

Are Businesses Selling in the Current Market?

The short answer is YES. The value of sales brokered by Tabak SI in the 2024FY was a record high, and the value of business sold across the Tabak Group in the 2024FY was the highest in 15 years i.e. pre GFC. This is extremely satisfying, particularly as:

- **Many of these vendor clients were referred to Tabak by their accountant or professional advisors**
- **The balance of these vendors are previous clients, or have been referred by friends or associates, or occasionally have come through an Internet search**

Are Banks “Open for Business”?

Business bankers always tell us they are open for business, but perhaps the level of “openness” can vary from time to time. Anecdotally however Tabak suggests that we are seeing a greater willingness by banks to consider business lending, and we have only had one sale fall over in the last 12 months due to buyer funding issues. Moreover several of our larger sales proceeded very smoothly to experienced buyers with strong bank endorsement.

Vendor Finance & Earn Outs

Whilst most vendors would prefer not to consider vendor finance, optimising a sale outcome can occasionally require financial support from the vendor. This is particularly true within a more challenging economic environment where a buyer requires perhaps some insurance around paying an optimal price for the business. Note that vendor finance is just that, the vendor leaves money in for a defined period of time to assist the buyer with their working capital requirements etc.

An earn out is different, in that it relates to a deferred payment of a (minor) portion of the purchase price, being dependent on certain financial outcomes being achieved in the business under its new ownership. Around 20% of the Tabak SI transactions in the 2024FY involved either vendor finance or an earn out, and this typically happens with larger value sales.

Sale Multiples

Tabak has tracked our sale multiples across twenty years of business sales and can advise that our EBIT multiples strengthened a little in the 2024FY, whilst the EBPITD multiples reduced a little. These were only modest movements in both cases, but we stress that multiples can vary significantly across different industries.

Vendors Required

As a result of our success in the last FY, we are now keen to engage with potential vendors. We have an extensive database of existing buyers and a shortlist of very keen buyers and/or expats recently returned to New Zealand, wanting to purchase a good business at a fair price.

We are happy to hear from accountants if you have any queries about the sale process, industry multiples etc. and would love to present to your team around trends, issues and the latest goings on in the business sales market. We can do this in person within greater Canterbury or via MS Teams in the southern regions and top of the south, so just reach out if you think your team may benefit from this.

If you do not wish to receive occasional emails regarding the business sales market, please advise and we will unsubscribe you.

Thanks & Regards

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