



## More Prospects & More Independence equals a Better Result!

Welcome to the April 2014 edition of Business Trends for Business Owners. This newsletter is written specifically for South Island businesses, as the demand and “saleability” of SI businesses improves, particularly as all SI regions now start to show strong quarterly growth. In this issue you will find:

- Strong Demand for Quality Businesses
- Why does an expert Business Broker make all the difference?
- Learn the secrets to successfully selling a business for the best price in today’s market.
- Is your business saleable?
- What is your exit story?
- What is your business really worth?

## Strong Demand for Quality Businesses

Demand for good businesses is strong. The reality is that every time Tabak list that “special” business – it seems to sell very quickly. In the last few months several businesses didn’t even get advertised before they were sold. Other examples are businesses selling in 46 and 60 days. None of these businesses were “cheap”. Tabak have a job to do for the business owners – so, they were fairly valued. But, there seems to be an increased confidence in the market – (as evidenced by talk of NZ being a “rock star” economy) that motivates buyers to take action when they see something they want. Unfortunately this doesn’t apply to every business. As always, we are happy to work with you to see if your business fits the criteria that the market is currently after.

## Why does an expert Business Broker make all the difference?

It comes down to this:

**1) More Prospects;** **2) More Independence;** and **3) The chance to sell your business at the best price.** If you’re selling a business, a business broker can bring more prospects to your business than you could ever do on your own. They’ll separate the buyers from lookers, which can save you valuable time. Brokers can also help you price your business appropriately, tell you how you can make it more saleable, and simply be there as a resource throughout the sale process.

Tabak specialises in selling businesses valued at \$200,000 and over. With 7 offices nationwide and with over 3,000 registered buyers and 2,000 professional partners, Tabak can offer business owners the ability to easily and effectively take their business to market and achieve excellent results.

Recent Sales	
Publishing	SOLD
Manufacturing	SOLD
Design & Printing	SOLD
Web Design & Hosting	SOLD
Tyres	SOLD
Import & Distribution	SOLD
Food Distribution	SOLD
Backpackers	SOLD
Trade Services	SOLD
Dog Grooming	SOLD
Sales & Distribution	SOLD
Construction	SOLD
Tourism	SOLD
Professional Services	SOLD
DVD Rental	SOLD
Recruitment	SOLD
Automotive Consumables x 2	SOLD
Graphic Design	SOLD
Light Engineering	SOLD
Property Management x 2	SOLD
Online Sales x 2	SOLD
Signage & Display	SOLD

Please call us today to arrange a suitable time to help you answer some of these questions and to see if your business qualifies for a free market appraisal.

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**Tabak Business Sales, Christchurch**  
 Phone: 03 377 7491  
 Email: damien@tabak.co.nz

Mark Orr  
**Tabak Southern**  
 Phone: 021 858 940  
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John Duffield  
**Tabak “Top of the South”**  
 Phone: 021 565 463  
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**PS. When you call, remember to ask whether your business qualifies to receive a full market appraisal.**



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## Learn the secrets to successfully selling a business for the best price in today's market

There are some very important reasons why some businesses sell while others do not. These are:

- **The business is profitable**, the reason people buy a business is for the income it makes (profit), if your business does not make profit it will be very difficult to sell. However the more profit your business makes, the higher the likely value.
- **Selling price is set based on fair market value**, one of the biggest mistakes made when trying to sell a business is not having the business valued by a knowledgeable business professional that understands the local business sales market. Too often businesses are placed on the market based on owner's wants or poorly constructed valuation approaches that bear no resemblance to what the market will accept as a fair price.
- **The business is transferable**, if the income generated by your business is at risk when the ownership is transferred to a new owner, you will have problems selling this business.
- **An experienced business broker can make all the difference!** The key to selling your business successfully will be finding a qualified buyer who can purchase your business under the right conditions; and at a price and terms acceptable to you.
- **Tabak has a large client base of pre-qualified buyers**, so you can be sure any buyer we introduce to you is serious. If you have a good business and are considering selling, now is the time to speak with us. We will talk to you about the value of your business and how we can help you achieve a successful sale.

### Is your business saleable?

Realistically, in the New Zealand business sales market place, until your business can return above \$100,000 in annual earnings to a working owner before interest, tax and depreciation you're going to really struggle to find a new owner at any meaningful value to you, as the Vendor.

In fact – \$100,000 in earnings is our basic “baseline” for possible business sales potential for a number of reasons:

- Why would anyone want to take on all the risk and hassle of buying a business if it can't provide an owner's wage well above that which is “normal” for management level employees within the same industry?
- What incentive is there for a business banker to lend money to finance a purchase when there is so little in it, not only the new owner, but also in relation to “wiggle room” for the lender?
- At \$100,000 to a working owner we (the broker) can start justifying a valuation using a multiple of those earnings i.e. Earnings before Proprietor, interest Tax and Depreciation

Now, this is not to say that businesses below this level of return are impossible to sell. However, there will always be a twist in these small business success stories which supports the asking price – i.e. lots of new plant and equipment, a high level of quality stock, an excellent location or the business involved is a possible bolt on to an existing business – are a few examples.

So, it can be done – but my real point here is that if your business is not providing you with a return greater than what a manager in the same position can earn within your industry - it is time to put your head down and really focus on ways of driving your business forward to achieve a better result.

Otherwise, get ready for a really rough and humbling experience regarding your expectations (and final result) around business value.



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## What is your exit story?

We all have our stories and very specific dreams around owning our businesses and what we intend to do when we pass them on to family and/or sell them. Most of the time we have plans we work towards. But, every now and then life interferes with these plans and then we have to change direction. The following are all true stories and actually clients of Tabak. We have changed some of the names to protect their privacy.

### **Story about Alan**

*Alan was diagnosed with severe arthritis which would eventually have lead to reduced mobility or even disability. Alan had a really good import & distribution business that he had build up over the years. It has paid for a great lifestyle, his house, his toys etc. Alan had to make the choice – does he spend his last years of mobility behind a desk – or does he spend it by having fun.*

*Alan's words were something along these lines: "I have maybe another 5 years of full mobility left. I want to spend that time traveling the world, drinking wine and having fun with my wife." Tabak are happy to report that we were able to help Alan attain that dream.*

### **Story about Helen & John**

*Working well past the traditional retirement age; Helen & John had all their eggs in one basket. In order to grow the business, all profits were reinvested. This was great for the business – but, not so great for their retirement. The reality was that while all their capital was tied up the good business – they could not afford to take the step. Helen & John therefore needed to release equity in the business to provide security for their actual retirement.*

*Helen said "It is time for us to plant some lemon trees and relax." We're not sure if they have managed to plant the lemon tree yet – but we get a call from Helen every now and then to tell us how much they are relaxing.*

### **Story about "James"**

*Unfortunately, not all stories have happy endings. It would not be unreasonable to describe "James" as a statistic. We all know one – 50's, maybe smokes, maybe carries a bit of weight, maybe have high blood pressure, maybe have high cholesterol, maybe have early signs of diabetes, and definitely spends the best part of their life working.*

*We find it hard to forget "James". Good, Kiwi bloke, working hard to build a better life for his family. Over the years, "James" built up a nice business that returned a very healthy profit. At some point, "James" was told that he needed to slow down. Some time after that, he came to Tabak and we started the sale of the business. Everything went well; buyers were interested and we eventually secured a very good offer on the business and the business sailed through due diligence. But, it was too late. On the last day of due diligence, "James" passed away. What this meant was that "James" could not fulfill his obligations under the contract. Thus – no more contract. It also meant that there was no one managing the business and "James'" family had to come in and try and manage a business they really did not understand. The end result was quite the opposite of what he would have wanted.*

### **Story about Dave**

*Not all our clients are ready for retirement or unwell. Actually, the current reality is very much the opposite. Dave is in his 30's and a bit of serial entrepreneur. As a serial entrepreneur, he has a few irons in the fire at any one time. So, in order to free up time to focus on a new enterprise – Dave came to us asking if we could help him sell his business. 46 Days later – the business sold and Dave was off on a long overdue holiday with his family.*

Over the years, Tabak has been privileged to work with literally thousands of businesses owners. The two key observations we can make are:

1. Once a person has decided they are going to exit a business (either by selling it or retiring) and they don't take immediate action – it is not uncommon for that business to start losing value. We have seen businesses losing 50% or more of their value as the owners become less interested in the future growth.
2. Ironically, the best time to sell a business is the time when you may least want to sell it. If the business owner is passionate about their business and its future – that passion is contagious and other people will want to have a share of it.



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## What is your Business really worth?

From time-to-time, we all wonder “how much is my business really worth?” The reality is, whether you are thinking of selling your business or not, it is always a good idea to know what your business is worth. Most of us are busily working away to build up an asset that we can capitalise on at a point in the future. But, how do we know whether we are doing a good job? How much has all those working hours added? Will a manager add value to the business, or would it take value away.

### Step 1 – Draw a line in the sand.



#### Private & Confidential Consultation

The first step in understanding the true value of your business; is by contacting a professional. Every business is unique and special in its own way. So, to truly understand the value of your business, first we need to understand your business.

Just like your Doctor, anything we discuss is strictly Private & Confidential. Unlike your Doctor, this initial discussion is free of charge!

### Step 2 - Start planning the process.



#### Business Valuation

We recently worked with a couple who had owned a manufacturing business for over 30 years and was getting ready for retirement. This was a real “Mom & Pop” operation and it provided the couple with a very comfortable lifestyle.

By working with Tabak and obtaining a “Fair Market Appraisal”, this couple was in a position to make an informed decision. They could look at the market value of the business and compare it against the emotional value they associated with it. Based on the facts, they weighed up the pros and cons of selling the business now; versus selling it in the future.

### Step 3 – Call Tabak Business Sales



#### Talk to the Experts!

Tabak specialises in selling businesses valued from \$200,000 to \$5 million (our largest sales is \$20m+). We can work with you to answer these questions, maximise your business’ value and to develop a plan to effectively sell your business. With 7 offices nationwide and with over 3,000 registered buyers and 2,000 professional partners, Tabak can offer business owners the ability to easily and effectively take their business to market and achieve excellent results.

### Introducing the owners of Tabak South Island.

**Damien Fahey.** Has 30 years experience across a wide range of sectors including financial services, manufacturing, import & distribution, and IT. With strengths in business analysis and business development, Damien enjoys building relationships with buyers and sellers, bringing the empathy of a salesperson coupled with the objective reality of a business analyst.

**Mark Orr.** With an agricultural background in sheep & beef farming, Mark owned and ran his own successful retail enterprise for ten years. His strengths have leveraged a an understanding of privately owned business issues and his clients enjoy unbeatable service resulting from years of customer focused dedication.

**John Duffield.** Has extensive local knowledge & business contacts throughout the “Top of the South” driven by thirty years of senior management and business ownership. John’s analytical “hands on” approach is dedicated to achieving a successful result for both vendor and purchaser.

These working partners are very ably supported and complemented by Russell Wheal; Liz Satherley and Diane Hale-Fielding who all have many years experience in valuing; marketing and selling quality businesses. More on them in our next Business Trends newsletter.

**Please call us today on 03 377 7491 or email [christchurch@tabak.co.nz](mailto:christchurch@tabak.co.nz) to arrange a suitable time to help you answer some of these questions and to see if your business qualifies for a market appraisal.**

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