



Document prepared  
on **XX/XX/XXXX**

# Business Attractiveness Company ABC - Sample

This document was prepared for  
Sample Client, on behalf  
of Sample Company



# Executive Summary

The following report reviews the results of the Business Attractiveness questionnaire. The results indicate a total score of 60%.

This report will outline the following

1. A scorecard of your results broken into sections
2. A graphical highlights of each area of analysis
3. A detailed review by section.

We suggest we setup a time to further discuss these results and develop an action plan to address these issues.

# BUSINESS ATTRACTIVENESS

## Executive Summary

**Client Name:** Sample Client

**Date of Assessment:** 01 January 2019

**Result:** 60%

	Total Answer	Possibility Answers	Score		Comments
<b>Business Attractiveness</b>			<b>60%</b>		
Business Factors	42	66	64%		Somewhat meets requirements
Forecast Factors	20	30	67%		Somewhat meets requirements
Market Factors	21	30	70%		Somewhat meets requirements
Investor Considerations	9	24	38%		Does not meet requirements

# BUSINESS ATTRACTIVENESS

## Highlights Report

**Client Name:** Sample Client

**Date of Assessment:** 01 January 2019

**Result:** 60%

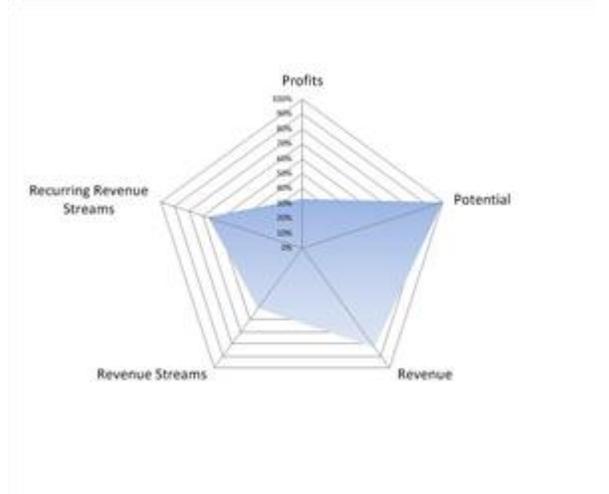
	Answer	Best Answer	Score		Comments
<b>Business Factors</b> 😊			<b>64%</b>		
Years of Business Operation	6	6	100 %	✓	5 Years - Considered to be the median age for a business in our industry
Management Strength	5	6	83 %	✓	High performing team w/ extensive management training
Customer Loyalty	5	6	83 %	✓	Has been an ongoing issue with being in such a competitive market
Branding	4	6	67 %	✓	Well-known brand in a competitive market
Customer Database	5	6	83 %	✓	Customer database is limited due to not gathering such data in the early stages.
IP & Technology	2	6	33 %	✗	Limited IP & Tech held within the business.
Staff Contracts	2	6	33 %	✗	This is an area which we have completely overlooked.
Location	5	6	83 %	✓	Location is vital in our industry with walk through traffic accommodating a large portion of our customer base.
Reliance	2	6	33 %	✗	Our management team are vital for the smooth running of the business
Longevity	2	6	33 %	✗	I am still rather inexperienced with only 5 years, median I would presume to be 10 years
Business Systems	4	6	67 %	✓	We have recently invested in this due to lacking the systems for the first few years
<b>Forecast Factors</b> 😊			<b>67%</b>		
Profits	2	6	33 %	✗	Yes, but with low growth over the last few years
Potential	6	6	100 %	✓	Yes, strong market with firm growth
Revenue	5	6	83 %	✓	Yes, due to the trend in the market and our positioning we anticipate this to be between 10 and 15 percent over the next 3 years
Revenue Streams	3	6	50 %	✗	Yes, majority of our revenue is subscription based, with word of mouth generating a large percentage of new business.
Recurring Revenue Streams	4	6	67 %	✓	Yes, subscription based service

<b>Market Factors</b> 😊		<b>70%</b>		
Market	4	6	67 %	✓
Entering the Market	5	6	83 %	✓
Competitive Advantages	5	6	83 %	✓
Place within Market	3	6	50 %	✗
Economic Prosperity	4	6	67 %	✓
<b>Investor Considerations</b> 😞		<b>38%</b>		
Reasons for Selling	2	6	33 %	✗
Business Alignment	3	6	50 %	✗
Risky Investment	1	6	17 %	✗
Market Hype	3	6	50 %	✗

### Business Factors



### Forecast Factors



### Market Factors



### Investor Considerations



# Why Buyers Buy - What Makes a Business Attractive?

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

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

Attractiveness will be relevant to the type of buyer and the reason they are buying. For example, an owner/operator is buying a business to essentially buy themselves a job. The average spending of these buyers would be 100,000 to 1,000,000 and any business for sale over this category may be unattractive.

A multinational or large company that buys a business for strategic reasons will rarely spend under 1,000,000. A multinational would not look at a business unless it had enough profit and upside to justify the stringent due diligence, legal and accounting fees. Within the owner/operator category there are essentially two types of people. These include buyers which are purchasing for leisure and hobby reasons and those which are buying to “get ahead”.

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

Owner/operators that are buying to “get ahead” will be after maximum returns. Their choice of industry is dependent upon growth, profitability and their experience. They are not concerned about working hard or long hours as long as there are solid returns. A strategic investor (a large business that buys another business) is generally looking to expand or eliminate a competitor. They might be looking to expand and see the strategic benefits of the following:

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

Certain factors provide the potential buyer with security:

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

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

The "Attractiveness Index" and the "Readiness Index" was developed by the MAUS Institute of Education and Training after thousands of hours of research into the business sale process. This report provides you with an understanding of the "Attractiveness Index" only. It is recommended that you ask your advisors to conduct a full "Readiness" audit on your business and to establish a program of value enhancement.

# Business Factors



Your business will be far more attractive if there is a low risk associated with its purchase. Risk in this case refers to the relative risk of your business to continue to make money after you leave. A buyer will want to have a look at your management team. Are they strong and experienced enough to continue to carry on the business? Can they continue to innovate and service the business clients in your absence?

As part of this process, your business model will be scrutinized by the potential buyer. The more automated and robust your business model, systems and processes, the higher the value of your business. A good business model also saves the buyer from having to re-invent the wheel.

Any new buyer will also be extremely interested in the quality of your customers and their loyalty to your business. Your existing customers contribute in a large part to the goodwill in the business.

Based on your answers to our questionnaire, your business score is 64% in this area.

Topic	Analysis Area	Score
Years of Business Operation	How long have you been operating your business? In your industry is this considered good?	6
Management Strength	Would your management team impress a potential purchaser?	5
Customer Loyalty	Are your customers loyal to your business?	5
Branding	How strong and well known is your brand?	4
Customer Database	If a business has too few customers, then there is a higher risk that the business may falter if one of the customers ceases trading. Do you therefore have a reasonable customer database?	5
IP & Technology	Have you developed a lot of IP & Technology?	2
Staff Contracts	The business needs to continue without your presence. Therefore, key staff contracts are generally essential from a potential purchaser's perspective.	2
Location	Does the location of your business affect the relative attractiveness of your business?	5
Reliance	The less reliant on key managers, the more attractive your business is to a potential purchaser and therefore the higher your score.	2
Longevity	How long have you been in business? Is this considered a long time in your industry?	2
Business Systems	Do you have good business systems in place? Business systems could refer to CRM, accounting and production systems as well as strong policies and procedures that are well implemented.	4

# Forecast Factors



When contemplating the sale of your business, you need to consider that the value of the business is derived from the amount of income that your business generates. When a prospective buyer looks at your business, they will want to review your past financials. They will want to see a budget for the future that is reasonable and based on historical growth factors.

If you have recurring revenue in your business, then this adds certainty to your budget.

When developing a budget, it is important to be able to justify your growth with notes on product development, market penetration or implementation of various marketing strategies. These notes should relate realistically to the numbers in your budget.

Based on your answers to our questionnaire, your business score is 67% in this area.

Topic	Analysis Area	Score
Profits	Have you been profitable over the past few years including the current year?	2
Potential	Are you predicting that your business will continue to grow and be profitable?	6
Revenue	Are you predicting that your revenue will grow?	5
Revenue Streams	Are your revenue streams predictable? Can a third party look at your business and feel comfortable that in your absence the business will achieve the financial forecasts?	3
Recurring Revenue Streams	Does your business have recurring revenue streams?	4

# Market Factors



Any buyer will want to review your past business growth. The potential of your business will be reflected in your products, the business model and the market. Therefore, your products need to be new and fresh and have a development process in place. It is preferable that you be operating in growth markets that have unlimited potential. Therefore, 12-36 months prior to selling your business, you need to ensure that you review your markets and products and establish a program to maximize your future value.

One element that you cannot control is your competitors. But you need to try and position yourself so you are dominant in the market or at least dominant in a niche. You want to ensure that you have high barriers to competitors entering the market. These barriers could be as a result of established relationships with key influencers, locked in contracts with key suppliers, specific capital equipment or even a highly skilled product development program.

Based on your answers to our questionnaire, your business score is 70% in this area.

Topic	Analysis Area	Score
Market	Is the market a strong growing market? The better the growth the more attractive the business.	4
Entering the Market	Is it difficult for other companies to enter the marketplace? The more difficult, the more attractive your business.	5
Competitive Advantages	Do you have a competitive advantage based on market factors?	5
Place within Market	Are you a strong player in the marketplace? The stronger your presence, generally the more attractive your business.	3
Economic Prosperity	Does your business have economic prosperity?	4

# Investor Considerations



Your business could be worth, in some cases, double the amount depending on who is the buyer. A small buyer will only look at the value of your business based on the profit that your business will generate in the future. A strategic buyer, such as a multi-national, will look at the how much your business could add to their business. For instance, you might have developed the products but because of your size and capital you are restricted to a small market. A multi-national might have distribution channels in 30 countries around the world and consider that if they buy your business they could make 20 times the current profit that you are making.

This is just one reason why a strategic buyer will pay more. Consider 12-36 months prior to selling the business & which organisations could be strategic buyers and then position your business so that you are highly attractive.

When you are negotiating the sale of your business, it is not a good idea to indicate that you are selling the business because it is too hard and has too many headaches. A better reason would be that you have built the business to a level with a great business model and now you need access to capital and distribution channels to maximize profitability.

It is important that you review why you are selling and do not sell when you are desperate.

Based on your answers to our questionnaire, your business score is 38% in this area.

Topic	Analysis Area	Score
Reasons for Selling	You need to have a legitimate reason for selling. Don't say you are selling because you are sick of all the headaches.	2
Business Alignment	Strategic buyers generally pay more for businesses. The more your business aligns, the more attractive it is.	3
Risky Investment	The riskier an investment appears to be for a potential purchaser, the less attractive it is and therefore the lower the price that will be paid.	1
Market Hype	Sometimes there is a positive hype around certain markets or industry sectors. At other times, some sectors attract a "high risk" tag and therefore the lower the price.	3