

ANZ Commercial Banking

“How to assist your buyers with finance
while earning additional income”

ANZ Commercial Speaker:
Raoul Noffke, District Executive QLD

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What makes a 'business sale' successful?

Finance

Finance is a key driver to ensuring you get *'that business'* sold.

Sellers rely on *Buyers* to secure funding for the purchase

Buyers rely on *Sellers* to provide all appropriate and accurate financial information.

Financiers rely on *Buyers and Sellers* to provide all appropriate and accurate financial information to secure funding for the purchase.

Sellers, Buyers and Financiers rely on **Business Brokers** to ensure *"that business is sold"*



Tips for Sellers

- Prior to placing your business for sale, the seller needs to ensure the following financial information can be provided:
 - Accountant Prepared Financial Statements for last 2 complete financial years (Balance Sheet and Profit and Loss)
 - Company taxation returns for last 2 complete financial years Management Financial Statements (Balance Sheet and Profit and Loss) for the current year (Accountant prepared would be beneficial)
 - Directors / Business Owners Personal taxation returns for last 2 years to confirm Dividends, Drawings or share of Profits.
 - If trading business, Aged Debtors, Creditors and Stock (important to ensure financier puts in place the right working capital solution for the buyer going forward)
- In preparation of placing the business up for sale, the seller should consider upgrading their MIS system if inadequate. This will give the buyer added confidence in the business and quality of financial information required.
- Be patient. Since GFC, buyers will undertake significantly more due diligence. Be honest, upfront and be prepared to negotiate. Don't take it personally.



Tips for Buyers

- Prior to buyer meeting with a potential financier, ensure all appropriate financial information is received from the Seller. Do not feed your financier in “dribs and drabs”.
- Meet with their Accountant to review all financial information. Accountant will be able to assist in providing supporting commentary for add back items in expenses, and provide Cash Flow forecasts and Projected Profit and Loss.
- For larger business and more complex purchases, a 3 Way forecast should be produced with assistance from their Accountant: Projected Profit and Loss, Balance Sheet and Cash flow forecast
- If using multiple entities for the purchase (E.g., Trust, Property and Trading entity), a Family Tree is important to understand flow of funds between the various entities.
- Non financial aspects just as important e.g. Key Business Drivers, Key success factors, Key customers, suppliers, Industry experience etc.
- How was PP derived. What is the breakdown of stock, goodwill, fixtures and fittings, multiplier etc to determine the PP. If a property purchase is involved in the purchase, we need to set separate values for the property and the business.



Tips for Business Brokers

- On most occasions, Banks will require more than just Vendor produced Financial Statements (Profit and Loss and Balance Sheets Statements) and it is important to set expectations early with Vendors in relation to financial information required to be produced for the Seller and ultimately the Bank.
- Providing all financial information upfront will allow for a much quicker finance decision. The No 1 reason for the delay in obtaining finance approval is incomplete financial information provided. Don't allow your vendor to provide information in "dribs and drabs"
- Buyers are significantly more financial savvy since GFC and will undertake far more in depth due diligence. They will often seek opinions of 3rd parties including Accountants, Valuers, their banker and other business associates. Be patient and assist the vendor to understand **all** stakeholders in the transaction. The vendor will often need to talk to more than just the buyer; be prepared.
- There has been a fundamental shift in financiers assessment of providing business finance. Profitability and cashflow is now looked at first, followed by security as 2nd.
- Don't underestimate the importance of non financial aspects of the buyers. It is important this aspect is discussed with buyers early.



What do banks look for?

	Home Loans	Business Loans	
Capacity (Ability to Repay)	<ul style="list-style-type: none"> • Use past Income for servicing i.e. PAYG minimum 3 months • Self Employed minimum 2 years financials • Full tax returns required if LVR > 60% 	<ul style="list-style-type: none"> • Take into account past and projected income for servicing. i.e. Cash flow forecasts. • Assumptions and supporting commentary in relation to add backs and projected income is key 	Key Differences
Collateral (Security)	<ul style="list-style-type: none"> • Restricted to maximum 95% LVR (if existing lending with ANZ) • Inclusive of LMI costs • Restricted to residential property 	<ul style="list-style-type: none"> • Can have partially secured or unsecured loans. Cash flow becomes the key • No LMI payable however interest rate is reflective of level of security and risk 	
Character (Willingness to Repay)	<ul style="list-style-type: none"> • Credit history check • Account conduct and relationship with bank • Length of time in current employment and address. 	<ul style="list-style-type: none"> • Similar criteria as for home loans – CRAA defaults can be argued to assessment if small and paid within reasonable period of time. • Up to date in tax payments is critical 	
Capital (Customer Contribution)	<ul style="list-style-type: none"> • Amount of deposit and source of funds • Strength of assets versus liabilities in the SP 	<ul style="list-style-type: none"> • Similar, also looks at the time spent researching the business, industry/management experience, business plan, lease terms. 	

What does a Commercial application look like?



Tools to help you and your clients

1

Starting a Business



- Funding for purchase/set up costs
- Transaction requirements
- Advice, networking and information support

2

Growing a Business



- Working capital requirements
- Payment solutions
- Getting accounting right

3

Managing a Business



- Reviewing of facilities
- Business internet banking
- Benchmarking and planning tools

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- **Free online courses** covering marketing, managing cash flow, starting a business.
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The screenshot shows the website's header with navigation links: Home, Resources, News, Tools, Courses, Blog, and Forum. A search bar is located on the right. The main content area features a large banner for 'Welcome to the Small Business Hub' with a background image of a woman at a coffee machine. Below the banner are three columns of featured content: 'What's New?' with 'In Business eNews' and 'News'; 'Tools for Business' with 'Locate a Specialist' and 'Xero Accounting'; and 'Resources' with 'Articles' and 'Solution Guides'. On the right side, there is a 'Become a FREE Member today.' promotion with a 'Register now' button, and an advertisement for the 'ANZ Business Visa Debit card' with an 'Apply now' button.

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