

Attracting Investors: Strategies For Business Growth And Success



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Kerry Boulton is Australia's most respected Exit Strategy advisor and CEO of the Exit Strategy Group. Welcome to this week's segment.

KERRY BOULTON: So if you were looking to have an investor come into the business, there'd be two questions you'd want to answer. One would be, what type of investor. Are you looking for, someone who could be a high net worth individual who would be like an angel type of investor?

Or are you, in fact, looking for some sort of private equity fund, or, say, someone from overseas, an international investor, or someone who can provide you with some expertise that could be of value to you and your business. You need to sit down and really think about the outcome that you're looking for, and then you can focus and target on the type of investor that you're looking for.

Word of mouth is often the best way to find someone. Start talking to people in networks, look to other businesses and see what they've been up to. At the end of the day, somebody willing to invest in your business is going to look for some return, and you need to make sure that you can give them the type of return that they're looking for.

I actually interview the owner of a business called Sky Bridge. His name is Glenn Macon, and Glenn recently concluded a private equity deal for his business, which was in revenue terms, turning over around \$50 million and that was a business that Glenn started from his living room with his wife 15 years ago, and he started looking at his own exit in about 2011 and realized that he needed to change quite a few things in the business in order to make it attractive to a buyer.

And one of the major changes he needed to make was, in fact, to take himself out of the business and put in management and get their systems really humming along. The interesting thing was that in he actually went to the market in 2012 through one of the big firms. I think it was KPMG to get some feedback on where they were.

And at that stage, there was no interest in his business. And a bit of that was to do with the economic cycle as well. But then a couple of years later, the knock came on the door. It wasn't a case of he was went out there looking for the for a buyer, that a knock came on the door from private equity firm that had been keeping an eye on him. And over the course of the next three to four months, he was actually able to do a deal, which was tremendous.

And the lesson in really is that he spent from 2011 to 2014 getting his business set up so that it became attractive to a private equity firm. That's because he realized they were that was the best option for him to be able to exit his business. And ultimately, he retained 10% of the business, and so he's now an

investor and a consultant to the business. He's very happy with that, and it's given him an opportunity to be able to stand back and look at other potential acquisitions now.

So that another 12 months down the track, he'll be getting back into doing things to keep himself very busy, because he's still a young man. He's in his 40s, you know, so there's still plenty of time for him to do great things as far as business goes. I saw that as a terrific example of and a great lesson in what to do if you decide that that's the market that you're aiming for to be able to exit your business.

It's about the size of the business and the sales revenues that you have. Naturally, you've got to be very profitable, but, and there's got to be plenty of upside. When you sell to private equity firms, they can see opportunities and have connections with opportunities that you probably don't have. So when you're looking for investors, think about the type, as we said, think about the type of investor that you're looking for.

You only have to look at Shark Tank that show that's on television right now, and the incredible connections that the sharks have that people are looking for. Not only do they have, of course, the money to be able to invest in the businesses, but they know what the market is all about, and they understand timing, and they understand how the multiplier value will work, and they understand how to value a business properly to be able to increase its valuation at the point of exit.

I don't know about you, but it's a great show, and I think it's a terrific example for everyone to be able to take lessons from and know that you need to be structured in the right way in order to be able to attract the right investors.

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