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The latest in small and mid-market sales, mergers, acquisitions, investments and advisory



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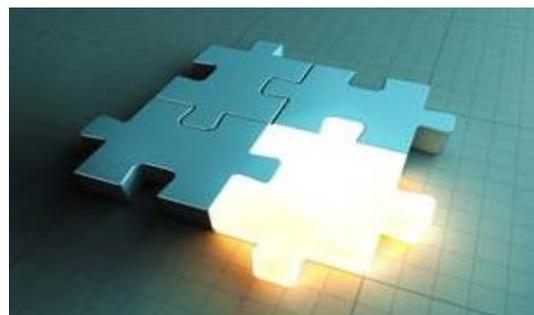
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Industry Scan

September 2013

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Scancorp Launches Divestment Readiness Assessment

The "Baby Boomer Tsunami"

Over the next 10 years, 70% of business owners will seek to sell their businesses. Four out of every five businesses are owned by Baby Boomers who are now entering their 60s and 70s. As the Baby Boomers need to convert the wealth in their business to cash to retire there will be a flood of businesses on the market. This will intensify the level of competition amongst business sellers. To enable business owners to achieve fair value, owners of all ages must **ensure their business are exceptionally well prepared and presented.**

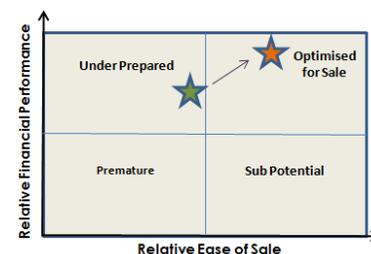
Scancorp's Divestment Readiness Assessment (DRA)

The DRA assesses the readiness of a business for sale and identifies any specific actions required to optimise the sale outcome - whether or not the owner intends to sell in the near-term. The Divestment Readiness Assessment is a rigorous and focused process that was developed over 30 months leveraging over 30 years of M&A expertise. The DRA draws on Scancorp's "5 Pillars" which identifies critical characteristics that buyers look for in an acquisition.

Outcomes

The DRA provides a business owner with an expert insight into:

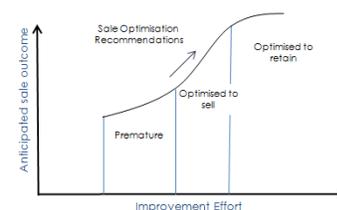
1. The overall preparedness of their business for sale in the short-term considering 2 dimensions:
 - The relative ease with which the business can be sold based on its current structure in the current market, and
 - The relative financial performance of the business compared with its potential.



2. An appraisal that provides the assessed value range of the business in its current state if presented to market in the short-term. The appraisal considers the attractiveness of the business to a variety of buyers such as financial investors and industry acquirers.

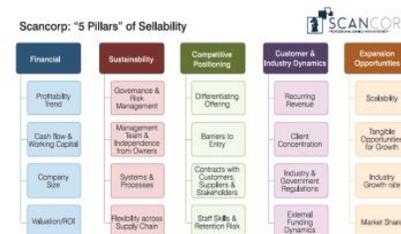
Assessed Value Range (EBITDA)			
	Low	Mid	High
Proposed Sustainable Normalised EBITDA	\$3,922,449	\$3,922,449	\$3,922,449
EBITDA Multiple	2.75	3.00	3.50
Enterprise Value	\$10,784,735	\$11,747,347	\$13,728,671
Stock	\$125,000	\$125,000	\$125,000
Total Investment	\$10,911,735	\$11,892,347	\$13,853,671
Return on Investment (ROI)	34%	33%	28%
Assessed Value Range	\$10,911,735 to		\$13,853,671

3. The high priority initiatives that would make the business more saleable and/or substantially improve the anticipated sale price of the business.



4. A no-obligation session with Scancorp to discuss:

- How the business would be presented to market (including a draft "teaser")
- Target acquirers and recommended campaign strategy
- Answers to frequently asked questions such as "how do you maintain the confidentiality of my business during the sale process?"



Benefits to the business owner

The Divestment Readiness Assessment is an ideal stepping-stone for an owner who wishes to optimise their business for sale - whether or not they intend to sell in the short-term.

The Divestment Readiness Assessment delivers the following benefits to the owner:

1. Provides independent advice that is in the best interests of the owner
2. Greatly assists the owner to decide whether they should proceed with a sale in the short-term
3. Identifies specific actions that are expected to substantially improve the owner's sale outcome
4. Enables the owner to understand the likely value they would achieve at exit
5. Provides the owner with an understanding of the business sale process
6. Serves as a "stepping-stone" for owner who wishes to consider selling in the future
7. Captures key information that would "kick-start" the owner's Information Memorandum and disclosure documentation - should they wish to proceed to sale

At no stage during the Divestment Readiness Assessment is there an expectation that the owner will proceed to a sale.

Led by a client's advisor or a consultant

The Divestment Readiness Assessment is designed to be led by a 3rd party (such as a client's accountant or planner) with support from Scancorp. The tools have been developed to enable the client's advisor to lead the information gathering process while the appraisal and analysis is completed by Scancorp. Alternatively, Scancorp has trained 3rd party consultants to lead the DRA process.

For more information:

[Click here for more information](#)

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Client in Focus: Evolve Group and Marco Engineering

As corporate advisor to Evolve Group, Scancorp is delighted to have assisted in completing the following transactions in 2013:

1. Successful acquisition of the assets of Poolrite under administration, and

2. Sale of Poolrite skimmer and mineral products to Zodiac Group Australia, and
3. Merger with Marco Engineering

The successful completion of these transactions is consistent with Evolve Group's expansion strategy and positions it to be one of Australia's premier integrated product development and commercialisation companies.

Successful acquisition of Poolrite

In August, Evolve was successful in its acquisition of the assets of Poolrite Australia Pty Ltd and Poolrite Research Pty Ltd ("Poolrite") and contemporaneous sale of select assets to global pool company Zodiac Group Australia Pty Ltd ("Zodiac"). As part of the transaction, Evolve will also serve as Zodiac's local manufacturer of skimmer and mineral products.

Founded in 1978, Poolrite was one of Australia's largest and oldest manufacturers of pool and spa equipment. At one time, the company had annual sales of around \$30M. Poolrite went into Administration late in 2012.

Evolve first became associated with Poolrite in October 2012 when it successfully executed an outsource agreement to manufacture, distribute, market and sell the Poolrite range of products.

Following an extensive competitive tendering process, which included Evolve's submission of a Deed of Company Arrangement, Evolve successfully executed a contract with the Administrators, ahead of major local and international competition.

Evolve will retain the Poolrite pumps and filters which are recognised as leading products in the industry.

Merger with Marco Engineering

With the substantial growth in Evolve's current and future product range, including its pending range of new pool products, it was necessary to secure a strategic relationship with a high quality plastics manufacturer. To this end, Scancorp facilitated a merger with Marco Engineering.

With over 35 years of history, Marco is arguably Australia's best plastic injection molding, tooling design/engineering, and roll-form equipment company.

Marco Engineering will provide the highest quality products, locally made and priced competitively against foreign imports. Importantly, the company will now provide an integrated end-to-end solution for product design, innovation, manufacturing and distribution.

Scancorp is currently assisting the companies to finalize their post-merger integration activities to ensure a seamless transition.

Scancorp congratulates Evolve Group and Marco Engineering on their successful transactions.

Please visit www.marcoengineering.com.au or www.evolvegrp.com for information on both companies.

Gasworks and (car-parks) open in Newstead!

Gasworks opens

The new \$1.1 billion Gasworks retail, dining and entertainment precinct has opened. More than 25 retailers have officially started trading, with locals now counting a new Woolworths, food market and a swag of restaurants, bars and retailers among their neighbourhood shops.

Car-parking available

Importantly for Scancorp clients, car-parking is available at the Gasworks beside Newstead Commercial Village. Car-parking is \$5/half hour and is free for up to 2 hours with any \$10 purchase at the Gasworks.

Industry Spotlight: Financial Planning and Investment Advice

This industry has undergone significant structural change with the Future of Financial Advice (FOFA) legislation coming into effect on 1 July 2013. Key elements of the FOFA legislation include the abolition of volume-based commission payments, a mandatory opt-in policy and the introduction of a fiduciary duty for advisors.

Following so soon after the global financial crisis, the introduction of FOFA caused uncertainty – but the industry and its clients are likely to benefit in the long-term.

Industry performance

In the long-term, the overall level of funds under advice is expected to steadily increase due to:

1. An aging population (esp. over 50's) planning for retirement
2. Improving economic conditions leading to enhanced consumer confidence and higher disposable incomes
3. Rising values of "traditional" assets such as equities and property
4. Increased demand for advice for SMSFs

IBISWorld forecasts revenues in the industry will grow at 2.4% over the next 12 months. Greater certainty in the industry and improving economic conditions will support an average 4.4% annual compound growth over each of the subsequent 4 years.

With the recent regulatory changes, there will likely be greater price competition as firms attempt to secure market share. This will result in downward pressure on profitability. However, substantial consolidation is anticipated over the next 5 years resulting in a reduction in the total number of firms. This continued consolidation could lead to reduced wage costs which currently represent approximately 30% of total costs. This could support an improved profit.

IBISWorld predicts profit will substantially improve over the next 5 years. EBIT margin in FY13/14 is forecast to reach 37.5%.

Scancorp's Predictions for the Industry

We predict that the introduction of the FOFA legislation will lead to some key changes in the strategy of firms that offer planning and investment advice:

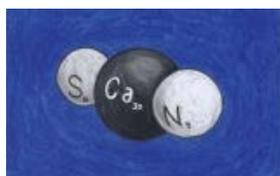
1. *Increased focus on scaled advice* – while an estimated 97% of advisors currently provide holistic advice to clients, it is anticipated that the level of scaled advice (ie advice for a limited scope of products) will increase significantly. Scaled advice will be offered at a substantially lower price point which will be attractive under the new fee-for-service model.
2. *Increased product specialisation* – if the level of scaled advice was to increase, it is likely that advisors will differentiate their services based on their level of expertise within a particular product range. This will lead to substantially greater levels of product specialisation.
3. *Expanded range of assets and products* – as the demand for greater product specialisation intensifies, advisors will seek out new asset classes and products to specialise in. This will result in the identification of new niche products. As a result, clients may benefit from specialist advice across a greater range of products - particularly in "non-traditional" asset classes.
4. *A new focus on assisting business owners to plan for exit* – as firms seek to build market share and increase their funds under advice, advisors will look to gain expertise in assisting business owners to plan for divestment. In many cases, a privately held business represents a large portion of a client's wealth. To an aging client, unlocking the wealth captured in their business may represent increased funds for retirement. To the advisor, the business represents substantial potential for additional funds under advice.

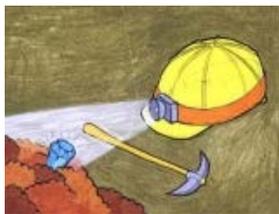
Over the next 5 years, Scancorp anticipates that innovative accounting and planning firms will offer a business divestment planning service to their clients to enable them to develop a deliberate strategy to unlock the wealth held in their business.

For more information contact: marcus.salouk@scancorp.com.au.

Other News

- [Small business represented in the new cabinet](#)
- [Business confidence at 2 year high](#)
- [The 10 most dangerous jobs in Australia](#)
- [Coalition must get to work on business tax](#)





Featured Investment

Leading National Digital Marketing Company

- Established in 2005
- Provides: SEM/SEO, social media marketing, website hosting and development and domain name registration
- FY13 sales > \$6M
- >30% normalised EBITDA margin
- Approx. 40% compound EBITDA growth over past 3 years
- FY14 projected EBITDA growth of a further 40%
- 2,000 customer accounts
- Highly diversified revenue sources
- National coverage
- Substantial proprietary IP

Expression of Interest

Contact: ned.petrovic@scancorp.com.au

Featured Investment

[Industrial Container Reconditioning Company](#)

- Established 32 years
- Specialises in reconditioning, cleaning, sales, collection and disposal of Industrial Containers
- 50%+ market share with high barriers to entry
- Consistent annual sales of \$2.25M across 5 years
- 75%+ Gross Profit margins consistently across 5 years
- 24% Normalised EBITDA margin
- 23% Compound EBITDA growth over past 3 years

Total business investment: \$1.75M including stock

Optional: Freehold available subject to Business Acquisition

Contact: ned.petrovic@scancorp.com.au



Our Mission

We provide the highest quality advisory services and solutions, previously inaccessible to the small to mid market.

Our Vision

To be the leading boutique provider of advisory services to fellow small and medium companies.

Our Services and Capabilities

[Scancorp's Business Exit Approach](#)

[Scancorp Capabilities](#)

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