



'A word in your ear' with Neil Barker

Each month Neil Barker, our Managing Director, will be touching upon some of the most current issues in business broking and offering some of his expertise.

'CATCH 22' CATCHING YOUR BUSINESS SALE OUT?

Business owners wanting to sell, but choosing to wait until the market recovers. Buyers wanting to buy now, and having nothing to invest in!

With an influx of baby boomers hitting retirement age and wanting to sell their business you would expect the market to be flooded, right? No. Business owners are tightening their reins and choosing to ride out the recent economic storm... which may not be the best idea at the moment.

Business Wanted!

In a somewhat unexpected turn of events, potential buyers are crying out for opportunities. Banks are starting to lend again, with some banks reported to have relaxed their business lending criteria and as a consequence significantly increased their lending to the SME sector. Many businesses are projecting higher revenues; the economy has started to ease

out of the recession and there is a more optimistic attitude within New Zealand. Any potential buyer with cash on the hip and a touch of business acumen is on the prowl for the next opportunity - why not buy yourself a job or invest in that perfect venture?

But there is a problem:

In short, vendors think it's a bad time to sell...

"my profits have taken a knock", "my EBPITD isn't what it used to be - I won't get as much for my business".

You could be wrong. At the moment, supply simply isn't meeting demand so multiples are higher. However this very lucrative coin could flip at any moment - give it 2-5 years and we predict the market will be flooded - putting the purchaser in a more powerful position, and you, the vendor, in a somewhat compromising one.

Brett Barker, Director of Barker Business Brokerage, hits the nail on the head:

"Due to an increasing number of businesses looking

to sell within the next two years, choosing to wait may not be the best idea... I believe the market will be flooded in 2-5 years time, thus the multiple (or price) you will get may be lower"

What next?

So, what's your next move as a business owner?

Get yourself a decent business Broker who understands the process of selling, we can't stress how important this is. With purchasers digging deeper and deeper into Due Diligence (and quite rightly), it is essential that your business is ready for a full financial inspection.

Get your marketing right; exposure of your business in the right places to the right people is essential to avoid any tyre kickers.

And finally...

Get back to running your business as profitably and efficiently as possible whilst you watch the offers roll in...