



EPISODE  
139

THE DEAL ROOM

A clear view of the risks and opportunities after COVID

## The Deal Room Podcast

### Episode 139 – A clear view of the risks and opportunities after COVID

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## Transcript

**Joanna:** Hi, it's Joanna Oakey here and welcome back to the deal room podcast, a podcast proudly brought to you by our commercial legal practice Aspect Legal Now today we have on the show the fabulous Rod Hore from HHMC Global all to talk with me about the biggest risk for businesses right now out of COVID. So today we're really talking about the opportunity in the downturn but also the importance of making big decisions and stepping back and analyzing a business in these times. And understanding whether or not it will make it through the next nine months.

We look at what this means for M&A. What buyers are looking for at the moment what this means for sellers how prospective sellers of businesses should be looking at the thought process of selling their business and the timeframe for selling their business. And we also discuss the possible opportunity for acquisitions. Now Rod certainly knows his stuff.

He comes to us as a 40 year veteran of Australian and international IT and corporate advisory organizations and through HHMC Global he deals with corporate advisory

assignments, mergers and acquisitions, activity and advisory to multinational and other public and private organizations. And having seen businesses deal with many downturns in the past Rod is brilliantly placed to look critically at The impacts of COVID on business at the moment and the risks and opportunity in this phase. So without further ado, here we go with our conversation with Rod.

**Joanna:** Wonderful Rod. I just want to say a massive thank you for coming back on to The Deal Room podcast.

**Rod:** It's a pleasure to be here again, I haven't spoken to you for a little while now.

**Joanna:** Oh, you're absolutely right. It's been way too long. And I absolutely love our discussions. So I'm really excited to have you back on the show again, today, albeit today we're talking about I mean, we always talk about serious topics. But today, it's particularly serious talking about, I guess, the question of taking the time now to assess the viability of businesses that might really be suffering in this really difficult period that we're experiencing right now.

And maybe how about I throw it to you, Rod, just to set us up? What are some of the issues that you are seeing at the moment in terms of businesses who are considering their viability at the moment. Well, actually that makes an assumption that businesses are considering their viability. But in the recruitment businesses, obviously you deal with recruitment businesses, but I think everything that we're talking about now is relevant to services businesses as a whole. What is it that you're seeing in terms of how the owners and the management team are approaching COVID? And the business model in light of COVID?

**Rod:** Look at this really interesting because I think, like any disaster, everybody's gone through these stages of, of activity, you know, they went through grief and they went through panic and they went through, I don't know what all the order is. But there was certainly a whole process that people went from dealing with the issues as we went into this process, to now dealing with the issues as we are in the process and people are starting to consider about what they've got to do over the next 3-6-12 months. And how they're going to survive that period.

And one of the major concerns is that all in the early days, I think people were looking to get a fast rebound, because that's what's happened in the GFC. And people had that in their mind that, you know, we'll be over this in three months. And we'll be back to business. And I think we're way past that now, I think people are understanding that it's going to be some sort of a slow recovery, nobody can say with certainty what that is. But we've got a few unique conditions here in Australia, where we've got some government assistance, which is going to run out in the sort of September October time frame November timeframe. But then we immediately go into the Christmas period, and the Christmas period is traditionally everybody's slower time. And so you're not going to get a major rebound in business during the December, January, February period.

So if you're sitting in your business, and you're saying, Well, we've come through this first bid, I've made some changes. I've cut my costs of living within my means. That's actually not good enough at the moment because you've got to handle these things. decisions that are coming up in front of you. And so there's at least three quarters of

time where you need to be certain that you're going to get through that period. And my concern when I go and talk to smaller business owners is that maybe they're living a little bit in a paradise, a fool's paradise because they think that they have gotten through this first few months, and they're going to be okay, but I think the hard grind is still in front of people.

And if you haven't got a very realistic budget about how you're going to survive through until say, March, then you need to do that. And you probably need to do that with some external help. Because we're all optimistic about what's going to happen in the future. We're all optimistic about our sales ability or our ability for our clients to come back to us all those sort of things. And you know, we need to be brutally honest with ourselves about what the chances are of earning cash and living off our cash through until and that March period.

**Joanna:** And I guess you know what, we should probably do he now is call out some of the particular issues with living in an overly optimistic world that doesn't end up eventuating. The real risk is that I mean, there's a time and energy risk, but there's also a real risk if you're adding financing to the business, you know, if you're putting in cash, like that's just one of the biggest issues, isn't it?

And are you seeing business owners right now making that call to throw in cash to fund businesses? And I must say, I'm seeing it at the moment in terms of businesses taking on borrowings to help bridge what they see is the gap between now and business coming back on but but what are you seeing out in the market,

**Rod:** Probably a bigger concern is people who are making non decisions. This is the time for some fairly deep and courageous decisions with imperfect data, which is, you know, the worst possible conditions for a business owner and so, you know, if you can't delay getting an assessment of where you are, because you need to be making the decisions early rather than later.

So, to your point, if people just drift into the fact that they keep funding their business over the next three months, or six months or nine months, and they haven't done that with a very clear plan of how far they can go, and when they need to stop that, and when they need to make decisions, then that's a very dangerous situation. The worst possible outcome of all of these conversations is that somebody gets to say, January or February, and their business fails. And in the meantime, they've put in their life savings back into the business when a clear a decision back in June might have prevented that. You know, we don't want people losing their business, but we also don't want people losing their business and their house.

Yeah, that's right. I mean, that that's just not the right thing. That's right. So you know, getting clarity about your position fact checking that terrible word at the moment. It's got all the wrong connotations, but fact checking your assumptions and making sure that you're, you know, getting some good advice so that you can make an early decision about where you're going to be, you know, and it's actually more than financials because it's also about, you know, your mental strength. And it's about your leadership capacity. And it's about your positioning in the market, because all of those sorts of things to consider as well. But mostly, it's about cash.

**Joanna:** And what are your thoughts about the differences between where we are

now and previous economic crisis? Like, for example, the GFC, obviously, you saw businesses during the GFC. You know, once again, a lot of the businesses that you see are in the recruitment industry. And of course, that is an interesting just like the M&A industry that we're both in. Both of them are very susceptible to business confidence. But I think it's not just those two industries. There's so many industries at the moment that are impacted. So yeah, What are the similarities and the differences? I guess you say between then and now.

**Rod:** I think one of the reasons that the word unprecedented may actually be able to be used in this incident is that it's happened globally. And it's happened to everybody. And so I don't think there's any particular sector, maybe government sectors and any particular sector that's been excused from this, and it's happened everywhere at once. Whereas in all of the other situations we've lived through, and I'm old enough to say, 1987 1991, you know, the.com, boom in 2001, the GFC all of those had different circumstances where not everybody was impacted. It didn't happen at once.

It didn't happen just genuinely falling off a cliff like it has this time. And because this is global, and things like supply chains have been disrupted. We don't know. I mean, we're in very uncharted territory. We haven't opened their borders. We haven't really re ignited this the supply chains. We don't know whether people want to deal with us in the future, and we don't know where We want to deal with people in the future. So there's lots and lots of things that are really uncertain as we come out of this one. And it's bigger than than all of the others.

However, the benefit is you can go and borrow money at historically low interest rates. Yeah, it's not 7% 10% 15% there is much more mobility in terms of technology and staff and all of those things that have enabled things to happen probably quicker than they ever have before. And if we get transport, underway again, and people can fly around and move, then, you know, maybe we can actually move mountains when we start again.

**Joanna:** Yeah. Well, I mean, before recording this podcast, we were having a discussion about how we seeing the business community at the moment and the impact of schools going back so schools, you know, just gone back this week.

And in general business sense. I seen an immediate uptick, which I think is, you know, is a really positive sign but industries like the recruitment industry follow quite a way behind, don't they? You know, it's one thing for businesses to turn around. It's another thing for them to start hiring again and commit to hiring new staff. So, you know, where is that line? And of course, the point is, none of us really know.

But I guess this is what you're saying, Rod, because we don't know, you really need to step back and assess in the worst case scenario. What it looks like.

**Rod:** Yeah, be brutally honest, more brutally honest about your own capability and your own business than you've ever been. Because, you know, because your house might depend on it, you know. And I think that is an unusual circumstance. I actually had a conversation recently where we went through and said, No person who's in a leadership position. Now, whether it's government or business owner has actually ever been in a situation where there's been a major, major downturn like this the.com boom in 2001. And the GFC didn't really impact Australia. Of course, they impacted

Australia but nothing like this. And so it's not since 1991, that we've actually had this, you know, the country going into recession, and all of the impacts, you know, things being turned upside down. We haven't had that before. So no politician has ever lived through this, where they've been in a position of power. No business owners lived through this where they've been in a position of power.

I mean, I was a junior at the time, I'm glad to say and so, so we've got to give everybody a little bit of understanding that that there is some hesitation and there's some learning to do. And that's why I think conversations like this are really important because, we really are imploring people to say they've got to stop and they've got to take these big decisions, and they've got to do these big reviews. Because their own sense of reality that they've been working with for a period of time, just may not apply anymore. Most business owners are a little bit sales oriented. They're very confident about their own ability. They're gonna win again, and they probably will, but they need to have a dose of reality about where they're at moment and how long mandate to live in this current situation.

**Joanna:** Well, it's interesting, isn't it? Because I think the very personality traits that make for a successful entrepreneur business owner are the very traits that can be very dangerous, right at this point. Because the traits that you know, not always but quite often those really successful entrepreneurs and business owners are people who are willing to take a risk, who were willing to throw it on the line who are willing to get out there, and who can see the opportunity when others are too scared, right? But it's all of those things right now, that can be leading business owners down the wrong path or down the path of not being able to see the writing on the wall, as it were. And I've seen and you probably have seen the same Rod. I've seen many really sad stories of businesses in liquidation of business owners in bankruptcy. And the signs were almost always there but overlooked in the past. And I guess ...

**Rod:** Dismissed almost.

**Joanna:** Yeah dismissed. Absolutely. Absolutely. You had you use the word living in a paradise, and you know the old saying of like an ostrich with their head in the sand is the other one right or was it uhm anyway what it is they're hitting those anything. And I've seen that play out many many times and it's just awful to watch when you can see that if decisions had have been made earlier then the fallout that would have been caused would have been so much less and I guess what we saying, isn't it?

**Rod:** That's right. So I do think it's only the first step is to have that viability test. You know, am I gonna survive until March next year? I mean, that's that's a pretty simple question, but you got to have some brutal internal thoughts about whether you're going to get there or not, and your assumptions tested. But then you move on to the next step, which is what am I going to do between now and March next year.

And that's another whole step. And, you know, if I can change the subject a little bit, you know, in terms of what you just said about the personality of the business owners, they're now moving into another area where they're probably having to do things that they're in a manner that they haven't done them previously. And so that would include, you know, totally engaging their staff gathering their staff around them, they've already made some staff cuts, they've got it, they've got to engage and bring all those people together. They've got to be over communicate, they've got to,

you know, share much more with the staff about how the company is going and where they're going than they ever had before because they've got to, they've got to worry about not only their own mental health, but they've got to worry about all of that engagement and the and the positivity that needs to be built up within the organization because they could get to the end of this nine months and not have a team.

**Joanna:** You know what, that is such a good point because I think the initial feeling of many people at this point, and you know business owners when they're suffering stress because, you know, let's face it when a business is suffering stress, then the business owners themselves, you know suffer a great amount of stress that come out of that. But often the reaction to that is number one, protect staff.

Don't let your staff sitting in a bubble, so they don't really see what's going on, because that will protect them. And then that will keep everything safe, but also the other sort of reaction is to go within themselves and to start to be less external with their thought process. But you're saying you need to do the reverse. You need to be more external, you need to communicate more.

But I guess in order to do that, though, you fundamentally need to have a plan because to communicate, you know, you need to have something that you communicate, so how do you make a plan in a period of time when you have no idea how long this is going to go on for and what to do next? What's your recommendation for how you start with that?

**Rod:** You probably go and read Shackleton's book about how he survived shipwreck down in the end. Because I mean, it's about getting people on the bus or getting people on the boat isn't that and making sure that you're all actually committed to working as a team, you don't quite know where the destination is. But you've, you've got to be working as a team. So first of all, any work that comes in has to be executed brilliantly, because you've only got a little bit of work. So you need to nail everything that comes in.

I mean, the world hasn't stopped. It's just slowed down a lot. Yeah. You know, the second thing is, is you've got to keep your team motivated, and you've got to do things that improve the business. And so find those projects that you've never had time to do, you know, do all the little bits and pieces, I'm not talking about cleaning the cupboards, although that might be one of the things you do. But I mean, you've probably got candidate things or client things or CRM or technology things or you know, there's just stuff that never gets done when you're all busy.

And we have been busy for 10 years. So fix those, run them as proper projects with with project plans and deadlines and you know, make people work and get busy. But the third thing, and I think this is the most important thing is that if people are then active, even thinking about doing things for the business, you've actually got to include all of these smart people you've hired in the I hate using the word but there's no better word for it in the journey of where you're going. And because have a really good hard look at what you've done well, and what you haven't done well over the last 10 years, or five years or three years and think about what your clients might be needing next year in the year after, and start making the changes and start putting the plans in place for how you're going to do that. You've kept the best piece of your

team, you might have had to shed some people but you've got this core group of people, make them feel like they're a cool group of people in terms of how to go forward and by the way, some of the things that you might need to change might be remuneration structures, commission structures, team leadership structures, when you start stopping and having a good look at your business, you'll probably find things that have been inhibitors for how you want to work in the future.

But we've all been so busy that we haven't actually changed any of those things. And again, it takes a bit of courage to have that sort of naked review of your business and and think about what's actually gone really well. And there's a competitive advantage for you and it's productive for you and profitable for you. And what are all the things that haven't been? I have a particular issue in the in the recruitment industry, the commission structures and the way that people are rewarded, I think is just awful, and becomes the culture of the organization and is dangerous to the organization. But every organization will have its own things that it could sit and review.

**Joanna:** So as you're talking this reminds me of discussion that I was having actually podcast I recorded with someone called Peter Lloyd so if you're listening to this have listened to that podcast in that podcast. He talked about it. His story of going through being an entrepreneur and going through the GFC and blowing himself up in that time and and ending up in bankruptcy, but he said, that was one of the best things that ever happened to him on reflection because he was so committed to his prior business model. It blew everything up it was no longer possible.

So it forced him to really look at and for him, it was an entire life change. He really looked at his life and worked out what is it that I'm trying to build for myself what life and business Am I trying to build and he built from the ground up but taking that as a concept. And if we say our ultimate aim is for our business owners who are listening, not to have to entirely blow themselves up in order to get this lesson to the extent of liquidation or bankruptcy, at least, you know, many business models right now. We'll be showing signs of vulnerability. And obviously COVID was something that as you rightly say that the word unprecedented has been used many times such that we won't repeat it right now. But it is like that's the truth.

It was completely unprecedented. So something absolutely, but it it points to vulnerabilities in business models that may be the silver lining in all of these is businesses can build out of this stronger than they ever were going into it by identifying what vulnerabilities have been really clearly shown, you know, a lot on and and if they can work through that and work out how building protection around those vulnerabilities, then they'll end up with something that perhaps is far stronger than it could ever have been before they'll put under the stress.

**Rod:** I agree. And every industry legal accounting, recruitment, M&A, every industry has changed dramatically over the last 10 years, but most businesses haven't changed much Over the last 10 years, and, you know, it takes it takes courage and this applies to me as well to actually stop what you're doing and do something different. And this is one of those very rare opportunities that you have to do that.

So in the middle of all of this depression, then you need to actually pluck up the energy and the courage and the engagement with your staff to sit down and talk about your business and work out how you're going to do it slightly differently, or

maybe majorly differently going forward, because you'll never get another chance to do that.

**Joanna:** You're absolutely right, and then the period of reflection might end up, you know, it's not necessarily I guess, to be clear, we're not saying, Well, if you've been hit massively, therefore, that shows you've got a poor business model, because it's not that at all, you know, because it might be you look at it and you say that the upside in the good times, is enough to completely outweigh the issues here and perhaps what we've learned out of the system The need to build a bigger war chest or not, maybe you have already, but sometimes the outcome might be a complete review and need for change.

But the point is you've got the opportunity now of thinking time, some businesses, of course, have seen an uptick, you know, particularly if you're in a PPE business or something like that, or online learning, you know, they're going great guns. But you know, I guess the point is, it's not necessarily a comment on your business model. If you've been heavily impacted. The point is, have you analyzed whether the good times sufficiently cover the risk that you're running in times like these?

**Rod:** That's right. And so you know, that the change in the risk that's out there for your business, if every business owner went back and looked at their clients, and thought about the last two or three or four years and said when I was trying to offer my product or my service to that client, they either didn't answer my phone or they chose somebody else, or they went in a completely different path.

I mean, there's actually gems of wisdom in all of that, that you probably have not stopped and looked at. And you know, quite often clients are actually well ahead of what service providers are doing. Because the, the clients will go and buy what they want to buy, and you'll either keep up or you won't, and this is one of the very few times to do it. And sometimes the reason that you didn't win it is because you've got inhibitors back in your own business or remuneration structure or leadership structure. You've actually just got the wrong people in your business, whatever it may be. And you've actually got to stop and address that and make a plan for how you're going to address that coming out of this process.

**Joanna:** Yeah, absolutely. So one other I think one of the things we should say right now is that the what may or may not be obvious to everyone else. But a concern that we've had that we've shared is what will happen in September, when when the government stimulus sort of comes out of it because there was a moment a week or two before job keeper came in our phones started running hot with everyone wanting advice on redundancies and stand downs.

And then job keeper was announced and that all just stopped. It was amazing. It was fabulous. Because I was, you know, it impacts me to see such crisis, because it's not just for the business owners. It's also for the staff as well, um, and it was just horrible decisions that everyone felt they needed to make really, really quickly. But job keeper came in, and it had the effect of slowing things down so that people were breath, so that people could think but that will come out. And when at the moment it has a date. And if it's not that date, then we'll you know...

**Rod:** Could be sooner could be later.

**Joanna:** Yeah, exactly. That's right. But there will be a time when it comes out. And we will absolutely without question, see insolvencies at that point we will see redundancies at that point. And the thing that we don't know is how much will they be what will the economy look like? what the business will look like that as that all flows through? So how are you approaching that? What's your thoughts about that? I have a concern. But the thing is, we just don't know exactly what will happen. So I mean, what's your thoughts?

**Rod:** Well, I think from a business owner point of view, their performance is going to be very lumpy for some period of time. And the only two lumps we can see at the moment are when those government assistance programs run out the job keeper being the main one. And then the second one being the normal downturn in revenue that that services businesses have over the over the Christmas period.

And so that's all we can plan for. But I think they'll probably be lumps going forward as well. I mean, if there's another outbreak or whatever it may be in 2021. It'll cause some ripples through the the industry and some people will be impacted. So I think business owners are going to have to be resilient for a couple of years, not just this next time. Three months or six months or nine months, and, you know, and it's going to be, somebody said that the recovery will be like a Nike swoosh. You know, so we were dropped off in a hurry, but it's going to be a fairly slow platform to build back up. And, you know, in general, maybe that's about right. Although that I think there'll be a bit of a wavy line in terms of how we come back.

**Joanna:** Well, there's definitely been a lot of alphabet discussion. It's all been, like is it a u? a v? or you know.

**Rod:** Exactly. All we know is it's not a V.

**Joanna:** Yeah, yeah.

**Rod:** So getting through job keeper is really important, but people should already have a plan should already have the spreadsheet so they already know they can live within their means post that period, because if they can't do that, why aren't they making a big decision today about what the viability is and where they're going to go and how they're going to how they're going to exit gracefully rather than ungracefully.

**Joanna:** Yeah, absolutely. Maybe. Let's talk now about some options for business owners. So there are a few few options. Number one for businesses that feel they have a strong model after sitting back and reflecting, maybe there's an opportunity for Acquisition coming up into the future. You know, maybe that's something that's something that I feel is on the horizon at the moment, I see a lot of risk coming up with the end of things like job keeper, but I also see a lot of opportunity. What's your thoughts about that as a potential opportunity? And who is it potentially an opportunity for in your eyes?

**Rod:** Hmm. Well, look, there's certainly been a lot of money made over the last 10 years. It's been a great economic period in Australia and one over the last 20 years really, but but let's talk about the last 10 and so there are very strong companies out there with great reserves, very strong balance sheets, and they are already out there

looking for opportunities to not to take advantage but to execute a strategy during this period. Some are there to take advantage of course, But then to execute a strategy. And so I'm sure everybody involved in mergers and acquisitions is getting phone calls. We certainly are. We've actually picked up buyer side clients during this period. So so there is activity out there, people are looking to execute things, they know that they can either do a transaction at a lower level, maybe, or they can do a transaction where the conditions of the transaction are more in their favor, because there is obviously a risk component to it.

So both structure and value have changed. And I would expect that to continue up. There are always people out there looking for a bargain to pick up a failing company. And so I'm sort of putting that to the side at the moment. I'm looking at the people who are a little bit more strategic and saying no, we want to be in that part of the business. We're not strong enough, either geographically or across our sector. We're looking to really move that area and do some more activity.

**Joanna:** And so what do you You said you've had a number of calls from buyers. And in fact, across the board from everyone that I'm speaking to that seems to be where the real interest is at the moment from buyers, which is interesting. It is interesting that there's far more buyer inquiry than seller inquiry at the moment, it seems just generally across the board, which is fascinating.

**Rod:** Well, I think that's the reason we're having this conversation is because my concern is that those sellers have gone back into their shell. And not making the bold upfront decision, but are letting the circumstances dictate to them. And so that's my concern. And that's what that's what we want to do is you want to draw those people out to make a conscious decision about where they stand and what they should be doing in the future, because there's opportunities out there for them. And it may not be in the manner that they thought two years ago or even one year ago, but there is opportunities out there for them.

**Joanna:** And so why do you think that businesses and you've already said You know, one reason is their living in their own paradise, as to but generally, what are the reasons? Maybe we can talk them through together? What are the reasons that businesses who are selling have pulled back or not businesses who were selling, businesses who should be considering selling and aren't considering selling? What's the disconnect at the moment? And I think one of them, just to throw it out there is that I think there's two things I think while there's so much uncertainty, and while there is stimulus in the business from the government, business owners are happy to just sit in the hibernation zone, as our politicians have called it, and they've adopted the mindset of the hibernation zone, and they've decided they're going to hibernate and just wait and see what happens.

So I personally feel that is actually a strong thought. Whether it's a thought process or not. I think that is might be what's happening but also, I believe, not yet and I'm really interested in your thoughts to my other thought on it is that business owners are concerned are always concerned about selling their business when they feel it's not performing at its optimum, because they're concerned that they could get a better price in some other time. So they're sitting there thinking perhaps it will turn around quickly. They'll have a stronger revenue base to show and as a business operating from a position of strength rather than than weakness in a sale. So what are your

thoughts on all of that?

**Rod:** Yeah, look, if I go and talk to an organization at the moment, and they've they've done things like put their staff on 75% pay, they've tried to hold everybody together, they're on job keeper, all of those sorts of things, then they're the ones that I think, have not taken any serious decisions at all. They've tried to make all the non decisions by my just assuming that that tomorrow the sun will come up and it'll be all okay. And they're the ones that I actually feel for because all I've done is delayed by three to six months. All the decisions they should have made in March and April.

And so that's, they've got a world of pain in front of them. Yeah. The other thing about m&a and just picking from a services perspective now is that there's a lag in services businesses getting back to the point where a normal transaction can be done. So there's two components need to happen. First of all, they need to have three or four months of good trading, so that they feel confident about what's going on. But then they need to be able to forecast and put their hand on their heart and say, these are going to be my results going forward. And if they can do that, then they can go to the market and say, you know, I've got a business to sell.

Nobody can do that. Now. I don't think anybody will be able to do that up until March next year. So we're a long way away, and then it starts that three or four or five months, and then you know, and so on. So I'm actually expecting 2021 to be a fairly poor year for normal. I'll put that in quotes. There is no such thing as normal, normal transactions, because I think it's going to take so long to get that sort of business confidence and, and trading history in place that people can go to market and have that transaction.

Yeah. So if this sitting waiting for the sun to shine again, that's a long way away. And, you know, again, coming back to our concerns, you know, it's not just cash flow, but it's also the the resilience of those business owners. It's the strategy, they've got to come out. It's the strength of the leadership team to come out and compete, when they have the opportunity. It's all of those sorts of things that will make them successful going forward. And they're really had to self assess, you know, you need to be you need to be challenged to be able to get to the bottom of all of those activities.

**Joanna:** Yeah, and maybe let's talk about you know, we haven't a lot of businesses in Australia worldwide, a baby boomer generation who are coming to the period of thinking about retirement at one point in the next five years or so perhaps who will need to sell their businesses at that point, who perhaps might get to and in fact, it's not even just those business owners. Any business owner who has had their business for a number of years has committed a lot of energy to their business. I just wonder what the impact will be. When we get to the period of rebuilding, we all realize it's going to take a lot of energy. You know, at that point, is there likely to be a flood of businesses on the markets and people who just don't have the energy to redo it right now, you know, what's your thoughts?

**Rod:** Yeah. We've already had some conversations from people who have quite openly and honestly said, I can't do this again. I've rebuilt this thing three times, I can't do that again.

**Joanna:** Exactly. Yes.

**Rod:** So I pat them on the back because that's, that's a courageous decision, courageous self assessment to make no, I'm not trying to convince people to do that. It's just when they come to that realization, and then they've got the courage to stand up and say, This is not for me, I need to do something else. I need to retire or whatever it may be all those circumstances you said, but there's a lot of people who at the moment are not in the position where they're being open and honest with themselves. About their state. So it's not just cash flow. It's all of those other human components as well. strength of the leadership team resilience of the owner, the energy to go forward, all of those components come into it. Absolutely.

**Joanna:** So then you were talking earlier about having buyers approach you at the moment what are buyers are looking for at the moment?

**Rod:** Most of the buyers are quite strategic. I mean, there are some who are not, we're just saying any bargains out there. They always get my attention. So the ones who are quite strategic are saying, look, we know that things are going to happen in this period, we know that people are going to have balance sheet problems, we know that people are going to have shareholder issues because there'll be a divergence as to what the plan should be, you know, and so if there are good businesses out there that for whatever reason, come onto the market now in the sectors and in areas that we're looking at.

We want to talk to them so they really flag in their interest about all of that and they're going to be very fussy, the strategic buyers are going to be very fussy if it doesn't have the right that the business doesn't have to be performing excellently, but it's got to have the bones of what they want for the future in terms of client base, you know, sectors, all of those sorts of things.

**Joanna:** Okay. All right, and how much interest are you seeing from offshore? Because obviously, the Aussie dollar is quite low at the moment. So, you know, surely that makes for a good opportunity for offshore buyers?

**Rod:** Yeah, possibly. I've always been of the belief that exchange rates don't get something on the action list on the whiteboard of things to do. It just helps it when that's there. So I don't think anybody changes their strategy just because there's an exchange rate benefit at the time. If they've already had it on the whiteboard. It's already something they're going to do.

They might put more emphasis on it because the timing improved, but I don't think it actually gets it on the whiteboard or not. We're finding some countries have slowed down their conversations, some of the Northern Asian countries but certainly the UK, Canada, US, you know, there's great deal of interest as to what the world might look like when we come out of this process and where they want to be positioned. I think Brexit is being interrupted a little bit, but the UK and Australia will do a lot more work together and some of the Commonwealth countries. So I've already mentioned Canada, for example, India, Singapore, I think they'll be really, really good businesses between those countries. And we're already receiving almost random phone calls as a result of that.

**Joanna:** Interesting. Okay. All right. Great.

**Rod:** It's hard to turn that into projects. But there's certainly interest out there.

**Joanna:** And I guess that's the issue right now. It's not the timing. Everything seems to be moving at a much slower pace at the moment. So whilst there might be enquiry, it's about you know, being able to turn that into action now, which can be the tricky thing, and I guess that is exactly what we're talking about for business owners and managers at the moment.

**Rod:** Yeah, you're gonna have to be prepared to wait a bit. It's gonna take some time.

**Joanna:** Yeah. Okay. And so if you own a small company at the moment, and you're thinking of selling, what are your realistic options?

**Rod:** I mean, that is a good question because people just assume, at the moment that there's no option for them. And so, you know, I get really disappointed when people just close the door and walk away. Because I think, you know that that is a very poor outcome for somebody who has, you know, run a good business, and especially if they're retiring, if that's the last thing they do is close the door on the business and walk away, My heart sinks. So there are buyers out there, there is the opportunity for transactions and they can be in all sorts of manner that the challenges that the seller has to get their head around the fact that whatever they thought their businesses worth, or the way that they thought a transaction might occur, is going to be different.

Because we're in a position where the risk of a transaction is much higher. And so therefore, effectively cards lie with the with the buyer, not with the seller, it is a sliding scale at risk scale, it's over on the buyer side at the moment, okay, and they've got the strength. And so that might mean, for example, that that deal might get done. But that may not be much cash up front, it may be all based on the future in out. And that's perfectly valid from a risk perspective, because the seller cannot guarantee any performance going forward at the moment. I mean, nobody knows.

So that's an appropriate thing to do, I'll take by and say, I'll take a risk on your business. I really like it, I want it to be part of what I'm doing, but I'm not paying up front for it. I'll pay based on how it earns over the next period of time. And that's a negotiated outcome. And there's also opportunities for the reading micro businesses as well. You know, the very small, you know, two three person organizations, there are plenty of homes for those businesses. It's just there's not necessarily going to be a big cash outcome and your business will have to go into the other organization and help it integrate and help bring the clients over and help bring the business over so that there's an outcome. It's just not necessary what people might have thought the outcome was going to be.

**Joanna:** And I guess all of that is about being it's about understanding that from the beginning so that you're not knocking back options that as it turns out, could probably have been a really good outcome because you fixated on what you think the outcome should look like.

**Rod:** It was a we've been talking to people. And I'll use a recruitment example at the

executive placement executive search end of the recruitment market, where they're saying and have retained us to go and do activity to say, look, there's probably people out there who don't want to run a business anymore. Yeah, we're happy to take them on. And if it looks like we're buying a company, we'll bring them on.

If we look like we're hiring an individual, we bring them on, we want to build their business, there's things we want to achieve, you know, go find them for those people who don't want to run their own business, their own small business anymore. So there's all sorts of activity out in the marketplace and what the owners of the smaller businesses who are thinking about exiting need to do is actually just be open to the conversation. There's two sides to it. It's making sure they get the financial reward that is appropriate. And it'll be smaller than it was. But it's the second component is actually getting closure and getting value and getting a sense of worth in terms of being able to look after all of the stakeholders and making happen in a very smooth manner. That I think is really important.

**Joanna:** Yeah, absolutely. And as you're speaking, it reminds me of something else that I'm seeing is some quite a trend at the moment buyer interest in terms of replacing a job so where individuals feel that they have either already been made redundant, they feel now that there is vulnerability that they are recognizing in their employment. It's actually you know, it clicked into this mindset of why don't I go on buy, why don't I go buy a business now? So I think there will be that opportunity, opening up more and more for the small businesses.

**Rod:** I mean, maybe not in the in the past, it might have been retail or something like that. I mean, retail is not going so well at the moment. But um, yeah, there's opportunities, especially within those franchise structures for people to jump in and be first time business owners at this point.

**Joanna:** Yeah. But well, I mean, you know, I can also see that playing out in recruitment as well, because many, you know, in recruitment, you have many staff sitting on the sideline and seeing how it's run in the good times and feeling like they've got a better way. Maybe there is that opportunity as well for if you're looking to sell a recruitment business?

**Rod:** Yeah, I think most good businesses have actually hit their straps because of living through a downturn. And so, the GFC was the making of some recruitment companies, the 2001 period of that downturn, the.com boom, that was the making of some companies, you know, because people learned some very harsh lessons and they use that as the values of their organization going forward. And it also cements the leadership team.

I mean, the leadership team comes out of those things. They have broken over a strong, doesn't seem to be a middle ground. And and if they're very strong and they've got the values and they live by those values, they can build wonderful businesses very quickly. I think if we, if we can encourage business owners to, to take this time to have a very serious reflection on their own business and their own personality about what they want to do going forward, then we will achieve something and I'll be very happy about that. And those that do have the strength to and the assets to be able to get through this period. If they can then also look within their business and unshackle themselves from what they've done in the past to the

inhibitors to their business then the world's their oyster because you know, they'll they'll be better than their competitors when they come out of this. So, you know, it's it's a wonderful time if people think that the glass is half full.

**Joanna:** Yeah, absolutely. Oh, Rod. Look, this has just been a fabulous conversation. very sobering on the one hand, but I think it's it covers such important topics if people are wanting to reach out to you, Rod, how can they do that? If they're interested in getting help through this process? What is it that you do? How do you work with businesses right at this moment in helping them to navigate this territory and you know, look critically at the business that they're running?

**Rod:** Yeah, core business is working with people on the buy side or on the sell side of transactions. But surrounding that we have a whole range of services that are associated with them doing external reviews, providing advisory services to the shareholders to make sure that the shareholders have understand what they're doing and how they're going forward. And we also get involved in people who need to make changes to their business to get it ready to do a transaction because sometimes there's things that need to be done internally to actually be ready to have that conversation. So we provide some advice in that area as well. And our website is [hhmc.com.au](http://hhmc.com.au) and all their contact details are on there.

**Joanna:** Brilliant and if you were running along the beach I was gonna say on your commute to work, but I don't know maybe that doesn't work anymore. Not many people are on my commute to work anymore. Anyway, whatever. If you're doing...

**Rod:** ...the gardening.

**Joanna:** Yeah, that could work, so if you're doing the gardening, don't worry, you don't need a pen. All you need to do is go to your show notes. And we'll have the links through to Rod at HHMC. Rod, I just want to say a massive thank you to you for coming on to the show. Every time I speak to you, I just feel like it's just a fabulous conversation. We just really delve into some really interesting topics. So thank you. Thank you for coming on to the show.

**Rod:** Oh, thanks for having me. Again. It's been enjoyable as always.

**Joanna:** Well, that's it for this episode of The Deal Room podcast. Of course, we were speaking with the fabulous Rod Hore from HHMC Global and if you'd like to get in contact with Rod or his team at HHMC Global in order to get assistance in evaluating your own business and what the next nine months looks like for your business and how to assess the strategic decisions that you should be making at the moment.

Then just head to our show notes at [thedealroompodcast.com](http://thedealroompodcast.com), where you'll be able to link straight through to Rod at HHMC Global and then our website you'll also be able to download a transcript of this episode if you're one of those people who really like to read it in detail at [thedealroompodcast.com](http://thedealroompodcast.com) you'll also find details of how to contact out lawyers at Aspect Legal If you or your clients would like to discuss any legal aspects of sales or acquisitions, whether or not you've decided to gear yourself up for exit or indeed you've decided now is the perfect opportunity for Acquisition for growth. We've got a number of Great services to assist we work with clients both big

and small. So don't hesitate to book an appointment if you'd like to find out how we can assist well that's it. I just want to say a massive thank you once again for listening in. You have been listening to Joanna Oakey and The Deal Room podcast, a podcast proudly brought to you by our commercial legal practice Aspect Legal. See you next time.