



Market Review – Business Sales in 2019

Tabak South Island was successful in selling businesses throughout the South Island in 2019, from the top of the Island to the bottom. With over 20 confirmed sales for the calendar year, and four more currently in due diligence, it has been a successful year on all fronts. We could not have achieved this without your continued support, as more than 80% of our vendors are referrals by way of their accountant; or friends & family who have previously had exposure to Tabak, plus our own business networks. Thank you for that support – it means a lot to us!

Banks & Funding

There has been an increasing refrain that the issue with funding purchases in more recent times is not the price of money, but its availability. Our experience with funders in the South Island remains relatively positive, but our North Island teams are certainly finding more funding challenges than perhaps in the past. With the bank reserves issue now finalised, it remains to be seen what impact this may have on SME lending, but so far, so good in the south. The NZ owned banks are certainly open for business, and whilst the incumbent trading banks may be a little more selective – **the right deal for the right buyer with the right bank will still get over the line.**

Buyer Demand

Whilst it is very early in the New Year, we are already fielding calls from motivated purchasers who have decided that 2020 is the year they will buy a business – and across a range of values. So whilst it is an election year (which can see a slow down six weeks prior to and after an election) we are still anticipating strong buyer demand. We recently analysed our registered buyers, and the funds that they had to invest in an opportunity – and the prospective purchase pool was over \$4 billion – so there is genuine demand for good businesses out there.

Value Multiples

In the current (and expected) low interest rate environment we are seeing perhaps a slight increase in multiples, as buyers take a longer term view – particularly with larger businesses. There is less change at the “smaller” end of the market where buyers are expecting to work operationally in the business fulltime. However the basic fundamentals HAVE NOT CHANGED. The value multiple is a function of the future maintainable earnings (FME) and the perceived risks associated with this FME. Businesses that are valued with all risk factors at least considered, and with relevant market data, are respected and sold, provided the multiple can be defended.

What’s Selling

The table below shows the business types sold by Tabak in the last 12 months:

Niche Retail (2)	Entertainment (4)	IT	Trade Services (4)
Software Sales	Tourism	Security	Transport (2)
Health & Beauty	Accountant	Automotive	Import & Wholesale
RE Services			

Tabak does not sell hospitality (bar, restaurant, café) or accommodation businesses – but everything else is welcomed provided there is a sufficient cashflow and profit being generated. If you have clients in the above markets who may want to be doing something else in the medium term, we would love to hear from you, or them. As always, if you do not wish to receive occasional emails in regard to the business sales market, please advise and we will unsubscribe you.

The Tabak SI Team – Damien, Sam, Kevin & Diane

Tabak Business Sales

www.tabak.co.nz

www.tabakchch.billboardme.co.nz

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