



Buyer & Seller Confidence

Younger Kiwis have identified the need to take control of their own financial destiny.

Know your business worth

Key elements of an award-winning LINK Business Value Appraisal

Being Indispensable

Why you should make yourself obsolete.

Market update

Issue 6

 **LINK**[™]
we sell businesses

LINK Bay of Plenty
26 Fourth Ave, Tauranga
0800 225 999
Bay Business Brokers (Licensed REA08)

Recent business sales



SOLD

Retail Food

BAY OF PLENTY
\$2,680,000



SOLD

Horticulture Services

BAY OF PLENTY
\$2,400,000



SOLD

Electrical Servicing

ROTORUA
\$1,200,000



SOLD

Automotive Business

ROTORUA
\$786,129



SOLD

Accounting Business

BAY OF PLENTY
\$450,000



SOLD

Canine Resort

TAURANGA
\$620,000



SOLD

Successful Bakery

BAY OF PLENTY
\$335,000



SOLD

Retail Franchise

TAURANGA
\$225,000



SOLD

Outdoor Maintenance

TAURANGA
\$239,000



SOLD

Manufacturing

BAY OF PLENTY
\$135,000

Market Update

Issue 6

While the economic upheavals of the last two years are not about to recede into the distant past any time soon, the second quarter of 2022 brings with it tangible hints of normality, along with further evidence of a generational shift in the make-up of serious business investors.

LINK Business Brokers Business Development Manager, Steven Matthews, says that with the country's borders reopening and people traveling more freely once again, positivity about the future is being reflected in renewed transactional activity in the business sales market.

"Despite the remaining challenges ahead, buyer and seller confidence is definitely returning," he says. "While there is plenty of talk in the media about rising interest rates, historically these remain on the low side when compared with past decades. This means there remain plenty of options for business buyers looking to acquire funding and service debt."

Steven also says that in recent times younger Kiwis have identified the need to take control of their own financial destiny in a way that previous generations didn't. Increasingly, the aspirational desire to build equity independently has replaced universal reliance on a government-issued pension to see New Zealanders through their later years.

"There is a noticeable generational shift in younger people aspiring to own their own business"

"Business ownership is one of the best ways to build equity, and there is a noticeable generational shift in younger people aspiring to own their own business, rather than climbing the ladder within an existing company in order to help secure their future.

"What does this mean? Essentially, there are more buyers out there for businesses, especially within the SME sector.

In tandem with this is the inarguable fact that baby boomers are looking to exit full-time working life; something that is occurring irrespective of other market or economic considerations.”

And as positivity returns, the types of businesses that are proving attractive to potential purchasers are also evolving.

“After a significant lull through the worst of the pandemic, smart buyers will once again be considering business investment in both the hospitality and tourism sectors,” he says. “There is no immediate fix in these industries of course, but with the borders opening comes

undeniable opportunity. Industries seeing rejuvenated post-pandemic buyer demand include general service, manufacturing, construction and the import and export sector.

“Also consider that businesses in the hospitality and tourism sectors have been forced by circumstance to become leaner in order to survive the downturn. They have had to put their operating costs under the microscope in a manner that companies in other sectors might not have.

“Now we are starting to see the moment where those hard decisions will pay dividends as streamlined businesses showing better margins on

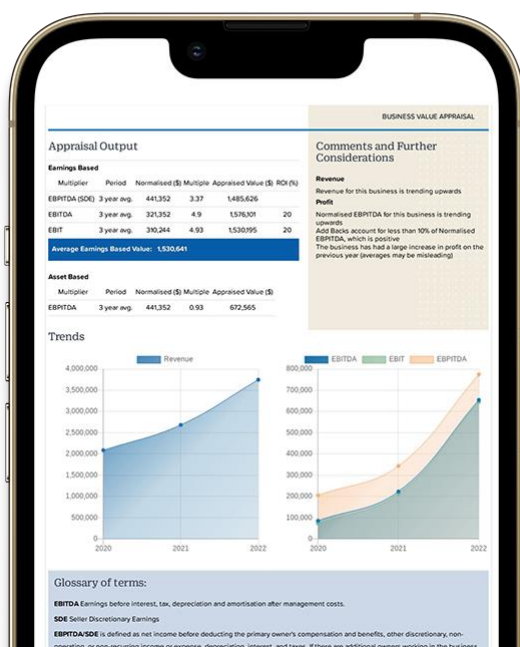
the books come onto the market.”

“While the pandemic continues to cast a shadow, the months ahead still brim with possibility for both buyers and sellers alike,” Steven concludes.

We've sold 9,000+ businesses.

Know what your business is worth.

To find out more about our award-winning business appraisal tool or to reach out to a broker, visit go.linkbusiness.co.nz/valuation



4 Key Elements of a LINK Business Value Appraisal

Economic Situation

A look at national, regional and local economic conditions existing as of the valuation date, as well as the conditions of the industry in which the business operates. After all, no business operates in a silo and therefore any appraisal needs to consider the environment in which a business operates

Financial Analysis

A look at the financial statements of the business, using ratio, trend and industry comparative analysis tools to deliver a more scientific report on the financial state of the business. As the largest business brokerage in the world, LINK looks at industry comparisons both nationally and internationally. With a wide spread of brokers and more business sales than any other brokerage, we're able to provide a more experienced report based on analysis of a huge volume of sales.

Accounts Normalisation

Any prospective purchaser needs to know how much cashflow they can extract from the business without unduly affecting operations. Our appraisal takes several approaches to making adjustments to the accounts to deliver a fair reflection of the opportunity.

Business Market Value

There are three broad approaches to business valuation and then a number of techniques that can be used within each approach. At LINK we consider all three business valuation approaches before providing a recommendation on which to apply to a particular business.

Being Indispensable.

If you've started seriously looking at selling your business, you probably realise that there are a lot of mistakes you can make. One of the biggest is making yourself indispensable to your business. This can affect how long it takes to sell your business, lower its value and even slow business growth years before you're ready to sell. Even if you're just considering selling your business, this is a mistake you should address as soon as you become aware of it.

Why You Should Make Yourself Obsolete

The primary attribute buyers look for in a business they're thinking of buying is its ability to make money. If the business relies on you, the current owner, to make that money, then this increases the risk to the buyer. After all, if you're the only person who understands the products, services or procedures of the company, there's a chance a new buyer won't be able to replicate the current profits.

Additionally, if you're indispensable, this can raise concerns about the state of the business. You may have heard the advice, "Work **on** your business, not **in** your business", and savvy buyers know that indispensable owners have been working in their business instead of being strategic and growing it. They'll question if this is because there isn't enough profit to hire competent staff and wonder if they're buying themselves a job rather than a business.

The Hawaii Test

So how do you know if you're indispensable? Start with the Hawaii test. Imagine you're flying to Hawaii at the end of the week for a whole month. You're not taking your phone

or computer and don't plan to check your emails at all. Has your business continued to operate without you? Has it made a profit? Has it continued to grow? Will the business still get new customers or create new products if you're not there? If your answer to those questions is yes, congratulations, your business doesn't depend on you. If you're wondering who would do everything while you're away or are thinking about all the work that will be on your desk when you get back because there are things only you can do, then you have some work to do to extricate yourself from the day-to-day running of your business.

Lessen the Dependence on You

To start the process of making yourself obsolete, look at everything you do. Think about every part of your business, from the finances to securing clients to product design and production and everything in between. Make a list of everything in your business that would not operate smoothly without your input. The next step is to document all the steps you take to complete those tasks. Think specifically about all the little jobs that must be done to make a profit in the business. Having systems and procedures in place is

something that a potential buyer looks for, so doing this now will save you time later in the sales process. It also makes handing over to the new owner easier.

The final step is to train your staff. Hopefully, you have people on your team whom you trust, and it's time to let them take more responsibility. Your aim is to solidify your management team prior to the sale. If you can, train more than one team member in each job, and teach your staff more than one task. The more they know about keeping the business running smoothly, the more likely it is they'll be kept on by the new owners, so this helps them as well.

If you're indispensable in your business, you're probably spending more time running than growing your business, and this will be obvious to buyers. It makes your business a risky proposition and may drive down the value or even drive buyers away. If your business can't run without you, take time early in the sales process to make sure it can.



Being Indispensable

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