



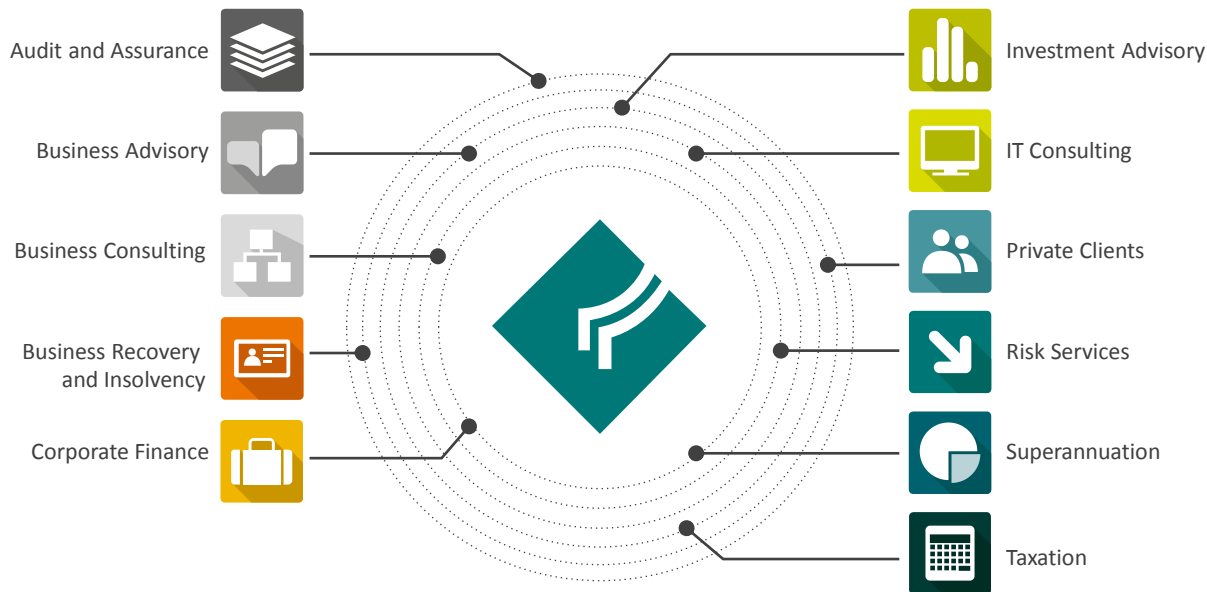
PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

Buying and selling

Matthew Wilson – Pitcher Partners

Our services

“ A full service accounting, audit and advisory firm ”



Matthew Wilson

Director, Business Consulting



Pitcher Partners has been working with and supporting the bus industry around Australia including working closely with the Tasmanian Bus Association.

Matthew has worked with the bus industry since 1998 in Victoria and from 2007 onwards with other state jurisdictions including Tasmania.

Skills

- Accounting and advisory
- Budgeting and forecasting
- Financial analysis
- Strategic analysis
- Commercial advice
- Negotiation advice

Industries

- Bus Transport
- Manufacturing
- Transport
- Telecommunications
- Government
- Health and aged care

Qualifications

- MBA, CA, ASIA, B.Com
- Member of the Institute of Chartered Accountants
- Member of the Australian Institute of Company Directors

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Buying and selling

What are the market dynamics like?

- Willing buyer and a willing seller
- Competition = two or more potential buyers
- More buyers = upwards pressure on price
- A seller may become a price taker when there is only one buyer

Ultimately the market sets the price



Buying and selling

1. What to consider when selling a business
2. What to consider when buying a business
3. Rules of thumb
4. Risks in relying on a rule of thumb



Selling a business

Are you ready to sell?

- Who are your targets?
- What process will you use to sell the business?
- Have you sought tax advice?
- Do you know what your business is worth?
- What will you do after the sale?



Selling a business

Rule of thumb

1 to 1.5 times revenue plus value of the bus:

- **This is an indication of value only!**
- The value of your business is ultimately what the market is willing to pay for it

What may impact your value;

- How long remaining on the contract term
- The age of your vehicle
- Demographics and patronage levels
- Location and potential buyers



Buying a business

Buying a business takes a different approach:

- Finding the target business
- Assessing the business and its value
- Determining your approach
- Funding the purchase
- Considering the impact on your existing business



Buying a business

Do your homework

- What is your cost of running the contract?
- What is the state of the vehicle – it's possible R&M profile – when replacements are due?
- What are the demographics of the area where the contract is being run?
- What are the after tax cashflows of you running the contract? When will it provide a payback to you?
- Is there anyone else interested in purchasing the contract?
- When is the contract renewal – roll over – and what is your view on the contract revenue? – expenses – margin – patronage?



Buying a business

Have you done your homework?

- On what terms are you able to finance the vehicle – Term (5/7 years) – Residual (20%/30%) – What does this mean for your cashflow?
- If you have to replace a vehicle – what is the cashflow impact going to be?



Rule of thumb - understanding the risk

What is the value to you?

(Don't just rely on a rule of thumb – what are the after tax cash flows to you?)

What may impact on revenue?

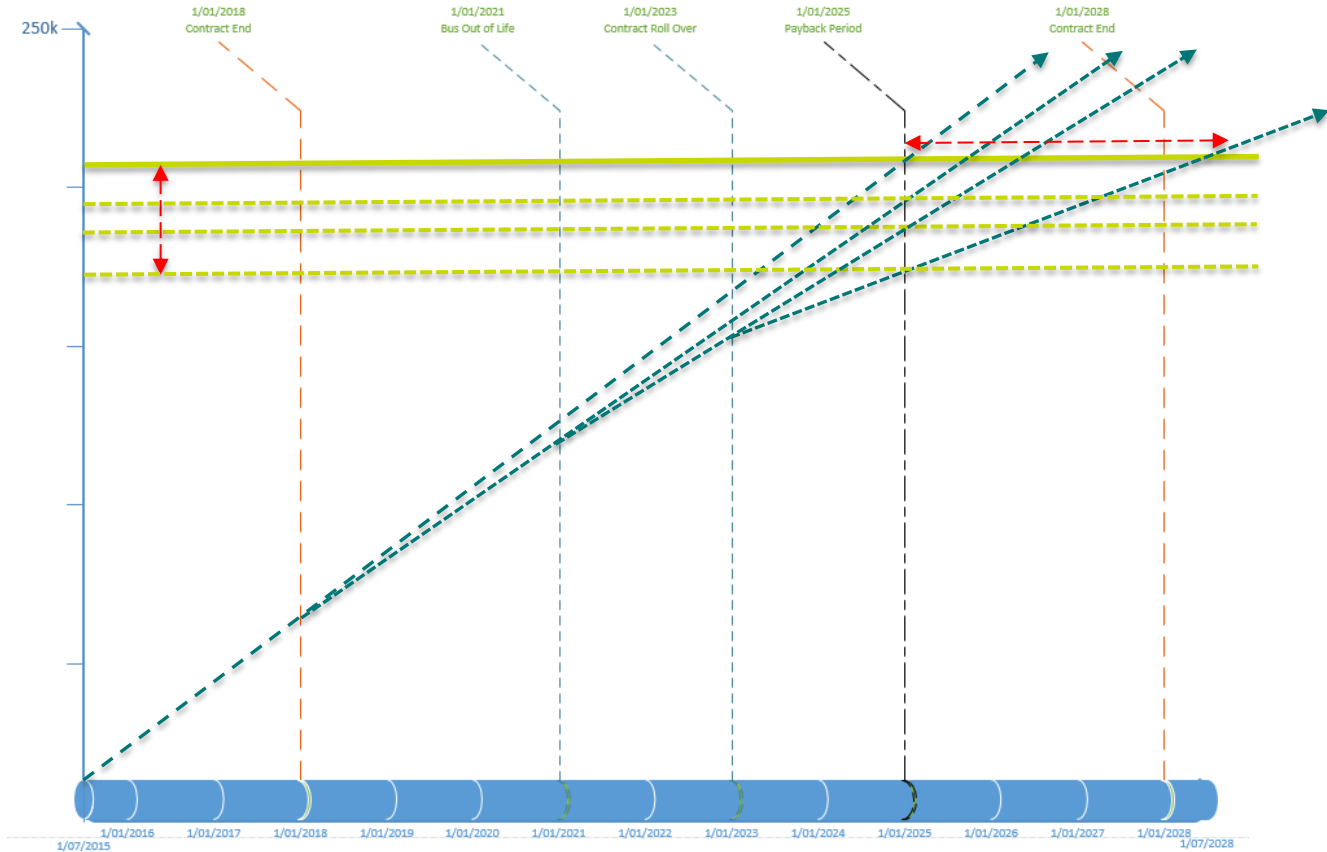
- Contract term/certainty
- Margin or expense compression
- Demographic - patronage
- Vehicle replacement

What are the risks to after tax cash flow?

- Decrease in revenue
- Increased expenses
- Cash flow from vehicle replacement
- Impact of tax



Rule of thumb – understanding the risk



Go ahead. Don't hesitate.



Questions & Answers



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