

Market Update

Issue 18



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Conditions:
**The Perfect
Storm for
Business Sellers**

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Transitioning Ownership Smoothly: Tips for a Successful Handover

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Identifying the Strengths of a Business

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Recent business sales



SOLD

Manufacturing

CHRISTCHURCH
\$540,000



SOLD

Hospitality

OTAGO
\$225,000



SOLD

Accommodation

OTAGO
\$950,000



SOLD

Hospitality

TIMARU
\$270,000



SOLD

Hospitality

CHRISTCHURCH
\$150,000



SOLD

Hospitality

CHRISTCHURCH
\$1,500,000



SOLD

Hardware

DUNEDIN
\$375,000



SOLD

Retail General

OTAGO
\$250,000



SOLD

Online Services

NEW ZEALAND
\$97,000



SOLD

Hospitality

CHRISTCHURCH
\$180,000

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Navigating Current Conditions: The Perfect Storm for Business Sellers

The past year has been marked by a period of significant economic challenge, with many industries feeling the strain of shifting market conditions. Wellington, a city once synonymous with job security, has not been immune to these changes. The combination of rising living costs, government cutbacks, and weakening international demand for New Zealand's goods and services has created a complex and, at times, daunting environment for both businesses and individuals.

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Yet, despite these headwinds, there are genuine reasons for optimism. Many businesses continue to not only survive but thrive, reporting strong profits and steady growth. According to Dave Morgan, business expert at LINK Business, "Even in a tough economic climate, there are numerous businesses that have adapted well and are experiencing healthy profits." This resilience highlights the opportunities that still exist for those who are willing to adapt and seize them.

The changing job market has also sparked a shift in mindset among those who have been displaced from traditional employment. Morgan notes, "In an environment where traditional job security is no longer guaranteed, many ex-employees are exploring business ownership as a viable path to regain control over their careers and futures." The desire for independence, coupled with a need to secure one's financial future, is driving a surge of interest in business ownership.

Interestingly, while the number of new business listings has decreased compared to a year or two ago, the demand from buyers has never been stronger. This creates a unique market dynamic where limited supply meets high demand, often resulting in increased valuations for businesses. Morgan elaborates, "We're seeing the perfect storm where business valuations are holding strong, and in some cases, increasing, due to the scarcity of available businesses for sale." This phenomenon presents a significant opportunity for current business owners considering exiting.

There are also broader economic factors that are beginning to play a role. The Reserve Bank's decision to reduce the Official Cash Rate (OCR) has prompted retail banks to lower mortgage rates, anticipating further cuts. This easing of financial conditions is expected to free up capital, encouraging more investment and sparking renewed

economic activity. "As capital becomes more accessible, we're likely to see a boost in business transactions as both buyers and sellers take advantage of improved financial conditions," Morgan predicts.

An improving economic outlook may prompt a wave of business owners—particularly baby boomers—who have been holding off on selling, to finally bring their businesses to the market.

When this influx occurs, the market could experience a shift from a seller's market to a buyer's market, with increased competition among sellers potentially leading to

softening prices.

"Selling now, when demand is high and prices are firm, may be the best strategy to maximise returns," Morgan advises. The timing of a sale is crucial, and those who act now are likely to benefit from the current favourable conditions.

As the market evolves, proactive decision-making will be key to achieving the best outcomes. In uncertain times, fortune truly favours the bold—those who are willing to make decisive moves in the face of change are the ones most likely to succeed.

Transitioning Ownership Smoothly: Tips for a Successful Handover

Selling your business is much more than just a financial transaction; it's a major transition that requires thoughtful execution. A well-managed transition can protect your legacy and help you to maximise your business's value upon selling.

Start planning early

The most important step? Planning! The transition should begin well before the sale is finalised. Early planning allows you to prepare your team, streamline operations, and address any potential challenges. Develop a detailed transition plan that outlines key milestones and responsibilities. This preparation will also give you time to update all legal and financial documents, ensuring everything is in order for the new owners.

Communication is key

Keeping everyone informed throughout the process is critical. Transparent communication with employees, suppliers, customers, and other stakeholders helps build trust and maintain stability during the transition.

Document everything

Comprehensive documentation is essential for continuity. All critical business processes, procedures, and knowledge should be well-documented and easily accessible.

Training and support are crucial

Decide whether you are willing to provide hands-on training and ongoing support to the new owners. This is usually an invaluable drawcard for buyers, helping them to settle into their new business with confidence and manage it effectively. Consider offering to stay involved in the business for a transitional period to guide them through this learning curve.

Maintain business relationships

Relationships with suppliers, customers, and other stakeholders are vital to your business's sustained success. Ensuring these relationships are transferred smoothly is important to retaining the business's value. Introduce the new owners to these stakeholders and provide a detailed overview of ongoing projects or partnerships.

Acknowledge the emotional aspects

Transitioning ownership can be emotionally challenging for both the seller and the new owners. It's important to recognise and address these emotional factors. For sellers, leaving a business you've built or managed for years can be tough. For new owners, stepping into your shoes might bring anxiety or pressure. Offering support and seeking professional advice can help manage these aspects.

Focus on financial clarity

The financial transition is a critical part of the process. Ensuring all financial matters are settled and that the new owners have a clear understanding of the business's financial health is essential. Provide them with a detailed financial report, including cash flow, profit margins, and any outstanding debts or liabilities. This will help them start on solid ground.

By following these integral steps and engaging the help of a professional business broker to guide you through the sale process, you'll be best positioned to enjoy whatever else lies ahead for you.

The transition should begin well before the sale is finalised.



Identifying the Strengths of a Business

Deciding to buy a business is just the beginning. Discerning between businesses available for a purchase that is best aligned with your values, needs, and goals is another beast entirely. Empowering yourself with information and learning how and what ways to identify a strong business that is poised for continued growth and success, is key to securing your future.

Whether you have a specific industry of interest where you are pursuing business ownership or are open to finding the best opportunity aligned with your career goals and objectives, there are a few essential things to keep in mind to help streamline the process of buying your business!

Financial Health

A key indicator of positive financial health is a high rate of repeat customers as this shows that the business earns a reliable revenue stream that it can leverage. The broader and more varied the customer base, also reduces financial risk, as the business is not overly reliant on a handful of key clients. This also strengthens the business's overall market position.

Supplier & Vendor Relationships

It is an exceptional sign of business health and strength if they have strong, dependable supplier relationships, secured also through supplier contracts and agreements to allow these to be more easily maintained throughout a transition of ownership.

Operational Efficiency

The more streamlined the existing processes of the business, the better. Assessing the level of automation the business incorporates where appropriate, and how up-to-date its technology and systems are as this

finetuning of processes to optimise efficiency allows a business to be more resilient, agile, and scalable within the market

The more streamlined the existing processes of the business, the better.

Diversity of Offerings

When buying a business, choosing one that has a unique offering that has strong demand, and is positioned to be expanded upon and continue to grow moving forward, is essential to help you to maintain a market dominant position.

Legal & Regulatory Compliance

A business that has positive existing relationships and rapport with industry bodies and regulators (where relevant) is an excellent indicator of strength and business prosperity moving forward.

Secondly, a business that is compliant with all its legal and regulatory responsibilities reduces the risks of future liabilities.

Armed with the right questions when buying a business, and knowing where to look to identify the strengths and weaknesses of a business you are interested in, is key to ensuring you walk into a business acquisition well-informed making the best decision for you and your future.

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

