

Due Dilligence Check List:

The following is a generalised list of items you may wish to consider during due diligence for your motel purchase. This is generic information which should be considered as to the appropriateness of it for your individual situation prior to acting on it. We recommend that you employ professionals in the relevant fields to advise you for your motel purchase.

Financial Position:

- Last three years Financial Statements. Trends? Anomalies?
- Year to Date Financials. Changes from last full year financials?
- Cashflow projections. Budget
- Debtors and creditors. Finance required to support this?
- Seek professional advice: check with accountant.

Trading Results:

- Main clients?
- Key performance indicators?
- Sales analysis?

Personnel:

- Analysis of employees. Positions? Current salaries, entitlements and benefits?
- Employee contracts. Legal? Written? Conditions?
- Will staff remain with new owner? Benefit or liability?
- Ability to recruit new staff?
- Employee contract protection provisions? Vulnerable employees?
- Current management team and duties? Will new owners be able to do the same duties?
- All obligations are up to date. Eg: ACC, PAYE, annual leave, superannuation, redundancy. What will happen on settlement?

Taxation issues:

- Last three years GST returns.
- Confirmation all tax commitments have been met. (GST, PAYE)
- Any current issues with IRD
- Structure of entity. What and How? Need to discuss with accountant.

Chattels Inventory/ Stock

- Chattels List complete.
- Is anything leased or hired which you thought was a chattel? What are the terms?
- Is it as you remember. Do you need to check against actual? Physical inspection.
- Maintenance Issues?
- Age of chattels? Replacement required when?

- What do you think needs changing? What would this cost?
- Front desk system? Channel Manager in place? Costs?

Customers

- Market segments?
- Current business top 20%? What would effect this?
- Any contracts for clients? Terms and rates for this?
- Current economic climate? Future predictions?
- Do they have customer database?
- What percentage of clients are credit clients?

Suppliers:

- List of key suppliers
- Anticipated cost increases
- Is business locked in to supplier contracts
- Payment terms for suppliers

Intangible Assets:

- Details of intangible assets to be included in sale?
- Website? Copyrights, brand names etc?
- How are they recognised in the contract?
- Is there documentation for the transfer to the purchaser?

Lease/ property:

- Seek professional advice: Check with solicitor.
- Obtain a copy and any amendments to the lease.
- Is it a deed or memorandum?
- Length/ term of lease?
- Any other interests on the property.
- Annual rental?
- Ratchet clause?
- First option to purchase?
- Check resource consents for allowed business use.
- Has the property been improved and when? Was there consent?
- Is there a current building WOF? May be different for different territorial authorities.
- Is there any future planning changes in the area.
- What are the obligations of the lease
- Are all relevant licenses, permits or consents up to date?

Competitive landscape

- Investigate competition. SWOT analysis
- Compare profitability
- Occupancy rates. Improvement areas?
- Monthly occupancy for cash flow.

- Tariffs? Room for movement?
- Compare figures against industry trends
- Percentage of turnover comparison and anomalies.
- Any new competitors?

Liabilities

- Mortgage. Cost? Motel income supports?
- Obligations under lease?
- Employee obligations
- Contracts outstanding?
- Tax liabilities eg: GST.

Additional requirements.

- Operators accommodation appropriate? Resale? Pets?
- Location and lifestyle?
- Accounting packages? Who currently does GST? Who will do it after takeover?
- Insurance? Remain until settlement?
- Credit Card merchant agreements?
- Meet the lessor
- Why are the vendors selling
- What is the resale likely to be? What factors would affect this.
- What external factors could affect the motel? Weather, economies, market sectors, etc.
- What is the current business reputation?
- How long has it been for sale?
- How many other accommodation facilities are in the area and how old are they?

This is a generic list of elements you may wish to investigate for your due diligence on a motel. It is not a complete due diligence format and there may be other areas not included here which should be investigated. We recommend that you seek advice from an appropriate professional in all areas of your due diligence.

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