

Market Update

Issue 17

High Demand for New Zealand Businesses: Strategic Insights for Sellers & Buyers

Strategic insight into the country's business sales climate for existing and aspiring entrepreneurs.

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Scalability: Is the Business You're Interested in Set Up for Growth?

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Understanding Your Business Valuation

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Recent business sales



SOLD

Drying Solutions

BAY OF PLENTY
\$1,200,000



SOLD

Cleaning Services

TAURANGA
\$380,000



SOLD

Printing Business

AUCKLAND
\$330,000



SOLD

Convenience Store

AUCKLAND
\$285,000



SOLD

Licensed Cafe

CANTERBURY
\$150,000



SOLD

Breakfast Restaurant

CANTERBURY
\$1,500,000



SOLD

Accommodation

WHAKATANE
\$880,000



SOLD

Commercial Bakery

HAWKES BAY
\$249,000



SOLD

Retail General

WAIKATO
\$300,000



SOLD

Profitable Salon

WAIKATO
\$115,000

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High Demand for New Zealand Businesses: Strategic Insights for Sellers & Buyers

As we reach the halfway point of 2024, it's only right to dive into a quick review of New Zealand's business landscape and trends that have emerged. Jennifer Myers, Sales Manager of LINK Waikato, offers some strategic insight into the country's business sales climate for existing and aspiring entrepreneurs.

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LINK New Zealand continues to list exciting business opportunities across a wide scope of industries, but what's most notable is that these listings are generating extensive enquiries. "Buyer enquiries remain consistently high, and we're seeing huge interest in diverse opportunities, emphasising the very real demand for solid ventures as business ownership grows as a popular path for Kiwis to take," explains Jennifer.

Entrepreneurs that are considering selling their business can feel confident that now is a fantastic time to sell, and Jennifer encourages owners to take advantage of this flood of buyer interest. "The high level of buyer enquiry LINK is experiencing can often lead to multi-offer situations, giving vendors the best chance of getting a great price for their business."

Even if owners aren't interested in selling during this window of opportunity, Jennifer predicts that the high volume of buyer interest will last. But that doesn't mean business owners should sit and wait! Connecting with a professional business broker months or even years before being ready to sell is a strategic step that should not be overlooked. "Getting a seasoned expert involved in your journey early on will put your business in the best possible position to attract multiple offers when it is time to go to market," advises Jennifer. Business brokers will also qualify potential buyers to confirm they're serious about making a change and financially able to purchase.

Jennifer notes that banks are tightening up with lending capital to buyers. A proven strategy to navigating this hurdle is engaging the assistance of a finance broker, rather than relying on the bank to approve financing. “Once again, the key is getting organised and connecting with a specialist well before finding and attempting to purchase a business. This will save you from wasting time & energy, and potentially facing rejection which could derail your goals.”

Prospective & keen buyers should know that strong businesses will continue to come to market, but it's

absolutely paramount to be prepared for the buying process. “Set a budget for what you can afford to repay and then ensure your accounts are as tidy as possible; a finance broker will also be able to assist you with this.”

Like anything worth doing, successfully buying and selling a business takes time, effort, and planning. The most important thing to remember is not to do it alone. A strategy that will always serve you well is to partner with experts who are committed to keeping New Zealand's business scene active and thriving. By doing so, you'll be set to turn your business dreams into reality.

Scalability: Is the Business You're Interested in Set Up for Growth?

So, you've come across a business that seems to tick all the boxes... but how do you know it's primed for growth? When it comes to investing, it's crucial to look beyond a business's current performance and assess its future potential under your leadership.

Scalability—the ability of a business to expand without being constrained by its structure or resources—is a factor you should carefully evaluate before making the transaction. There are a few steps you can take to help determine if the business you're interested in is set up for growth.

Understand the Market

The first step in evaluating scalability is to understand the market that your business of interest occupies. Consider the size of the market, its growth rate and potential. A business operating in a rapidly expanding market has a greater chance of scaling successfully. Look at the target demographics and whether they are likely to grow or diversify, keeping in mind that businesses that cater to a broad or expanding audience are inherently more scalable. Analysing the competitive landscape is also important. While a saturated market might limit growth opportunities, a market with fewer competitors might offer more room for expansion.

Business Model

A scalable business model is essential for growth. It should be designed to handle increased demand without significant changes to its structure. Examine the revenue streams of the business—multiple revenue sources can enhance scalability. A business relying on a single product or service may find it harder to scale compared to one with diversified income streams. Operational efficiency is another critical factor. Scalable businesses operate efficiently at larger scales, so assess whether the current processes can be streamlined or automated.


Technology & Infrastructure

Technology plays a vital role in enabling scalability. Robust IT systems that can handle increased transactions, data, and customer interactions are essential. Investigate whether the business uses scalable software solutions. Additionally, evaluate the current production capacity and infrastructure. Can the business increase production without significant delays or costs? Logistics and supply chains should also be examined to ensure they can support higher volumes efficiently.

Financial Health

The financial health of a business directly impacts its ability to scale. Determine the funding required for growth and whether the business has access to capital or a clear plan for securing it. Healthy profit margins indicate that a business can sustain growth without compromising profitability. It's also essential to evaluate the business's debt levels. High levels of debt can impede growth, so examine the debt-to-equity ratio and overall financial stability.

Investing in a scalable business not only promises immediate returns but also ensures long-term success and profitability. When considering your next business acquisition, make sure scalability is at the forefront of your evaluation process. A business poised for growth is not just a smart investment—it's a gateway to sustained success!



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Understanding Your Business's Valuation

A business valuation is a critical step to empower you to make goals for the future and set expectations for your business sale that are well-informed, realistic, and offer you the best return on your investment.

What is a Business Valuation?

A business valuation is a process that identifies the true value of your business, rather than its cost or current market value. For a business sale, a valuation is also used to analyse the future earning potential a business has.

For a business valuation to be of value, it needs to be accurate and transparent. However, the process of a business valuation, while a crucial exercise, is not always a simple one, and determining a business's true value can vary depending on the complexity and nature of a business. Two key methods of determining your business's value are through cash flow or earnings, and assets.

Cash Flow & Earnings

Cash flow and earnings for a business valuation are often determined by multiplying a business's earnings before interest, taxes, depreciation, and amortisation (EBITDA) or another key metric like revenues. For example, if a company's EBITDA is \$900,000 and it's valued at four times that amount, it's worth would be \$3.6 million.

Assets

Asset-based valuation measure the value of any assets owned by the business, on the business premises, through your plant and equipment, stock, debtors, or intangible assets such as IP, and through any debts or liabilities the business may have. As industries have evolved and new developments have emerged, particularly through technology based business, and technological

advancement incorporated in a significant number of industries, businesses values are increasingly weighed and valued against intangible assets.

Financial Statements & Normalisation

Financial statements are an integral part used for business valuation analysis, including financial comparison and ratios to analyse a business's performance. When including financial statements and ratios, normalisation is key to reflect the true value.

Why is a Business Valuation Important?

When looking to sell your business, a business valuation offers you the chance to sell your business with confidence and allows you to sell your business from a position of strength and knowledgeability.

From a selling standpoint, a business valuation empowers you to price your business fairly, maximising the return on your investment and gives you negotiating power to leverage.

Understanding the importance of a business valuation and how this can empower you as you navigate the sale of your business, or plan ahead, can help you to ensure you maximise the value of your investment into your business. It offers you the tools to price your business appropriately, and to enter negotiations and conversations with genuine buyers from a position of knowledgeability and strength.

The numbers just keep getting **better and better**



\$2b+

of businesses listed on our global websites

250+

businesses sold globally per month (avg)

3,000+

businesses for sale internationally

73%

of buyers think about buying a business for up to three years

79%

of buyer prefer an established business

Maximise your return with a comprehensive business valuation.

