



# Business Builders Academy

## The Ultimate Guide To Buying A Business



**Business Builders Academy Ultimate Guide To Buying A Business**

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# WELCOME FROM CARL TAYLOR

**Dear Future Business Buyer,**

So you want to buy a business? Maybe it's your first time, or maybe you're a seasoned veteran, either way I've created this guide to help you navigate the process of buying a business. I want to help you avoid paying too much, buying the wrong business and just having a really bad experience.

After working with hundreds of entrepreneurs across Australia, looking at and evaluating close to over a thousand different businesses for sale, dealing with private sellers and brokers. I've been a buyer of businesses and a seller of businesses... I know what it takes to successfully make a transaction occur and I've done my best to give you a high level overview of that right here in this book.

I've structured this guidebook into 5 sections:

1. **Why Buy A Business.** This section, is designed to get you thinking about your reasons for buying a business.
2. **Strategy of The Wealthy.** In this section, I'll share with you a strategy that the wealthy to when it comes to business.
3. **Six Steps To Buying A Business.** Here you'll learn about the entire process of buying a business, all six steps to follow for a successful transaction.
4. **Getting The Finance.** An important section, covering the ways you can finance buying a business.
5. **Before You Start.** In the last section, I'll be covering what you need to have before you buy any business.

If you ever want comprehensive training on how to buy a business for as close to zero dollars as possible, how to build it rapidly to be more profitable and more valuable so that you can sell it, and how to approach selling the business to stay in control and sell for the maximum price possible, then please join us at Business Builders Academy, my live deep-dive bootcamp and coaching program.

Until then, read this entire guidebook, do the homework, and successfully prepare to buy a business.

To YOUR Success,

*Carl*



# **SECTION 1**

# **WHY BUY A BUSINESS**

# WHY BUY A BUSINESS

Ok, so you've chosen to buy a business. Congratulations, exciting times are ahead of you. But I have a question for you, have you taken a moment to ask yourself why you want to buy a business?

## ***Reasons People Buy A Business***

### **Buy For Investment**

Maybe you've got some money in your super, or you are a professional investor and you are looking to buy a business under management that just generates you a regular return.

### **Buy As A Growth Strategy**

If you're already a successful business, and you are looking to speed up your growth. Buying a competitor, supplier, customer or another business that aligns with what you do can add massive profits and value to your business.

### **Buy To Work For Yourself**

Sick of your job, want a new boss, a fairer boss? Well why not work for yourself, you do most of the work currently any way, this way you can get all the reward for your efforts instead of making someone else rich.

### **Buy As A Business Builder**

This is what I'm most passionate about and I'll be sharing with you how this works in the next section "Strategy of The Wealthy". You may choose to professionally build businesses as your career, you are a serial entrepreneur ready to make a lot of money and leave an impact on the world.

## ***Starting vs Buying***

Firstly, let me say you don't need to worry... by you reading this and knowing you will be buying a business, you are already a step ahead of most people who choose to get into business. Let me explain why.

Let's say you have always wanted to run your own café, you have two choices; you can START one or you can BUY one.

### **What happens when you start...**

So you've decided to start your new café. You've picked out a great name, found a venue and negotiated with the landlord. Now you need to get the store designed and fitted out. You need to choose what types of tables and chairs you are going to use, get a logo designed, get signage made up, business cards and tell all your friends.

3 months have passed and its now opening day. You are so excited the last 3 months of fun, stress and excitement have built up to this and you open up for the very first time, a few hours go by and no one comes in, then lunch time happens and you get a few customers but not enough to fill your café yet. You wonder what's going on. As each week goes by you get more and more customers, you start to build a reputation and start to get some regulars. You're a little worried as while the business is building, you did have to spend a lot of money in your setup costs of fit-out, equipment, training and marketing campaign.

Finally 12 months in, you're starting to break even. You're still paying off the finance for the fit-out but at least you aren't losing as much money like you have been the last 12 months.

Life is looking pretty good, the last 12 months have been stressful and you're a better person for it.

### **What happens when you buy...**

You've found a great little café that's for sale, its been there for the past 4 years, the current owner is ready to retire. It has 3 staff who've all been there for at least 12 months. You've successfully negotiated and bought the business. It's your first day as the new owner, things are going pretty smoothly. The staff all know what they are doing, the regulars – many who have been coming for the last 2 years – all came at their usual times. It's the end of your first day and you total up the sales for the day. It's been a good day you made profit. You head home to strategise on how you will increase profits further, and look forward excitedly for tomorrow knowing that you made a great investment.

You see, I am a massive believe that buying a business is one of the smartest moves you can ever make. It saves you time, it saves you money and it definitely saves you stress. It's the ultimate shortcut to starting a business.



## **SECTION 2**

# **STRATEGY OF THE WEALTHY**

# STRATEGY OF THE WEALTHY

I love business, let me tell you why...

If you choose to invest in property what percentage return can you expect? What I usually hear from people is about 10%

And if you choose to invest in shares, what percentage return can you expect? Again I hear various answers from “negative I’m losing money” to “I’m getting 80%” either way we could do better.

You see business, is the only investment vehicle I know of that can generate over 1000%+ in returns and this is what the wealthy have known for a long time.

I want you to imagine that you own a retail store. Can you do that?

So you are buying products and then reselling them. You are buying them at wholesale, then you are selling them at retail. And to make it retail you add some value to the customer in some way, right?

So here’s the strategy the wealthy use in business...

**BUY**

**BUILD**

**SELL**

You see, I believe as an entrepreneur your job is to be in the business of business. Your product is business. And you should be looking to buy at wholesale, add value by building the business up and then sell it at retail.

Let me give you some examples, have you heard of Nathan Tinkler?

Nathan Tinker was in the BRW Rich 200 List 2012, as the wealthiest man under 40. He was just an electrician, and what he did was buy a coal mine for \$30 million dollars. Firstly he chose a great industry to get into the resource sector, obviously massive right now. So he bought a coal mine for \$30 million dollars and then 24 months later he sold it for \$275 million dollars. That’s a 916% return on his money in two years. Would you like a 916% return on your money in just two years? Of course you would, its an awesome result.

He bought, he built and he sold!

Another example is from this little company called McDonalds, have you heard of them?

Ray Crock is the man who bought the restaurants from the McDonalds brothers for \$2.7 million, once he bought them what did he do? He built them by systemising them, making them repeatable, improving the product offering.

Then he sold them, through franchising. You see franchising is a form of selling a business, and it is definitely a retail price strategy. There are now over 27,000 franchisees of McDonald's around the world. Do you think Ray Crock made his money back? Do you think he may have got a good percentage return?

So if you wish to become a Business Builder, someone who takes on the role of being in the business of business. You buy, you build and you sell. Then you will be joining in on a strategy used by the wealthy to make a lot of money.

## **SECTION 3**

# **SIX STEPS TO BUYING A BUSINESS**

# SIX STEPS TO BUYING A BUSINESS

There are six steps to buying a business, some of them might seem obvious and others not so much.

They are...

1. Find
2. Evaluate
3. Negotiate
4. Due Diligence
5. Offer
6. Hand Over

The truth is if you skip any of these steps you are bound to miss something and end up paying too much or buying the wrong business for you.

## ***Find Businesses For Sale***

Where do you think you might go to find a business for sale?

That's right in today's day and age the internet is one of the biggest marketplaces.

I recommend you check out [www.BusinessForSale.com.au](http://www.BusinessForSale.com.au) for the largest listing in Australia of private sales, franchise sales and broker listings

So once you've found businesses that are for sale - and actually, here's a secret source, let me add something here. When you're looking at these businesses online, you want to find ones that have been listed by a private seller or listed by owner. Now these use different terminology depending on the site you're on, but you want to get to the owner rather than go through a broker if you possibly can. Because who do brokers work for? They work for the vendor. They work for the person selling the business.

## ***Evaluate The Business***

The next step is to evaluate. You have to evaluate the business, you need to work out is this business something worth investing in.

Is this business worth starting to negotiate on? What am I going to find out?

Personally my students and I use a business evaluator form with over 55 different questions to ask when evaluating a business. It allows you to get straight in and evaluate a business and very quickly work out is it worth pursuing.

I can't give you all 55 but I can give you three core questions.

1. **What is your reason for selling?** – You want to know why they're looking to sell their business.
2. **How did you come to your price?** – This is an interesting question because most business owners have no idea how they came to their price. They just pulled a figure out of the air.
3. **What are your weekly wages?** – What is the weekly outgoings in cash for wages of staff that is coming out every week, you want to know how much you have to cover for staff in cashflow on takeover.

## ***Negotiate With The Vendor***

Now that we've evaluated, we need to negotiate. In my view, negotiation is building rapport. It's asking questions, getting to know the other person.

There's a fantastic play called *The Price* by Arthur Miller that teaches a lot about negotiations.

I'll give you a quick snapshot, basically in this play, it is an old man who is an antique dealer. And there is a police officer whose father has recently died and he has an attic full of stuff that he'd like to sell. Now the antique dealer, the whole play, does not give a price. The policeman, all he wants is the price. He just keeps going on, what's the price, what's the price? What are you going to give me for this stuff? And the old man just keeps asking questions, asking questions. Tell me about this, tell me about the mahogany desk, tell me about your father, what's going on? And the more questions he asks, in the policeman's mind, the price just keeps going down. But the old man never once, in the entire play, gives him a price. This is negotiation. The better questions you ask, if you know what to ask, what to look for and how to frame it in a way that shows that you know what you're talking about, prices come down.

## ***Putting In Your Offer***

After negotiation, the next step is we put in an offer. We say hey, I'd like to buy your business. And we send the seller what's known as a letter of intent.

A letter of intent is basically is an informal legal document to say look, as per our negotiations, this is what we've agreed upon, this is what we're going to do, we'd like to proceed forward based on due diligence, and whatever other conditions you will add.

This is where you formalize what you've just discussed through your evaluations and negotiations and at this point, you need to be prepared to pay what you are offering. You cannot say in your offer that you will buy their business for \$1,000,000 and you have absolutely no plan to even actually pay \$1,000,000 for their business at all.

## ***Doing Your Due Diligence***

So once you put in an offer, this is where we move onto due diligence. Due diligence is basically where you're checking the facts.

You're confirming what you found out during your evaluation and your negotiations. What did they lie about? What did they leave out? What is the truth?

The due diligence process is you finding out the truth. It is your last opportunity to bring that price down further.

A lot of deals will fall over in the due diligence process because you'll start to realize that it's not as good a deal as you originally thought it was. Or it means that you'll have to go back to renegotiate a price then you can't come to an agreement.

Due Diligence is an important stage and you need to know what to check and how to make sure you don't miss anything. On a small deal, you're going to need to do it yourself because it's not going to be worth spending the three, four, even -- there was a lady I was talking to recently, she spent \$11,000 on an accountant to do due diligence on a business she was buying.

If you're going to buy a business for \$10,000, to then spend \$11,000 on an accountant to do due diligence, just not really worth it most likely. So you will need to know how to do it yourself for certain size deals. On a bigger deal, you're obviously going to get accountants, lawyers and consultants involved because if they've got numerous accounts you've got to go through, it's not going to be something you want to personally do yourself.

At Business Builders Academy, we give our students deep due diligence checklists to ensure they don't miss anything and end up spending more money than they should or buying a bad business.

## ***The Handover Process***

Your final step is your handover. Assuming the deal's all gone through, you've settled contracts.

What is the handover process? How long, if at all, is the business owner going to hang around to train you, did the staff know the business is for sale? How many staff are you keeping, how many staff are you getting rid of? Do the customers know the business is for sale? How is that going to be conveyed to them? Do suppliers know? What needs to happen, how are domain names and assets going to be changed? Phone numbers, bank accounts, invoices, what's going to happen during that handover process to ensure it goes smoothly? One of the worst things you can do is buy into a business and then have no strategy around your handover and it all just falls apart.

## **SECTION 4**

# **GETTING THE FINANCE**

# GETTING THE FINANCE

So there are the six steps to buy a business. So how would you finance a business though?

**There are two ways to financing a business.**

1. The Usual Way
2. The Creative Way

Of these two, as entrepreneurs, what are we going to prefer? That's right as entrepreneurs we are creative, so we're going to focus more on the creative finance strategies.

Before we do that, let's jump into some of the usual ways to finance a business.

## ***Usual Ways To Finance Buying A Business***

### **Financial Institutions**

Banks, Credit Unions and other financial institutions are one of the most common ways people seek to get finance to buy a business. The challenge is post GFC, the banks have tightened up on lending and while getting finance to buy a business, especially franchises, is easier than finance to start a business. It's not a complete walk in a park.

### **Savings**

Maybe you've saved up a bunch of cash, or you've cashed in some shares or your super fund. You're going to be using your own cash, or a chunk of your savings.

### **Angel Investors**

These are more commonly known as the triple F fund of Friends, Family and Fools. These are people who back you personally, invest in the business and in you as the entrepreneur.

These are the most common strategies used when buying a business. But what about the creative ways?

## ***Creative Ways To Finance Buying A Business***

### **Vendor Finance**

I love vendor finance, its actually quite popular but many people aren't aware of it. It's been used for years in buying property and many don't realise that you can use it when buying a business as well.

Vendor finance is essentially where the person you are buying the business from will actually lend you the money to buy the business from them.

### **Down Sell**

A down sell is similar to vendor finance, except in vendor finance the old owner is no longer involved in the day to day running of the business. They've left, with a downsell what happens is the current owner might sell you 50% of their business, and then you buy the other 50% over time.

### **Knowledge & Skill**

Knowledge and skill, this is something that when I bought into my IT business, I owned an IT support business for eight years, I did not start that business, my father started that business. Now I was able to get 50% shares in that company and a full time job at the time because I had knowledge and skill for the business I needed and wanted. I was good at IT, I was good with people, I had knowledge and skill I could bring to the table that would help take that business to the next level, which it did. And I guarantee you that there are businesses out there that you have skills that could work for.

### **Government Funded Grants & Loans**

As I'm sure you are aware, the government likes to throw money at things. There are all sorts of government grants and no interest or low interest loans available.

So get online and check them out, there are ones for young entrepreneurs, there are ones for certain industries, there are state based and federal based programs so I recommend you investigate.

## ***Getting Into Action – Some Finance Options You Have***

3 Business Types I could Use Knowledge & Skill buy in...

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The potential Angel Investors I could approach are...

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# **SECTION 5**

# **BEFORE YOU START**

# BEFORE YOU START

Ok so you know the 6 steps to buying a business but before you do any of it there are 5 things you need to have.

## **The 5 Things You Must Have Before You Buy Any Business**

1. Rules To Protect and Focus You
2. Team To Help You
3. Negotiation Skills To Get A Good Deal
4. Due Diligence Checklists To Avoid Expensive Mistakes
5. Strategy To Succeed

### ***Rules To Protect and Focus You.***

You must have rules. Have you ever written a list of what you want in your ideal partner? Rules when buying a business are the same kind of thing, you don't want to fall in love with the business, you want to fall in love with the deal. And if you don't have rules, you will get in trouble. You will get too attached.

One of the first things I work with my students on at Business Builders Academy is to write your rules. I share my personal rules, what are the rules I use when I'm looking at buying a business. But better than that is I work with you personally to find out what are your strengths? What is your background? What do you know and where are you at in life right now to come up with the best rules for you.

One of my students, Chris, he was looking to make sure he has a minimum of \$1,000 a week salary that he can take out of the business from pretty well day one. So that had to be one of his rules but it also added three extra rules to ensure the businesses he was looking at would be able to meet those needs. So rules are really important.

### ***Team To Help You***

Next thing is you must have a team. You cannot do this by yourself. If you want to go out and start building and selling businesses, you will not be able to do it by yourself. You need people to help you.

You may need a team of accounts. I remember the first time I went to my accountant at the time to say hey, look, I want to buy a business so I can buy it and sell it in 12 to 24 months and he just looked at me like I was crazy. He didn't get it. The challenge is we want an

accountant who is entrepreneurial enough to see what we're doing but detail oriented enough that they're good at their job but to ensure that we're not breaking the law, that we're getting the most effective advice for what we're trying to do. It's an interesting balance.

*So you need a team of accountants* who know what they're doing. Part of Business Builders Academy we actually have teams of accountants, I have a number of approved accountants that I work with and my students work with because I know that they're good at what they do, they have that entrepreneurial perspective but that detail oriented enough focus to ensure that the advice they've given is the right advice and support.

*Now you also need to have a team of lawyers*, you want legal people on your team, people who have done transactions. This is not the person you went to and got your will done, you want someone who has done transactions before and they're going to know what special conditions to look for, they're going to know how to ensure that you're not going to get in trouble by something that the vendor's lawyer has put in the contract.

*You need to have mentors.* You need to have mentors. You need people who are going to teach you and you're going to learn from their mistakes. You see, I have numerous mentors and some of them I've never met. There's a lot of people I've worked with personally but there's some that I've never met because I've only been able to reach them through their books or audio programs but they're still mentors. You need people who have been there and done exactly what you're trying to do who can advise you and help you throughout the journey.

## ***Negotiation Skills To Get A Good Deal***

You need to know how to negotiate. If you don't know how to negotiate, you're going to pay too much when you buy your business and you're not going to get paid enough when you sell your business. You need to know how to negotiate and make sure you're the one in control. You know, how many of you think that if you were going to become a lawyer, that you would just be thrown straight into a courtroom and told okay, yeah, defend this person? Of course not, you need to practice. They have mock trials, mock trials to ensure that lawyers get the experience of working in a courtroom. I believe the same is important in business, you need to practice negotiations. At Business Builders Academy, I actually on day one of the boot camp, I have you, practice negotiations. We do it again and again, practice being a buyer, to ensure that when you go out into the real world, you have experience and you know what you're doing.

## ***Due Diligence Checklists to Avoid Expensive Mistakes***

You also need to know how to do due diligence, I was telling you this before. On a small deal, you're going to do the due diligence yourself. So you need to know how to do it, you need to know what to look for to ensure that you're not getting in trouble.

For example would it be important to know if a business says they did a million dollars in sales but they only banked \$200,000 that year? That's an important thing to discover that you would only discover throughout your due diligence process. But if you didn't know that you should ask to see bank statements, you might not find that out until you buy the business and you struggle to get payments out of people. That's why at Business Builders Academy, we have deep due diligence checklists that go through loads of different things that you need to look for when it comes to HR, finance, intellectual property equipment, all sorts of areas involved when doing Due Diligence.

### ***Strategy for Success***

The final thing that you must, must know is your strategy. You must have a strategy before you buy any business. If you buy a business and you don't have a strategy, on what you're going to do with it, who you're going to potentially sell it to, how you're going to fix it, you're going to get stuck in a business that you cannot fix. It could very quickly become an overwhelming nightmare that hurts you emotionally, financially and possibly legally too.

So I suggest you seek out strategists and business coaches to help you to develop your strategy.

## CONCLUSION

I hope this guide has helped you reinforce your decision to buy a business, and given you more confidence to go through the 6 steps to a successful transaction and made it clearer on what you need to have before you get started.

By using the ideas shared in these pages I've been able to help numerous people to find, evaluate, negotiate and ultimately buy a business successfully.

Someday I hope to see you at one of my live events, or to teach you through my homestudy courses. It's an honour and a privilege to be able to serve you with my knowledge and advice in whatever medium we use to connect.

Until I see you next, go out and live life 110%

Carl

Carl Taylor

Author of, 'Red Means Go!'

Founder of, Business Builders Academy

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