

Strategic buying and opportunistic selling... in a pandemic

By Fordham
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The Coronavirus pandemic has created global economic uncertainty with devastating effects around the world and although Australia has not been immune, we have fared well in comparison. This is largely on the back of a strict international border and quarantine policy along with various Government stimulus measures, most notably the JobKeeper wage subsidy.

However, as the 'cash-flow cliff' looms closer with the cessation of JobKeeper at the end of March, many business owners will be considering whether they commit to rebuilding their business or look to sell out for good. Alternatively, there are those business owners who have come through the pandemic better than others and may be looking to strategically acquire to grow their footprint. What is clear however, is that there is opportunity in the current market both for prospective buyers and sellers alike.

Is it time to buy?

Many businesses have bounced back from lockdowns and closures with Australians 'living local' more than ever before. For those businesses who adapted quickly throughout 2020 and had sound business practices and processes in place prior to COVID, the Government assistance has meant that these businesses are 'cashed up' and ready to move on any strategic opportunities. Historic low interest rates make the prospect of taking on debt less daunting, provided that lenders are willing to come to the party.

At the other end of the spectrum are those businesses who have been hit hard, or owners who were nearing retirement before the pandemic and may not have the desire to rebuild their business to pre-COVID levels. For these owners, an offer to sell may be the short-cut to retirement they are looking for. These distressed operators may be willing to accept an offer much lower than what they would have prior to the pandemic.

Also, with the separation and isolation experienced by many during 2020, many Australians are looking to have greater flexibility in their lifestyles and spend more time with family and friends, bringing forward retirement. Selling may not have been a consideration for these owners prior to the pandemic but now it is front of mind.

All of these factors mean that the opportunity for ambitious owners to expand and build on their existing operations through acquisition is right here and now and should be part of the conversation in all strategic planning discussions.

More than ever, an appropriate level of due diligence is imperative for any potential acquirer to ensure that any down-turn in trade of the target business during the pandemic can be rectified. It's important to understand the potential profitability and viability of the target business, as well as considering what strategic gains can be obtained by adding this business to your existing operations.

Is it time to sell?

On the other side of the fence, the opportunity to realise the wealth that is tied up in the business will be appealing to a number of business owners nearing the end of their active wealth journey.

Some business owners have rebuilt and reset their business following 'the recession that we had to have' and/or the global financial crisis in 2008 and the thought of having to do that again

may not appeal. Many business owners have built their business over several years and a large component of their wealth may be tied up in their business and exposed to various risks that come with operating a business through a pandemic. The ability to realise this wealth now and transition this to more passive assets may appeal to some business owners, especially those that getting closer to retirement.

As aforementioned, the separation and isolation experienced by many during 2020 has meant that many are looking to have greater flexibility in their lifestyles and spend more time with family and friends, bringing forward thoughts of retirement. Knowing that there are business owners looking to strategically acquire means that there is an opportunity to 'cash-in' and sail into retirement.

For those looking to sell in this climate, it's important to understand the strategic intent of the potential purchaser. Why is that they are attracted to your business? What synergies or cost savings can they gain by purchasing your business? You only get one opportunity to sell your business, so realising the maximum value is paramount.

Now is as good a time as any

Whether you are looking to grow and build your business through strategic acquisition, or looking to realise the wealth in your business, now is a good time for strategic buyers **and** opportunistic sellers alike.

With differing motives driving decisions on both sides of the transaction, it's important to seek the right advice for your situation. Speak to your [Fordham partner](#) about what opportunities there are for you and your business and how we can help you to realise them.

Talk to us today

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