

7 Steps to Prepare your Hotel for Sale

Step 1: Make the Decision

Only you as the publican can decide when the time is right to sell, depending on your personal & financial circumstances. Such decision should be carefully considered and once made it is important that you put your Hotel officially on the market with a specialist Hotel Broker of your choice. Be assured that prospective purchasers of your hotel will not make a decision until your Broker has provided them with a comprehensive Information Memorandum that contains all relevant information and details about your hotel to enable enquirers to make an informed decision.

Step 2: Appoint a Hotel Broker

Once you have decided on a Hotel Broker, that person will present you with an Agency Agreement to legally act on your behalf as the Vendor, to market and sell your hotel. Your Hotel Broker will meet with you usually at the hotel to take formal instructions, take photos and gather other relevant details about the hotel operation from you. Your Hotel Broker should possess the knowledge, experience and skills to market and sell your hotel relative to the level of buyer interest and market conditions at the time. Your Broker should also have the ability to prepare the contract of sale (with some exceptions) undertake an in-situ plant and equipment inventory and attend the stocktake on the day of handover.

Step 3: Advise your Landlord (in case of a Leasehold)

It is advantageous to have a good business relationship with your landlord as this may facilitate and expedite the sale process. This is particularly so if a new or extended lease becomes necessary to maximise your hotel's leasehold value. We recommend that you contact your landlord to advise them of your decision to sell. Your Hotel Broker should also make contact as a matter of courtesy. Landlords are generally more inclined to assist the sales process if they are kept informed of your Broker's progress and are provided with information about the eventual buyer as their ingoing lessee.

Step 4: Contact your Accountant

We cannot emphasise enough the importance of providing your Hotel Broker with Accountant prepared profit & loss statements on their letterhead and including the compilation report etc. Prospective purchasers generally will not make a decision without up to date Profit & Loss Statements and such data will greatly assist your Hotel Broker in selling your hotel, (providing all other contributing factors are favourable to prospective purchasers). We recommend that prospective buyers are given copies of 3 years financial statements and the management accounts up to the month of listing your hotel for sale.

Management accounts such as MYOB reports are generally considered inadequate by buyers and their respective accountants and financiers. Therefore your Accountant will play a key role in the sales process. Your Hotel Broker should possess the know-how to undertake a profitability analysis of the financials prior to marketing your hotel for sale. As all hotels are essentially bought and sold on your Hotel Brokers (and/or Accountants) adjusted net profit calculation including any legitimate expenses add backs, it is imperative that such analysis is credible to prospective buyers, their accountants and financiers.

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Step 5: Presentation

When selling a hotel positive first impressions of prospective buyers are important so we recommend that you take all necessary steps to ensure that your hotel presents well in every possible way before your Hotel Broker commences sales marketing. If necessary remove clutter and disused & broken plant and equipment both inside and outside the hotel. The private residence should be clean and tidy on inspection by prospective buyers and, if necessary a fresh coat of paint is recommended.

Step 6: Supply Agreements

These are any written agreements that the hotel has legally committed to and as such the purchasers must agree to take over such agreements at settlement.

These include, but not limited to the following:

- ATM agreement
- Brewery supply and partnership agreements
- Waste disposal agreement
- Security system agreement
- Plant & equipment rental agreements
- Cigarette machine agreement
- Telephone, gas and power supply agreements

Profit share agreements such as a pool table and Juke box are usually verbal and whilst these would be listed in your Hotel Brokers list of 'encumbered plant & equipment' in the Information Memorandum there is no need to refer to them in the contract of sale. The same applies on loan items such as a bagged ice cabinet, coffee machine etc.

It is imperative that your Hotel Broker has copies of all existing legally binding written agreements so they can be brought to the attention of prospective buyers, and attached to the eventual contract of sale. Copies of these agreements should be provided to your Broker at the time of listing or as soon as possible thereafter.

Step 7: Appoint a Licensing Solicitor

For the same reason as you appoint an experienced and professional Hotel Broker when ready to sell, you should also appoint a specialist Licensing Solicitor to act on your behalf in respect of vetting the contract, attending relevant documentation and arranging. There are perhaps half a dozen specialist Solicitors in South Australia who have the necessary experience and knowledge to facilitate a smooth transaction without unnecessary delay or complication.

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Conclusion

Eventually your hotel will be sold. However it is prudent to wait until you have a valid contract of sale with any special conditions fulfilled and the settlement date firmly established prior to making future plans. These plans might include booking a holiday, catching up with family and friends or sitting on a houseboat on the mighty Murray with a good book and glass of wine. So, after your hotel is sold, find a way to reward yourself and take pride that you had the courage to back your conviction to become a hotelier. And when you do sell we trust that the experience will have been enjoyable and rewarding for you.



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