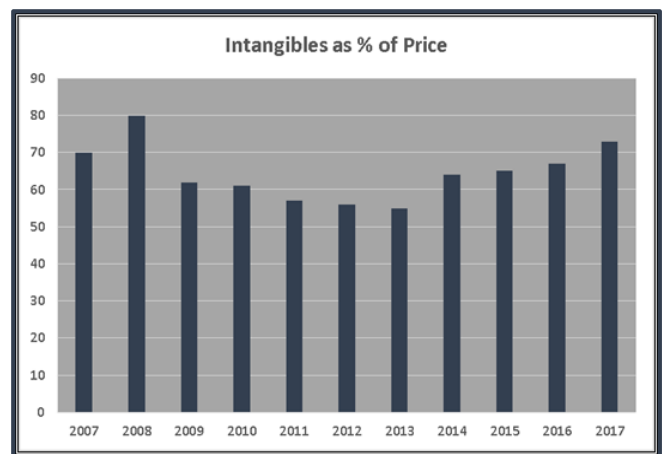
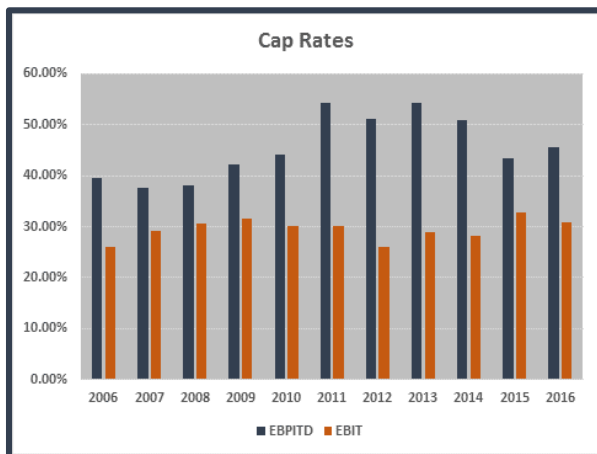


Tabak South Island has enjoyed strong success in recent times, with the sale of over 30 businesses in the last 18 months. It is a seller's market with good demand across the board in most regions, with the Canterbury economy remaining robust. The only exception is perhaps contracting/infrastructure/construction-oriented businesses in Canterbury, which do attract rigorous scrutiny by buyers to ensure they have not just succeeded by way of the "EQ-bubble".

Key Ratios – Cap Rates and Intangibles

The two graphs below show the movements in cap rates over the last ten years within the Tabak-sold businesses; together with the level of intangibles (on average) that comprise the sales made by Tabak nationwide.



It is interesting to note the relative inflexibility of EBIT cap rates, even through the GFC period (albeit the number of sales was definitely lower); and also the relatively high level of intangible assets, being 55%+ of value at the lowest point; and 80% of value at its peak. Note of course these are just annual averages and we have had some cap rates in the low 20's and some businesses where intangibles are very low, due to a business being stock and P&E heavy.

Market Sales

The above data is taken from Tabak's internal database from 1 April 2005, covering 426 sales with a total value of \$383.6m, so we are generally "spoilt for choice" when it comes to assessing market data for specific sectors, industries or business circumstances.

Due to our recent success we would like to build our pipeline of prospective vendors, and would be happy to have an obligation free chat with any of your clients who may be thinking of selling their business. Eighty percent (80%) of our clients are referred to us by their advisors, friends or family. We thank you for this continued support and look forward to continuing to help our clients both out of, and into businesses in the years to come.

Best regards from the Tabak South Island team of Russell, Kevin, Damien & Diane.

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