

Barker Business Brokerage News

Solutions for a New Economy

At Barker Business we like to think outside of the square whenever possible, that's why we are constantly learning, changing the way we do things and adjusting accordingly. We now have a competent staff of 10 who are constantly mentored and assisted in using the best methods possible to sell your business or help buyers find what suits them best. We have aligned ourselves with banking partners to educate the market on what you can and cannot do presently and keep up with the latest developments.

Barker Business – Thinking outside the square!

MULTIPLE OF SELLING

Barker Business continues to use the most practical method of valuing a business by using the EBPIDT multiples as compiled by BizSTATS (an external NZ based data company). **EBPIDT** stands for **Earnings Before Proprietors Income, Interest, Depreciation and Tax** has been taken from the Profit and Loss accounts. We are finding the multiple isn't changing, just business profits.



Neil Barker
Managing Director of Barker
Business Brokerage Ltd

Words from the Chief

Things have been really busy lately, we are receiving a heap of genuine enquiries which are turning into concrete offers. There is now very solid demand for businesses of all types and in all segments. The under \$500k price bracket is keenly sought after for all the newly unemployed looking to buy themselves a healthy new income & job security. The \$500k plus bracket also has an extremely healthy demand as good businesses are hard to come by at the moment. We have people 'chomping at the bit' to buy businesses up to \$100 Million. For the baby boomers looking to sell in the next few years, now may be as good a time as any!

Looking at the 'ANZ/National Business Expansion, Acquisition, Sale and Succession Strategies Survey' it shows the average business owner age being 56 years, with one in 5 being 65+. 76% of all business owners would consider selling now, with 51% saying within the next 10 years, 47% within 3-5 years. This is certainly encouraging but a lot of people are 'boxing clever' thinking it is better to wait. In reality it is better to deal with a competent broker prepared to deal with you on a longer term basis. I can 'hand on heart' say we have a lot more buyers than sellers at the moment with

our database now swelling to near 750 active buyers. We are very excited about the second half of 2009.

Good time to sell?

All signs from the banks and other lending institutions have hinted towards it being a bad time to sell your business. From the market point of view this couldn't be further from the truth. We have a large number of buyers for good businesses and we are struggling to find the right acquisition for them. As mentioned previously, the selling multiple has not changed, usually just the profit numbers, which makes the sale price lower, but if your business is performing OK, slightly below what is considered normal or even better than this time last year, then we most certainly can sell your business.

"We have a large number of buyers for good businesses and we are struggling to find the right acquisition for them."

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Success Story

One of the many success stories of late is the sale of a business which in the current climate was on average above 50% up month to month (09 vs. 08). The Bizstats multiple (see left) over the last 5 years showed the best being 3.18x and the worst 1.70x (removing the top and bottom extremes) with an average multiple of 2.69x.

The business returned an EPBIDT* figure of around \$290,000. We achieved 3.01x, with a very satisfied buyer and seller. I have no doubt at all that this business will continue to prosper and go onto to bigger and better things.

***EBPIDT - Earnings Before Proprietors Income, Interest, Depreciation and Tax**

barker
business brokerage

Buying a Business, what's changed regarding lending?

Banks and lending in general has changed considerably over the last 12 months, No longer is it safe to assume you will get a loan. What the banks really want to see is that people have thought things through and are well prepared for the business. Thinking outside the square and having a solid business plan and cash-flow forecasts are almost a must now for purchasing and this should be done in conjunction with your accountant. Equity in property is also now no certainty to be lent against and in most cases Equity of say \$1m, is worth probably around \$600,000 in the banks view. Bottom line is, businesses are still very obtainable but the want has to be there, you need to approach more than one bank as they are all completely different at the moment. Barker Business has very pro-active contacts within the banking world, so if you need advice on who to talk to, contact your broker at Barker Business. We are more than happy to help.

“Are banks all different and have differing ideas on lending in the current climate? ABSOLUTELY! Shop around, its no different to anything else”



HAYES KNIGHT

The financial health check

At Barker Business we have teamed up with an independent Accountancy Firm; Hayes Knight, who can provide the business with a full independent assessment BEFORE going to market.

“why would a vendor do this you ask?”

A vendor has built up the business through blood, sweat and tears and is proud of the achievement, What this does essentially is proactively provides a form of Due Diligence on the business before going to market. Sure it may not come out as rosy as you'd like, but the reality is 'what buyer wants a business that is performing to its maximum capabilities?' Everyone wants to 'add value' and we all have different ideas. As a special deal \$2,500 worth of work is done for \$1000. You can't argue with that. This includes not just number crunching but looking at risks around legal issues, customer & supplier relationships, Contracts, Funding Lines, Assets, Competitors and debt levels including a full on site consultation with the business owner in getting to know and understand the business. Buyers now before they even approach banks need to develop a solid business plan/model including cash-flow forecasting to be able to understand the business, plan for the businesses future and to be able to obtain finance on the business. This is solid advice to not only help you with the future but to also keep you 'one step ahead'.

Contact: Matthew Bellingham @ Hayes Knight for more details:
09 414 5444
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Website Updates

In an effort to make things as easy as possible for our customers we have improved the website so that each individual business now has a 'Submit Confidentiality' button so people can do this online. We felt our customers were sick of having to phone up regarding a business, then we e-mailed or faxed the CA (Confidentiality Agreement) to them and when they received it, e-mailed or faxed this back in due course. This on average was taking 2 days as a process, it is now instantaneous. We have also included a new tab called the 'Process of buying a business' to outline the methods used by Barker Business. As a general rule and to safeguard our vendor's business confidentiality, we like to talk to the prospective purchaser first, then have an internal meeting at Barker Business to qualify buyers, not only for the 'best fit', but for their financial situation, ensuring they have a good chance of 'going to the next level' with the business. We are finding it benefits both the buyers and the sellers.

Marketing your business

We have found the best and most effective way to market your business is through the web which is extremely cost effective. Newspaper based advertising is an expensive 'one off' cost that doesn't seem to work for most businesses. Barker Business encourages the use of multiple websites all directing traffic to our own site encouraging potential buyers to fill in an online CA (Confidentiality Agreement) form and to take the enquiry to the next step. On average this form of advertising costs around \$200 until sold, an extremely cost effective way of advertising.

“As a special deal Barker Business returns all marketing costs to you when the business is sold”



Barker Business Brokers offer business sales with integrity - search for large or small businesses for sale. Consider buying or selling your business with us in North Shore, Auckland, Waikato, Bay of Plenty & Northland New Zealand (NZ).

Phone (09) 448 1285

CONFIDENTIAL

SEARCH for the business of your dreams:

[Location] [Price] [Category] [Reference] **go**

Mobile Panel&Paint Business
Currently based in West Auckland but easily relocatable. Earnings to Owner currently around \$94,000 p/annum. Been

NZ MADE! Quality Apparel! Home Based Niche Market Business
This business supplies and manufactures quality Linen and Uniforms for the

NORTHLAND MITRE 10 - BUSINESS AND HOME
YOU'LL COME OUT BETTER OFF WITH THIS MITRE 10 IN SUNNY NORTHLAND One of the every popular.

Property Sub Division
An opportunity exists to take over the good work started in this high growth area sub division. Developers loss could be your gain.

www.barkerbusiness.co.nz

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