



TABAK

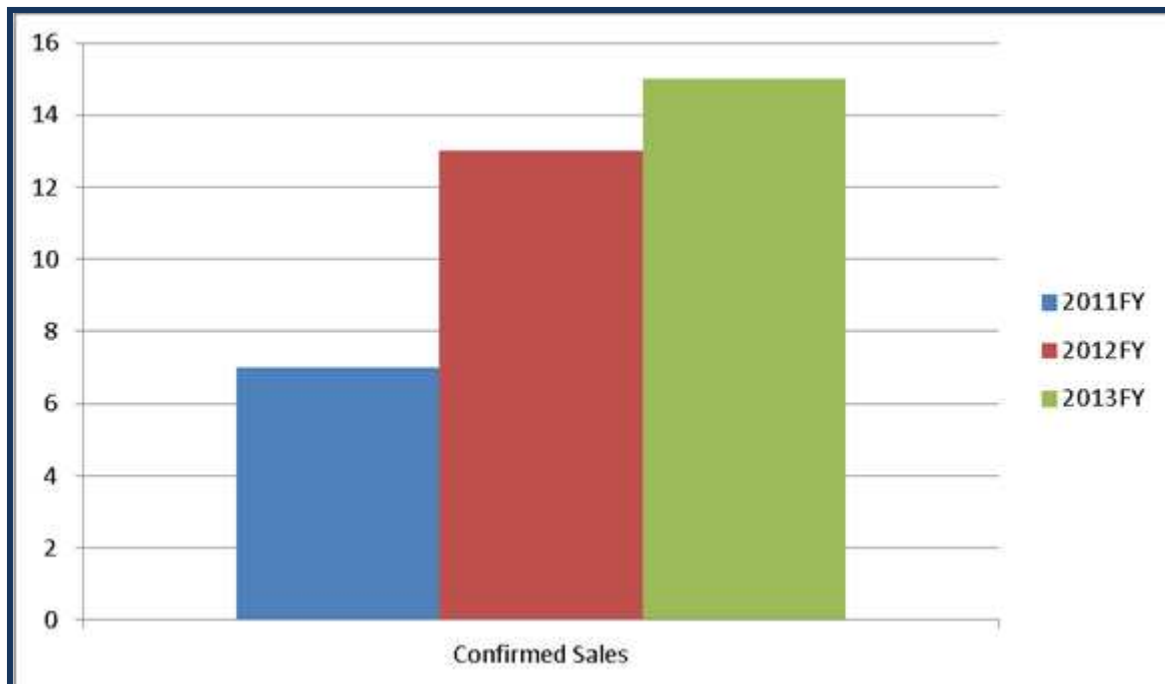
BUSINESS SALES

Newsletter April 2013

Business Sales Heating Up

Introduction

Tabak's first accountant's newsletter for 2013 sees increasing confidence in Canterbury, and a business sales market that is heating up. Tabak Christchurch has completed 15 successful sales in the 2013FY, and such is the confidence in the market that all four businesses that were listed in December are now either sold or under offer. Our recent interactions with buyers and their financiers suggest that both have a growing appetite for considering fairly-priced opportunities.



Better Businesses?

Whilst the GFC was a catalyst for Tabak to expand its services to the lower end of the SME market (\$200k+), our traditional clients (\$400k to \$5m) are now starting to re-engage. Our Christchurch team's view is that the growing confidence in the Canterbury economy, and the delay in larger businesses coming into the market (as a result of GFC and profit challenges 2-3 years ago), now appears to be clearing. Tabak Christchurch are currently working with the owners of five businesses (all \$1m+ value) that will come to the market within the next six months.

Winners & Losers – Valuation Dilemma?

Whilst the EQ's have adversely affected some businesses, plenty of others have benefitted e.g. trades; infrastructure; selected hospitality. Will these "super profits" attract normal multiples e.g. 3 to 4 x EBIT, when the owners bring them to market. Very unlikely – unless there is a compelling strategic rationale relating to the specific buyer. Basic valuation principles still apply. What are the future maintainable earnings? How long can they continue? How will the business be trading in 5-7 years when today's buyer wants to sell?

Professional Services Opportunity - \$450,000

Tabak Christchurch has recently listed a professional services business within the energy sector, that provides a very low-risk entry into business ownership for an appropriately qualified individual. A science; engineering or mathematical/architectural background is required and the vendor will contract back to the new owner. Why sell? The vendor wants to focus on projects only and (in time) slip into retirement away from Christchurch; the buyer will focus on General Management and business development duties and over time, pick up skills from the outgoing owner. Any reasonable purchase structure that meets both parties needs will be considered, with the business set to make \$200k EBIT in the next twelve months, with confirmed work of \$400k+ ahead of it. If you know someone that this may appeal to, please ask them to contact Damien Fahey at Tabak Christchurch.

Damien and the Tabak South Island team – 03 377 7491

Dunedin, Invercargill and South Lakes Perspective

Like the Christchurch team the southern office has experienced good growth through 2012 with five confirmed sales at listing prices ranging between 130 – 500k.

As a regional territory we continue to concentrate on searching for the types of businesses Tabak has always been renown for bringing to market, whilst at the same time recognising that due to our more “provincial” location there is a ready market for smaller (but always profitable) owner operator sized offerings.

We have a number of + 500k opportunities in the pipeline for presentation early this quarter and look forward to a continuation in the current positive buyer interest in our region.

Mark Orr – Tabak Southern 021 858 940

Top of the South – Nelson, Blenheim & Tasman

Tabak now has a dedicated business broker operating from Blenheim, but covering the entire “Top of the South” region (Tasman, Nelson, Marlborough). John Duffield has succeeded with several “early wins” in the Nelson/Richmond area in late 2012 and is readily available to discuss the succession of business sales needs with accountants and their clients.

John Duffield – Tabak Top of the South 021 565 463

Please reply with “unsubscribe” in the subject line if you no longer wish to receive Tabak’s quarterly business sales report.

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