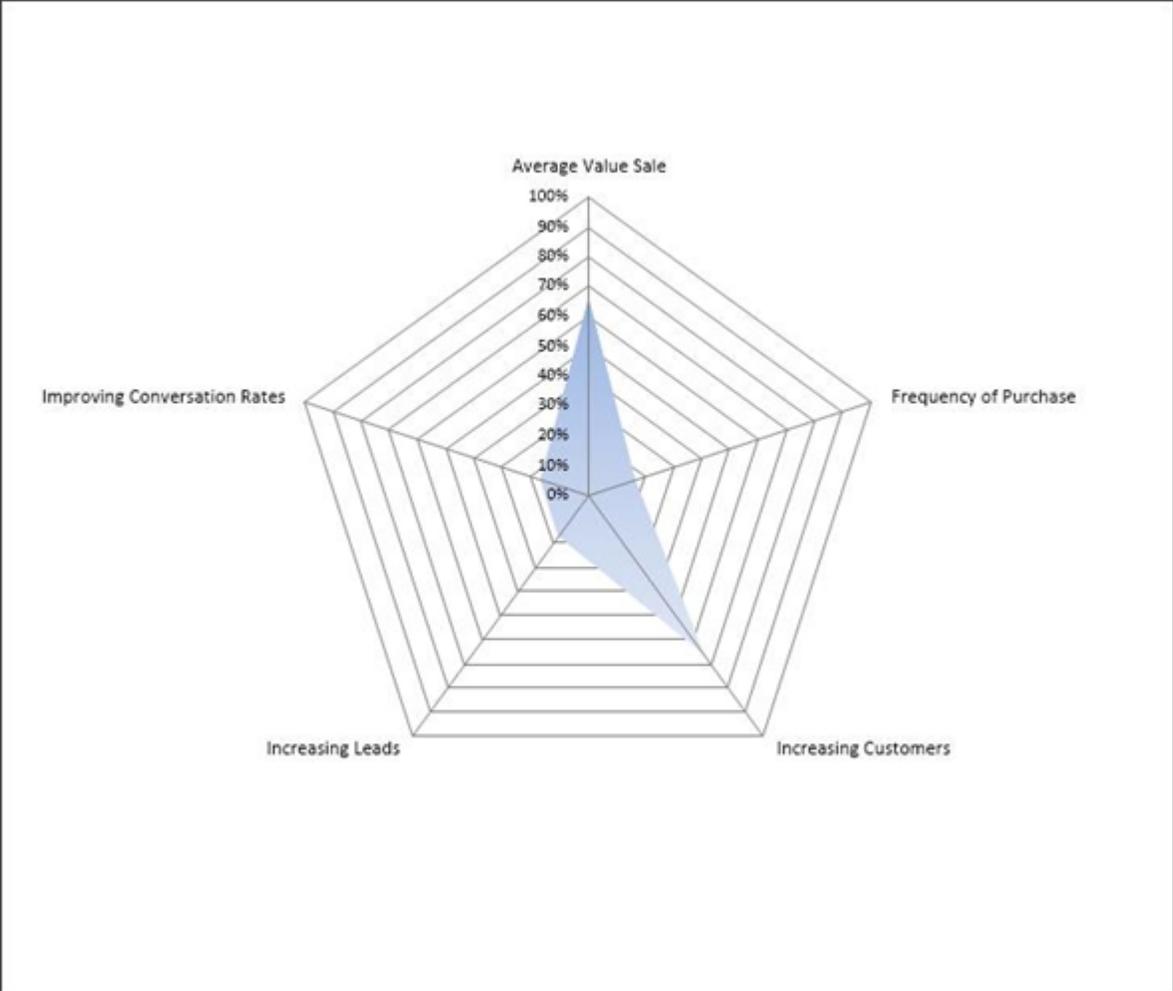
You may be able to do some sales script training and increase the conversion rate or even the number of leads that are coming into the business.

Look at how many times that your customers buy from you each year and the total number of customers that you have.

Based on your answers to our questionnaire, your business score is 37% in this area.

| Topic | Analysis Area | Score |
|------------------------------|--|-------|
| Average Value Sale | Have you fully examined immediate revenue expansion programs such as increasing your average value sale? | 4 |
| Frequency of Purchase | Have you fully examined immediate revenue expansion programs such as increasing the frequency of purchase? | 1 |
| Increasing Customers | Have you fully examined immediate revenue expansion programs such as increasing the number of customers? | 4 |
| Increasing Leads | Have you fully examined immediate revenue expansion programs such as increasing the number of leads? | 1 |
| Improving Conversation Rates | Have you fully examined immediate revenue expansion programs such as improving your conversion rate? | 1 |

Graph of Revenue Drivers



Product Strategies



Similar to previous area, you may be able to look at expansion opportunities by reviewing these key areas based on the Ansoff matrix. Can you:

1. Launch any new products into existing markets
2. Launch any new products into new markets
3. Through repackaging, rejuvenation or more aggressive marketing tactics increase the sales of existing products into existing markets
4. Launch any existing products into new markets

Based on your answers to our questionnaire, your business score is 62% in this area.

| Topic | Analysis Area | Score |
|---|--|-------|
| Launch into Existing Markets | Have you considered new products that can be launched into existing markets? | 5 |
| Launch into New Markets | Have you considered new products that can be launched into new markets? | 1 |
| Existing Products Into Existing Markets | Have you considered existing products into existing markets (Repackaging, rejuvenating)? | 5 |
| Existing Products Into New Markets | Have you considered existing products into new markets? | 4 |

Graph of Product Strategies

