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# ACQUISITION CHECKLIST

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With so much change in the estate and letting industry, we could see more agencies buying and selling. If you are thinking of selling part of your business or buying another agent's business here are our insights and experience.

# INITIAL STAGE

## MY BUSINESS IS NOT FOR SALE, SO CONVINC ME!

The best person to buy your business is often your competitor. Obviously we don't want to approach our competitor but you can:

1

**Go to their accountant and get them to approach their clients to ask if they are looking to sell.**

(NB. Most agents have an accountant. Their name and details are on Company House file; annual returns/abbreviated accounts.)

2

**Two ways to buy/sell:**

Buying the business and the people.

Buying the assets and the book.



3

**How to value a business is one of the dark arts.**

**There are three values:**

What the owner wants to sell it for

£.....

What the buyer wants to buy it for

£.....

What the lenders/accountants think it's worth

£.....

Values can be anything from a year's worth of fees to a four times profit less owners costs.

# BEFORE OFFERING

BRAND

## DO YOU:

- Keep their brand?
- Would you capture more market share by having two brands?

WITH LETMC AGENT YOU CAN RUN MULTIPLE BRANCHES AND BRANDS

Work out the average income you get per client and compare to the person you are buying's income.

Yours .....

Theirs .....

Uplift .....

That is your uplift. Factor in that you may lose 20% because people don't like change or it was never real. **Losses less than 20% are a bonus.**

LETMC AGENT MANAGEMENT REPORTS SHOWS AVERAGE FEES



## MORE PROFITABLE?

List out how you can make that business you are buying more profitable.

.....  
.....  
.....

### Take out the add-backs:

- Owner's wages
- Car
- Pension
- Insurances
- Spouse
- Boat

Going forward you won't be paying those.

If you can increase your prices we have the increasing and decreasing calculator to give you an indication of how many clients you can lose.

## DURING PURCHASE



### DON'T TRUST THE P&L

- ✓ Cross check with the VAT returns. Is the quarterly VAT returns matching what they say they're earning quarterly?
- ✓ Managed Houses - Get the bank statement for 1-3 months and tick off rent paid and total up how many properties. A managed property is only worth buying if the rent is being paid.

#### How to get the data... can you get:

- ✓ A download of the TDS or DPS file to get an idea of the deposits held or registered.
- ✓ Software provider export.

IN LETMC  
AGENT YOU  
CAN EXPORT  
DATA IN  
EXCEL



### MONEY

- ✓ Check if there is enough money in the bank account to cover the money owed to tenants, landlords, contractors, non-resident landlords, VAT, etc.
- ✓ Whatever the agreed price, hold back 10/20% for the first 6 months to make sure everything is as it should be.
- ✓ What services can you get rid of or use your buying power on? I.e. insurances, software, portal accounts, accountant fees, professional memberships.
- ✓ Don't ignore suppliers and lettings contractors.

LETMC's  
'RECONCILES  
REPORT'  
TELLS YOU TO  
THE PENNY

# DURING PURCHASE



## PEOPLE

- ✓ Be careful about the original owner staying. Is it a good idea in the long run?

✓ **Good to know – You will probably need to visit the branch after its closed with the owner.**

- ✓ Get a print out of the PAYE – What is the company paying people compared to what they say they are paying?

**i** *We have come across an agent who doubled a staff's salary a month before the company was sold.*

- ✓ Check the leases. Does the owner own the property and is the rent high?
- ✓ Good thing to do – Ask the seller if you can do a customer questionnaire to gauge their satisfaction. If the seller says “no”, ask why.



## DEBTS

- ✓ If you are borrowing money to buy the business then you should work out how long the management fees coming in will take to pay off your loan.
- ✓ Company credit cards, personal credit cards – These could be hidden debts.

### Client Account Debts

- ✓ Sometimes people sell the lettings part of the business because the clients' monies don't balance. So, deposits held should match the cash in the bank.
- ✓ Sometimes an agent can spend a month's rent and then use the next months under the provision that it's the previous month's rent.

### How to Check

- ✓ Bank Statement – 12 rents in 11 landlord payments out? Be worried.

# AFTER PURCHASE



## DO NOT IGNORE THE PAPER!

- ✓ Get every paper file from the business references, applications, old valuation forms, etc., because they have prospecting value of past potential business. It can run into the thousands.
- ✓ Do not ignore *Outlook*.
- ✓ Download the *Outlook* back-up files. They will have historic appointments with properties, names and phone number.
- ✓ Export the *Outlook*, *Gmail* contacts. Merge them all into *MailChimp* and they will give you a huge marketing database.
- ✓ Get copies of signed terms with every client. In their terms are there any special conditions.
- ✓ Get a list of all the clients and their fees and look for the special arrangements you maybe inheriting (i.e. guaranteed rent, 0% Fees).



## FIRST THREE MONTHS

### Day One of Acquisition:

- ✓ Ask questions but don't make changes - You are really settling the nerves of customers and staff. Also you are really getting to grips with the business that you've bought.
- ✓ If you can personally chat to every client and introduce yourself. Worst thing in the world is being faceless.
- ✓ Get the balances of the credits you have for tenants, landlords and contractors and the money they owe you.
- ✓ You don't want people for years still being able to access those details.

### Change passwords on:

- ✓ all emails
- ✓ banking
- ✓ software
- ✓ TDS and DPS log-in
- ✓ Rightmove and other portals

# AFTER PURCHASE



## FIRST THREE MONTHS (CONTINUED)

- ✓ website
- ✓ Fixflo
- ✓ referencing companies
- ✓ Owners laptop! This is a delicate subject but their laptop will likely contain a lot of critical information about the business.
- ✓ Risk of spreadsheets. People leaving sometimes email company information. On the email system search *\*.xls* as this will show you what spreadsheets have been emailed out.



# KEEP IN MIND

Keep in mind that days after the deal, staff members are going to quit and go and work for the competition. Think about who it might be and where they will go. This is why changing passwords is so important.

Who..... Where.....

This is not a comprehensive list, just some thoughts and ideas we have seen from our clients when buying or selling their business. Always get a good accountant and solicitor involved if you are buying or selling your business.