

YOUR BUSINESS SALES

Buying a Business VS Building a Business: Avoiding the pitfalls of early businesshood



What should you know before starting?

Is it better to start a business from scratch, or to buy a business? Though there's nothing wrong with starting your own business, you must first be aware of the usual pitfalls and how to avoid them.

Based on the stories I've heard over the years, what follows is a cautionary tale with an outcome that could have been avoided.

A young man decides to open his own café. He budgets \$150,000 for startup costs to cover the shop fit out, fixtures, stock etc, but as it so often happens, by opening day this figure ends up being much closer to \$250,000. This may sound high, but it's actually quite conservative. Let's jump forward. As with many businesses, it can take some time to turn a profit, and in this case the café loses \$50,000 in its first year. It has now cost the owner \$300,000.

By the end of the second year, business has improved. The café has pulled its owner a wage of \$50,000, bringing the amount the owner is currently in the red back down to \$250,000. Or has it?

Over the course of these two years the owner had been roughing it for the sake of the business; working thirteen hours a day, seven days a week. For less than half of those hours, he could have been earning \$50,000 a year working for someone else. That's another two years of missed income.

Based on those potential earnings, the owner could now have been \$350,000 better off had he never started the business.

~You could save yourself a lot of time and money by buying an already established business at a fair price~

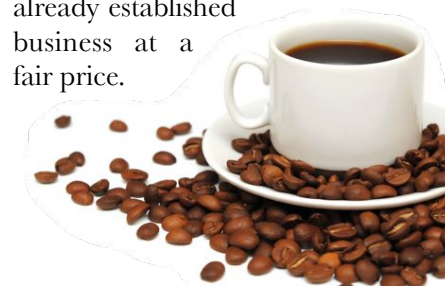
It is at this point that the owner realises that he would need to work another three years just to break even on this loss. He decides that five years is a long time with nothing to show for, and inevitably comes to the decision to sell. He wants to place the business on the market for \$250,000 expecting to at least recoup what was paid on the equipment; only businesses aren't valued on the equipment. Businesses are valued on the profits, of which there were none. In the end the

business will sell for between \$50,000 and \$100,000.

If that sounds depressing it's because it is, but it happens all the time. There are two ways to avoid this very common tale. The first, is to keep in mind where the value comes from when you're setting up your business; the profits, not the fit out. Be as conservative with spending money as possible, be wary of over-staffing and don't over capitalise on the setup.

The second way to avoid the fate of the person in this example is to be the person who buys the business in this example. If you bought this business for \$75,000 you would not only be skipping the first two years it took to break even on the running costs, but you would also be avoiding the three years it would have taken to pay off the setup cost.

Though you may have your own reasons for wanting to build your own business, just keep in mind that you could save yourself a lot of time and money by buying an already established business at a fair price.



We spill the beans on new businesses

Business Of The Month

Major Tourist Attraction

Ultimate Sydney Harbour Adventure Business



Here is an opportunity to purchase a major tourist attraction with a high profile throughout the world. With sales of close to \$2Mil last financial year and profits of \$690k for the owner operator, this business has that 'wow' factor, ticking all the boxes for a business buyer that is looking for something special.

- Markets to the tourist industry & corporate world
- Two very prominent sites in Sydney
- Can be run under management
- Average profits of \$57,000 per month
- Over \$1,000,000 of equipment included
- Simple concept offering a great lifestyle

Through marketing to local and overseas tourists as well as the corporate world here and internationally, a new owner could expect continued and healthy growth over the next three years. The current owner works in the business in an administrative role at present,

Business Price: \$2,150,000

though it could easily be run under management. There are only five full-time staff members needed to operate this business and the rest of the employees are part-time or casual. The business operates from two of the best locations in Sydney and the owner believes there is room for growth to another location.

The sale price of this business includes all the equipment needed to operate the business. Full training will also be provided by the owner.

Want To Sell Your Business *FAST* For the Best Possible Price?

For Us, Selling a business is about helping YOU, the Business Owner achieve the best results.

Your Business is your hardest earned asset.

Together, as a team, we will devise the best strategy for achieving the sale with outstanding results.

We believe that our dedicated, Unique and Focussed approach makes us the best in our field, but we'll let you be the judge.

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