



## Welcome to the summit

When you sell anything, you want to sell at the top of the market. Luckily for you, that is right now.

## Four elements of a LINK Business Appraisal

When it comes to selling your business, you want to ensure you get the best possible price.

## Recently Sold

See a snippet of recent local sales. LINK have sold nearly three times as many businesses in the last quarter compared to this quarter last year.

# Market update

## Issue 3. 2021



LINK Ellerslie  
401 Great South Road  
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## Recent business sales



**SOLD**

### **Automotive Workshop**

AUCKLAND  
\$195,000



**SOLD**

### **Hairdressing business**

AUCKLAND  
\$739,000



**SOLD**

### **Profitable Distribution**

AUCKLAND  
\$260,000



**SOLD**

### **Solid Café & Restaurant**

AUCKLAND  
\$550,000



**SOLD**

### **Essential Services**

AUCKLAND  
\$2,600,000



**SOLD**

### **Child care**

AUCKLAND  
\$529,000



**SOLD**

### **Industrial Sales**

AUCKLAND  
\$350,000



**SOLD**

### **Retail & Post Centre**

MANGAWHAI CITY  
\$199,000



**SOLD**

### **Supermarket**

Central North Island  
\$789,000



**SOLD**

### **Major brand liquor store**

AUCKLAND CITY  
\$935,000

## Market Update

### Issue 3. 2021

It may seem odd to have to write about this, as though it's a unique concept, but nevertheless, here we are. When do you sell anything? At the top of the market or the bottom?

Having been in the business of selling businesses for over 20 years, we can confidently say there has never been a market quite like this. With soaring buyer demand and a scarcity of quality businesses for sale, record prices are being achieved for good businesses. Yet we struggle to convince Business Owners it is a good time to sell. The advice is simple; if you are considering selling your business within the next 2 years, sell it now.

The perfect circumstances have occurred for businesses that remain profitable that are considering selling: low interest rates, banks keen to lend even on a cashflow only basis (in other words, no other security except the business), cashed-up kiwis returning home, house prices soaring which drive up net worth and a lack of businesses available to buy. The result of this confluence of factors is determined by the most basic of economic laws; the law of demand and supply.

**“Selling at the top of the market. Welcome to the summit.”**

Scarcity combined with high demand drives value upward. While we know with absolute certainty what the market is doing now, we have little or no idea what the following years really hold. With the world printing money and house prices rocketing, borrowing increasing, and yet countries still crippled with Covid, can this buoyant economic environment really be sustained?

The other factor that seems to be ignored is the supply side. Currently, we have too few businesses for sale and this plays a large part in driving value. But what happens in the next couple of years when more businesses bounce back from their Covid woes and more owners decide to retire? We are anticipating a large increase in supply, which will of course affect prices achieved.

It's hard to create wealth. If you have built a profitable business and are considering selling, lock in that capital gain now. There is no tax on this yet. And as far as "what will I do if I sell?", the answers are spectacularly diverse depending on how much you sell for. But retirement is no longer an aspiration for most people, so invest some of this capital and perhaps buy or start another business and enjoy the ride again. When you sell anything, you want to sell at the top of the market. Luckily for you, that is right now.

# You have invested blood, sweat & tears into your business.

You are no doubt curious as to what it could be worth.

Many business owners believe the value of their business is net profit, or gross sales, multiplied by an industry rule of thumb. Using this method will often give a different result than the value that can be achieved by a LINK Business Broker.

The true value of a business is based on the following elements:

- **Intangible Assets:** goodwill, customer lists, trademarks and copyrights, distribution rights, a superior management team, physical location, brand recognition, special processes.
- **Tangible Assets:** real estate, plant, equipment, furniture and fittings, debts, machinery.

## Four Key Elements of a LINK Business Appraisal include:

### 1. Economic Situation

A look at national, regional and local economic conditions existing as of the valuation date, as well as the conditions of the industry in which the business operates. After all, no business operates in a silo, and therefore, any appraisal needs to consider the environment in which a business operates.

### 2. Financial Analysis

A look at the financial statements of the business, using ratio, trend and industry comparative analysis tools to deliver a more scientific report on the financial state of the business. As the largest business brokerage in the world, LINK looks at industry comparisons both nationally and internationally. With a wide spread of brokers and more business sales than any other brokerage, we're able to provide a more experienced report based on analysis of a huge volume of sales.

### 3. Accounts Normalisation

Any prospective purchaser needs to know how much cashflow they can extract from the business without unduly affecting operations. Our appraisal takes several approaches to making adjustments to the accounts to deliver a fair reflection of the opportunity. We deal with buyers and sellers every day of the year and draw on these practical real-world examples across all business sectors to share our knowledge with you.

### 4. Business Market Value

There are three broad approaches to business appraisals and then a

number of techniques that can be used within each approach. At LINK, we consider all three business appraisal approaches before providing a recommendation on which to apply to a particular business.

The bottom line is your business is worth what a buyer is prepared to pay. LINK's award-winning VALU.LINK tool uses literally hundreds of local sales data as market evidence along with subjective weighting factors and our own proprietary algorithms.

VALU.LINK results, combined with the experience and strategy of the team, gives an accurate estimate of a business's true value.

When it comes to selling your business, you want to ensure you get the best possible price. LINK offers complimentary business appraisals, and no-obligation confidential discussions, so you can understand what your business is worth.

To find out more about selling your business or to arrange a confidential chat with one of our team, visit [go.linkbusiness.co.nz/sellmybusiness](http://go.linkbusiness.co.nz/sellmybusiness)

# 95%

of businesses sell within 4% of our original appraisal



Source VALU.LINK historic results analysis. An award-winning appraisal tool, owned and developed by LINK to value businesses. VALU.LINK results combine with the experience and strategy of the team to give an accurate estimate of a business's true value.

**VALU.LINK**

# Frequently asked questions

All sellers and buyers have a bunch of great questions. Here are some we've heard before.

## Sellers

### What is my business worth?

You may not understand the full worth of your business, but thanks to the LINK team's extensive experience in selling businesses, we do. Our team use LINK's award-winning proprietary appraisal tool VALU.LINK, and our practical experience, to draw on extensive global sales data for your industry. We then combine this with our strategy to identify the best path to drive buyer competition in the market to get the best 'market price'.

### How do you ensure our staff don't know I'm selling?

Almost all high-value businesses we list are 'confidential'. We don't display the name, location or other identifying factors. We make every potential buyer

sign a Confidentiality Agreement and agree to not discuss the sale with anyone except their professional advisors.

### How long will it take to sell my business?

There are several variables, but as a guide it typically takes 2-6 months.

### Will vendor finance be needed?

Normally vendor finance is not needed as there is a multitude of finance options depending on the buyer, but sometimes greater value can be attained if there is a safe vendor finance option.

### What is required of me after the sale?

Vendor assistance can be as short as 10 days or as long as a year. This is all discussed as part of the transaction and mutually agreed between the parties.

## Buyers

### Can I engage LINK as a buying representative?

The short answer is yes. We act for a number of businesses, families and individuals who have specific mandates for investment in businesses. Buyer syndicates are also increasingly common in acquisitions.

### Does LINK invest its own money?

No. We remove any conflict of interest and the company is focused on the transaction, which is our core speciality. We do have multiple buyers that come together on deals which we often facilitate.

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 **LINK**™ we sell businesses

## Online Seminar: How to buy a business

Ever thought one day you would like to own a business but don't know where to start? Do you have hundreds of questions running through your head?

Learn from the experts at our online seminar, covering the following topics:

- Industry / business type
- Due diligence
- Buying process
- Business appraisal
- Financing
- Mistakes to avoid

Find out more at [go.linkbusiness.co.nz/seminars](https://go.linkbusiness.co.nz/seminars)

