

MEANING BUSINESS

■ News & Information on Business Sales

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NEW AWARDS

Benchmark Business Sales is Australia's most award business brokerage firm.

Here are our most recent winners!

Nikki Katz

REISA Business Broker of the Year Winner 2018



Yiling Tang

REISA Business Broker of the Year Finalist 2018



John Kasapi

REIQ Business Broker of the Year Winner 2018



Mathew Hartley

REIQ Business Broker of the Year Winner 2017



2018

State of the Market

As Australia's only truly national business brokerage Benchmark has a unique ability to observe the market for business sales across the nation. Here are a few observations on the current market, and how individual segments and markets are performing in 2018.

The most evident factor which is affecting the market for business sales in Australia today is the fact that (overall) there are more sellers than there are buyers, so (total) supply exceeds (total) demand for businesses. There are some categories where this is not the case, but across the nation, there are more buyers than there are sellers, so selling a business can be challenging in the current climate.

The sectors where we see demand exceeding supply are few, but here are some examples:

- *Childcare centres*
- *Medical practices*
- *Service Stations*
- *Security monitoring*
- *Non franchised Gymsnasiums*
- *Contracted delivery and logistics*
- *Optometrists*
- *Accounting practices*
- *Large scale building and home improvement*

There are many business sectors where supply exceeds demand, and such sectors are seeing "list to sale" times extending out past six months, and disappointed vendors are finding it hard to make the decision to lower price expectations to meet the market... But that is what is required to make sales in markets where supply exceeds demand.

We feel that there is a measurable difference in market sentiment across Australian Capital Cities. At Benchmark we rank Buyer sentiment in each city. The current ranking (from most positive to least positive) is as follows:

1. *Melbourne*
2. *Brisbane*
3. *Sydney*
4. *Adelaide*
5. *Perth*

Regardless of the market sector, or the location of the business, all businesses will sell if there are five elements present. These are:

1. *Correct pricing of the business offering*
2. *Provision of all financial and other data and information*
3. *Wide marketing coverage with a clear message to potential purchasers*
4. *Exclusive Agency*
5. *A Sale Plan*



Supermarket Industry News

SUPERMARKETSALES



A Business Plan + Cash - Flow

Banks want to see that you've done your diligence and spoken with a qualified accountant to draft up a business plan and Cash-Flow. Ensure you input all current and past information on the Supermarket you are considering purchasing as this will form the bases for your business Plan and cash-flow and provide you with a more accurate analyses of the past and more accurate guide moving forward. The business plan should detail your cash flow forecasts for the business and provide a comprehensive SWOT analysis (abbreviation for Strengths, Weaknesses, Opportunities and Threats). For example, the plan should include competitor research for the local area.

A good tenant mix can support healthy traffic and positive consumer environment, but it can also bring with it increased competition. You'll need to show that you have strong business and marketing acumen to stay profitable in a business that operates on a low profit margin.

Luckily, independent supermarkets are often in a position to weather the impacts of direct competition.

Consider joining an industry association like the Australian Retailers Association for more tips on running a successful retail business. IGA, Foodworks and Spar can usually provide you with a cash - flow and Business Plan template to assist in preparing.

Supermarket Loans

With industry heavyweights Coles, Woolworths and Aldi dominating the supermarket industry, it could seem like there is no place for independent supermarkets in Australia. However, independent supermarkets are uniquely placed to offer locally-sourced and speciality products and can connect with the local community in a way that supermarket giants simply can't.

With many Australians looking for an alternative to Coles, Woolworths and Aldi, an independent supermarket can be a profitable business venture for the right investor.

The majority of independent supermarkets in Australia are aligned to one of the large buying groups (such as IGA, Australian United Retailers, Foodworks and SPAR), providing business owners with increased buying power and group marketing resources.

Running a successful supermarket requires multiple business skills and your bank or lender will carefully consider your previous business and work history when assessing your finance application.

Here at Benchmark we work with proven lenders in the field of Supermarket loans and can provide you with details of Finance Brokers who may be able to assist you in achieving a loan to suit your needs or talk to your preferred bank or Finance broker first.

If you haven't had experience in these areas before, it's a good idea to speak to your accountant or business advisor about up-skilling or planning for some expert assistance until you are up-to-speed.



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National Supermarket Sales Team Leader



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Market Stand Off: "Service Station Industry"

SSSa

Service Station Sales
Australia

Stand Off

Service Stations are normally high demand in the market, as the year draws towards an end we can see the market clearly now. Last year there was a great demand in the market and the supply has been limited, which made best results for vendors.

This year the Banks became strict in lending for commercial properties and Businesses, so the market is on a (silent) standoff between the sellers and purchasers. Both the vendors & buyers are careful in not letting go of the situation which either side thinks is in their favour.

Who Will Blink First

The situation currently is, the buyers are offering well below the market price and the sellers are holding their price, until the banks come out clearly with a direction this trend is going to continue and it's not looking good for the overall market. In some cases buyers have won but the sellers are not easily giving up on their prices.

Market Cowboys

This has taken the market cowboys down in a big way, the agents who priced the offer highly just to get the listing are feeling the heat and couldn't deliver results. This has become a reality check for the whole industry and now every stakeholder is coming to terms with reality. The service stations coming to the market currently are more realistically priced than before.

Still Positive

The market is still positive with genuine buyers looking to expand or get into the industry for the right price. Petroleum companies like Metro and United are continuously on the look out for new stores for their expansion and buying sites both in metropolitan and regional areas. Smaller investors and developers are also very active in the market and are making use of the current market situation to buy at right price.

Benchmarking

Benchmark Service Station Specialists are working closely with the Fuel Companies, Vendors, Buyers, Accountants, Lawyers and Finance Brokers to ensure all deals go through smoothly with little or no disturbance to the operation of the Business. Benchmark has also teamed with great group of Lawyers & Finance Brokers to help the clients if they require any assistance for their Business purchase or sale.

If think of Buying or Selling Service Stations, Benchmark can help you throughout the process. Contact Benchmark's Service Station Team for all your Service Station needs.



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Service Station Specialist



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WA Market Update

WA Market Update – Q1 2019 FY

The start of the 2019 financial year has proven to still be quieter on the business sales front throughout WA than most in the industry expected. This has seen to take a turn in September though with an increase in the number of listings and buyer enquiries reported by most brokerage firms in Perth.

Most businesses that are reliant on consumer spending are still experiencing tough trading conditions with either flat or slightly increasing top lines. Many business owners have however been reporting monthly year on year revenue growth which is leading to improved sentiment amongst small business owners. There is a light at the end of the tunnel.

It will however take another financial year of improved figures before we start to see this growth translate into better bottom lines and therefore business prices. Many business owners who are considering selling are choosing to hold off until they can achieve a better price. This may take another 2-3 years and will be facilitated by higher profit levels as well as the return to house price growth in Perth.

The Banking Royal Commission has certainly had an effect on business lending in WA. Many brokers are reporting declining of finance as being the number one reason that contracts are not being completed. Those that are being completed are taking a significantly longer time to be approved by the banks and pushing settlement time frames for businesses out to 6 months in some cases.

In conjunction to the royal commission the Senate Inquiry into Franchising has also had a sever effect on buyer enquiry levels for franchise businesses, not only in WA but around the country. Franchise

specialist business brokers are reporting a drop of 50% or more in the number of weekly enquiries since the mainstream media coverage of Senate Inquiry. Franchise businesses are likely to remain less attractive in the market until this coverage dies down.

All is not doom and gloom over in the West though. There are still significant transactions taking place in the mid-market and those businesses that are priced correctly in the smaller end of the market are moving in reasonable time frames. With the increase in the number of businesses for sale, the market will most definitely remain a buyer's market for some time to come.

Businesses in Demand:

- Accountancy Practices
- Veterinary Practices
- Caravan Parks
- Coffee Shops 5 days
- Childcare Medium to Large
- IT
- Online businesses
- Insurance Brokerages

Businesses Hard to Sell:

- General Retail
- Bookstores
- Lotto Kiosks
- Newsagencies
- Restaurants
- Supermarkets
- Profits less than \$100k



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Why you should consult a Benchmark Business Broker?

Buying or Selling a business is a specialised and complex process that requires considerable experience in a number of areas. Just as you rely upon a qualified lawyer for legal advice, and your accountant for financial advice - you should seek professional advice and assistance when it comes to buying or selling an asset as important as a business.



Our team of specialists have many years of experience in business sales, management, ownership and consultancy. Whether you're a business owner, investor, buyer, Benchmark will assist you, showing you ways to save time, money and effort – and how to reduce heartache and complication.

After many years in selling businesses – there aren't many challenges that we haven't seen or overcome before. One of the strengths of the Benchmark group is the fact that all of the brokers have either been involved in business or have operated their own small business – in fact some still do! So, in speaking to a Benchmark agent, you are speaking to someone who REALLY knows what it's like to be in business.

Did you know that there are six essential elements which need to be present to enable a business to be sold?



With these five elements present a business should sell promptly. Conversely, if any of these elements are not present, a sale may not be completed in a timely manner.

STATE OF THE MARKET REPORT

	Category	Demand*	Rule of Thumb	Approx. ROI	State of the Market
ACCOMMODATION	Caravan Parks Leasehold	=	Bank Valuation	15-20%	Demand is steady
	Caravan Parks Freehold	↗	Bank Valuation	9-21%	Alternate use drives value. Demand up
	Motels	↘		16-21%	Rural demanding cooling. Freehold popular
AUTOMOTIVE	Mechanical Workshops	=	1 years Nett + P&E	100%	Hard to sell
	Service Stations	↗	2 times Nett +/-	28-50%	Independents very popular
DOMESTIC SERVICES	Childcare Centres	↗	4 to 5 x EBIT	17-22%	Premium locations still sought by buyers
	Storage Complexes	↗	ROI	9-18%	Demand is rising
EDUCATION & TRAINING	RTO's	↗	Multiple of FME	22-40%	Government changes influence value
FOOD & BEVERAGE	Bakeries (Non franchise)	↘	1 Year P/EBITDA + P&E	50-100%	Demand down
	Specialty Franchise Bakeries	↘	10-14 x weekly sales	35-40%	Sales volume critical to profitability
	Food Franchise	↘	1-2 times P/EBITDA	35-50%	Depends upon brand
	Food Hall Businesses	↘	1 years Nett + P&E	50-100%	Unpopular
	Ice Cream Parlours	↘	1 years Nett	50-100%	Location dependent
HAIR & BEAUTY	Hair & Beauty	=		50-100%	Managed businesses are most popular
MANUFACTURING	Manufacturing	↗	Multiple of EBITDA	25-100%	Popularity has increased - again
MEDIA & COMMUNICATION	Post Office	↘	1.5-3 x PEBITDA	30-60%	Values have declined
	IT & Communications	↗		40-50%	Hard to secure listings
PROFESSIONAL SERVICES	Accounting Practices	=	Cent per \$	N/A	Steady demand continues
	Printing	↘	10%-15% T/O	P & E +	Capital intensive
	Professions	=	Cent per \$	Variable	Demand steady
	Real Estate Offices	↗	\$ for \$	20% - 28%	Very strong demand
	Serviced Offices	=		35-40%	Steady values
RESTAURANTS	Cafe/Coffee Lounge (5 days)	=	1.5-2 times Nett	33-80%	CBD locations are very popular
	Cafe/Coffee Lounge (7 Days)	↘	1-2 times Nett	50-100%	Premium locations still sought by buyers
	Restaurants	↘	1-2 x PEBITDA	33-50%	Values have declined
RETAIL SHOPPING	Newsagencies	↘	1.0 x PEBITDA	50-70%	Hard to sell
	Surf Retail	↘		50-100%	Online retailers has killed this category
	Supermarket (LARGE)	↗	11-14 times weekly sales	20-30%	Very strong demand
	Supermarket (SMALL)	↗	10-12 times weekly sales	30-40%	Migration buyers favour this sector
SPORTS & RECREATION	Gymnasiums	=	Depends upon type	25-100%	Demand reduced
TRADES	Home Services Franchises	↘		40-80%	Demand is much lower than 10 years ago
	Cleaning Businesses	↗	2 to 3 x EBIT	30-55%	Managed businesses are sought after
	Plumbing	↗		30-40%	Managed businesses are sought after
	Electrical	↗		30-40%	Managed businesses are sought after
TRAVEL & TRANSPORT	Taxi Plates	↘		18-23%	Uber has killed this industry
	Transport Businesses	=	P&E + Goodwill	30-40%	Businesses with contracts are sought after
	Travel Agencies	↘	\$25k per million	100%	Interest is low
	Courier Services	↘	Van Plus Goodwill	100%	Buy a Job Demand has reduced
WHOLESALE	Wholesale	↗	Multiple of EBITDA	20-30%	Very strong demand

↗ INCREASING DEMAND ↘ DECREASING DEMAND = STABLE