

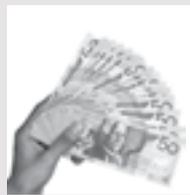
market review

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Market Report



FOOD AND HOSPITALITY ARE MOST POPULAR WITH BUYERS!

For many months now we have talked about Food and Hospitality being the most popular segment with buyers on the Sunshine Coast and Brisbane's North Side. This is due to the very diverse nature of the Food and Hospitality Industry and its distribution across numerous categories and price points in the market. Whilst many buyers are looking for well performing businesses earning over \$100k net p.a. for one working owner, i.e. those seeking 'income replacing businesses', usually in the higher priced categories over \$200k, with reasonable rents and high P & E values. There is still demand for under-performing entry level type businesses out there, where buyers are looking for 'improvers', generally in the lower priced categories under \$100k. Plus, there are still those buyers seeking larger food related businesses, typically wholesalers with nets of over \$500k, and ask prices over 1 to 1.5 million. In summary, over 47% of sales were recorded from the Food and Hospitality sector, 12 months ending July 2018. With 60% of businesses being sold, settling within 6 months of being listed.

Last quarter, several Food and Hospitality sales were recorded between \$200k - \$400k, and one sale recorded over 1.5 million, but the strongest 'bands of interest' were below the \$200k mark. Although some sales have been recorded involving over-motivated sellers, Food and Hospitality businesses continue to be the most sought after small business acquisitions for buyers, due to a low-cost base and ease of entry. Whether buyers are moving to the Sunshine Coast or currently residing here doesn't matter, Food and Hospitality seems an effective way to get into your own small business with the minimum of fuss. Strong sales were again also recorded by Verified in Home-Based style businesses, Wholesale Distribution, Automotive and Hair and Beauty.

The number of small businesses listed for sale in Queensland continues to rise, up around 11% over the past quarter based on Seek Commercial website numbers. This is largely driven by the baby boomers exiting from business ownership due to looming retirements. (Jarot Business Assessments Guide). Enquiries on new business listings in the local market are still quite good, even though things have been a little softer in the June quarter compared to the same period last year, as measured by the number of completed confidentiality agreements. Although businesses which have a declining trend in profit in recent years are more difficult to sell. This represents an opportunity for owners of the more solid

businesses with stable earnings and which demonstrate growth, to enter the market and sell, with an increased likelihood of achieving an outstanding result, as buyers are still out there actively looking for better quality businesses 'with all the ducks in a row'.

If you are a retiring business owner who is considering selling, you will know full well a lower sale price may reduce the size of your retirement nest egg, or worse, may even delay retirement itself. However, businesses that can demonstrate a sound trading history, consistently healthy profits, and which **are professionally marketed, positioned and presented by a professional brokerage, may demand a premium over other offerings in the market, if competition can be created for the business.**

GIVE US YOUR BUSINESS and WE WILL FIND YOU A BUYER!! At Verified Businesses we are consistently dealing with good numbers of pre-qualified buyers across all sectors. These buyers generally know what they want, and are ready to compete for your business. The problem is, **WE NEED YOUR HELP**, as we haven't always got enough quality businesses to fill this demand instantly. Generally, those businesses with sustainable net profits of \$100k- \$200k p.a. for one working owner are in high demand right now, along with entry level type businesses.

Now is a great time to list your Business for Sale. Many buyers will be seeking to re-establish themselves on the Sunshine Coast through owning a business by the end of the Year. Business owners genuinely interested in selling their business, should give us a call for a **free business assessment right now, or visit the Verified Businesses website and pick up our free sellers toolkit.** We can help confirm the likely selling ranges, and help plan a future exit strategy, which in turn helps reinforce decisions on selling or holding your business.

Craig Campbell, Principal, Verified Businesses
0419 747 709

Recent Statistics

Some Recent Numbers from the last 3 months

Fastest Sale Time	3 weeks
Most Popular Industry	Food and Hospitality
Average Sale Enquires per Listing	25 - 45
Number of Buyers on Database	7,983
Sales Price ROI Examples:	Food & Hospitality 90% - 121% Wholesale Distribution 39% - 54%

Current Report - June 2018

Sold last 12 months (Since July 2017) – by Months on the Market

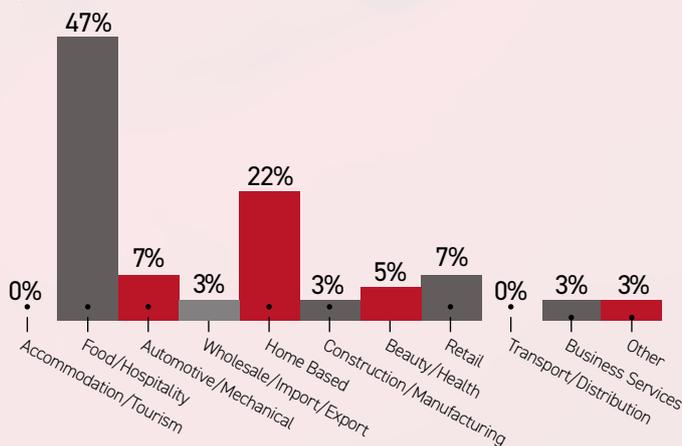


From March 2018 Report

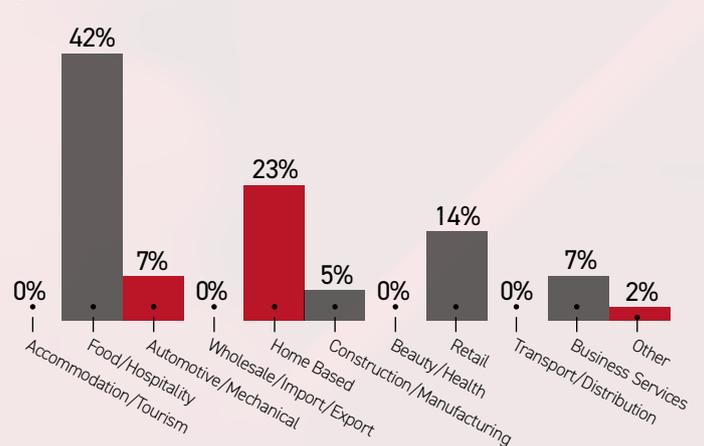
Sold last 12 months (Since April 2017) – by Months on the Market



Sold last 12 months (Since July 2017) – by Sector



Sold last 12 months (Since April 2017) – by Sector



Just Sold!!!

WAIVA CLARK DISTRIBUTERS

Business Sales – a job based around relationship building, trust and understanding the client's business in all areas possible.

I recently had the absolute pleasure of working with some great people who had their distribution business for over 12 years. My contact started with the business owners when they were listed with a Brisbane based broker and I had to be very honest with them in explaining that their current asking price was what I considered to be over \$100,000 in inflated value. This is never an easy thing and a very bitter pill to swallow for any seller, however I completed a full financial analysis of the business and gave them my feedback.

We listed at my suggested valuation and began marketing this brilliant opportunity. Over the period we had 78 registered buyers, conducted over 10 inspections and had 4 offers on the business. Throughout this time I had a number of discussions with the sellers about the feedback and the objections I was receiving, and we adjusted our asking price twice.

On the second price drop things changed. I believe we finally found the correct market price and we subsequently had two offers at once to present to the sellers; one at the full asking price and another below. Naturally the best offer was accepted, and we continued through a very detailed Due Diligence with some very meticulous but very qualified buyers.



Communication between buyers, sellers and broker was one of the integral parts of the sale and continued through to the settlement date, assisting in information gathering and explanations of the many questions and concerns that were raised and, of course, answered.

By the time anyone is reading this, the previous business owners will be enjoying some well-earned rest, peace and quiet and spending time with the grandchildren. The new business owner is firing up the business with new initiatives, products and systems and I look forward to updates on the business's future success.

Massive congratulations to Roger, Tom, Julie, Lorraine and Dayse.

Brett Barton
0408 607 344

Just Sold!!!

LARGE WHOLESALE BUSINESS SUPPLYING THE CONSTRUCTION INDUSTRY ON THE SUNSHINE COAST

I have just had the immense pleasure and responsibility of marketing and selling this long established, highly profitable wholesale business that supplies all aspects of the construction industry.

The lovely owners were very keen to retire, travel, enjoy their hobby farm and spend quality time with their family. The business had grown and grown over many years of successful trading to the point where it stocked well in excess of \$220,000 of stock and also had very significant overheads with debtors and creditors, so a buyer with significant financial resources was required to be able to purchase the business.

There was a very high level of interest in the business from the moment the business went on the market and throughout the marketing campaign with several hopeful offers made and rejected, before the successful buyers came along.

I visited them all at the business three days after settlement and was really impressed by the wonderful working relationships that they have forged and how the new owners are working really hard to continue to improve and grow



the business already. I left very satisfied that my job was complete!

I now need more businesses like this to sell as there are many potential buyers for this style of wholesale business to the construction and other industries, who are still looking to purchase.

So please don't hesitate to contact me to discuss the process of taking your business from listing to completed sale.

Creina Holland
0416 255 368

Some of our recent Sales



SOLD BY CRAIG CAMPBELL
"BOOMING CAFE"

- 44 Enquiries, busy listing
- Buyer from interstate
- 2 offers, 1 contract
- Buyer and sellers very happy
- Smooth contract

\$265,000 + Stock



SOLD BY CREINA HOLLAND
"MODERN JUICE BAR"

- Easy to operate cash flow business
- High profile position in major shopping centre
- Perfect for owner operator
- Happy buyers and sellers

\$89,000 + Stock



SOLD BY DION EVERSHED
"WHOLESALE DISTRIBUTION"

- Happy buyer new to the industry
- Excellent financial records making due diligence very easy
- Strong history of growth and very good client base
- Large amount of enquiry for premium wholesale business

\$1,495,000 + Stock



SOLD BY BRETT BARTON
"MIO SPAZIO CAFE"

- Stunning location with park and river view
- Long established cafe with regular customers
- Excellent staff
- Open breakfast and lunches, 7 days with scope to open evenings

\$175,000 + Stock



SOLD BY CRAIG CAMPBELL
"STUNNING HAIR & BEAUTY SALON"

- Local buyers
- Easy trouble-free contract
- Seller happy
- Online enquiry strong

\$69,000 + Stock



SOLD BY CREINA HOLLAND
"BRILLIANT HOME BASED ONLINE BUSINESS"

- Cloud based so can be operated anywhere
- Established clients with much work in progress
- Interstate buyers purchased this business to compliment an existing business and will operate from Sydney

\$149,000 WIWO



SOLD BY BRETT BARTON
"HEALTH & WEALTH DISTRIBUTION BUSINESS"

- Right buyer, right time and right price
- Well presented business will always sell
- Sold to local buyer with great vision
- Congrats to everyone, it was a pleasure

\$450,000 + Stock



SOLD BY BRETT BARTON
"UTICOLOR SUNSHINE COAST AREA"

- Local buyer ready to go
- Split territory 50/50
- Perfect result for buyer and seller
- Fantastic business to work with

\$120,000 WIWO



Selling your business is a serious job.



Optimum Time To Sell

If you own a business on the Sunshine Coast and have been thinking of selling now is the perfect time to do something about it.

If you own a business on the Sunshine Coast and have been thinking of selling now is the perfect time to do something about it.

As we say goodbye to Winter and welcome the warmer months ahead, we can expect a substantial increase in the number of visitors and tourists to the region. For many business owners this also provides a substantial increase in turnover, especially during the September and Christmas holidays. This typically results in a better cash flow for the business and a healthier net profit.

These conditions are also very favourable for buyers. In most cases a business takes 6 - 8 weeks to settle following the signing of a contract. If a buyer signs a contract on a business in early September we would typically expect the business to settle late October or early November.

This gives the new owner enough time to get a firm handle on the business after taking ownership, before the busiest two months of the year (December and January). This reduces their risk and helps to maximise cash flow as early as possible after settling. That's a fantastic incentive to buy right now!



If your business does well between September and January, then don't miss the ideal conditions to sell. Right now is the best time to attract a quick sale and a quick settlement.

Don't delay – Call me for a free and confidential business assessment and lets discuss what we can do for you.

Dion Evershed

0414 741 626



Meet Craig Campbell

Craig Campbell, the Principal of Verified Businesses comes with high recommendations from David Bentley the former owner. David says, "Craig offers a vast array of knowledge and skills for anyone selling their business to tap into".

"He's been successful through staying focused on getting the job done for his clients, and as an accomplished business professional that actually walks the talk, he knows business sales inside out. More importantly, Craig's experience in buying, successfully running franchises, establishing new businesses, re-inventing others, and selling his own small businesses over the past 31 years is invaluable and has provided him with a unique skill set."

In his nine years as a business broker here on the Sunshine Coast, Craig attributes his success to owning and running his own business since his early 20's, working with some of the best managers, entrepreneurs, and business brokers in the industry over many years, and being able to communicate effectively at all levels, across most industry sectors. Craig says, "I have indeed been fortunate to have been coached by and worked with some of the best brokers on the Coast over the years. And I have to say, David Bentley has augmented my success in the industry; his candid and very logical approach has helped us through many deals and has been the difference between getting a business to settlement, and providing the ultimate service to our vendors in selling their businesses."

Highly experienced with a thorough understanding of the local economy developed through living and working on the Coast for 20 years, Craig continues to perform at the highest levels, and is the quiet achiever who has successfully marketed and sold over 24 million dollars' worth of businesses. He possesses an outstanding business problem solving ability and leaves no stone unturned when it comes to thoroughly understanding his clients' businesses, honestly evaluating their likely selling ranges, and finding the right buyer! Consequently, he has a great following of past and present clients alike.



Craig is degree and MBA qualified and a Certified Practising Business Broker, and Registered Business Valuer with hands-on experience in business development, and a broad range of management, marketing and communication skills across various sectors, such as manufacturing, education, software, finance and automotive. This first-hand knowledge of business from both the buyer and seller perspective ensures clients get the real deal. He believes 'organisational alignment' of all stakeholders, continuous improvement, correct product/service positioning, and making everything 'as easy as possible for the customer', are imperative to business success.

Just call me on my mobile if you have any questions, or need advice, and I will be delighted to assist.

Craig Campbell, Principal, Verified Businesses
0419 747 709

How Do You Put A Value On Goodwill When Selling Your Business?

To ensure an equitable costing of your business's goodwill, you should always consult a qualified accountant.

One of the key assets of any business, particularly when it's being sold, is goodwill. As a business owner, you will have put a lot of work into building your business's goodwill, so it's important that its value is included in the sale price. A problem often occurs however, when you need to attribute part of the selling price to its goodwill, after all, how do you put a dollar figure on something so intangible as goodwill?

What is goodwill?

There are no definitive definitions of goodwill, however in plain terms, it is the component of the selling price that cannot be attributed to the business's other assets. Goodwill cannot exist separate from a business and is essentially, the public's perception of your business.

This perception can be generated by a combination of IP, brand awareness and the skills and reputation of the business owners. If your business is running at a healthy profit, it is generally assumed that it has some goodwill; if it runs with a small amount of profit or at a loss, it is often assumed that it has low or no goodwill.

For a buyer, goodwill is a vital part of buying a business, so the greater your business's goodwill, the higher its asking price. It's important to note that once contracts have been signed for the sale of your business, you must maintain its goodwill until completion of the sale. Just as you can't sell any of your business's assets once contracts have been signed, you must not reduce or damage its goodwill, because it is an asset of the business.

How do you value your business's goodwill?

Some people take a broad view of goodwill, deciding that their net profits or excess business income is due to their business's goodwill. This is a fair assumption, but because goodwill is composed of many different factors, it isn't the only way it can be measured.

For example, goodwill can be composed of your business's position in the marketplace, its physical location (the better the location, the lower the risk to the buyer), quality of your clients (high value clients increase your business's goodwill), the reputation of your business, brand name, patents, trademarks and logos, and the continuing success of your business.

To ensure an equitable costing of your business's goodwill, you should always consult a qualified accountant, however one of the simplest methods that is often used to value the goodwill of a small business is the Goodwill Method.

Simple Goodwill Method: This is where a multiple is applied to the business's sustainable profits. The greater the business's profits,

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margins and growth prospect, and the lower the risk - the higher the multiple applied, so a business that has steadily increased its customer base and profits over the past 3 to 5 years will have a higher multiple than one that is showing declining profits over the same time frame.

Let's look at a simple example using this method, where you have no employees, pre-tax profits of \$100,000 (after paying yourself a \$50,000 salary) and your business assets total \$30,000. Using a multiple of 1, your business valuation is \$180,000 with goodwill accounting for \$150,000. As you can appreciate, the multiple you choose can make a significant difference to the valuation of goodwill within your business.

In general, goodwill can be quite a subjective valuation, however by using different multiples based on the comparative analysis of past sales it can give you an idea of the likely range that the asking price of your business should be set within. It's important to note that since the physical or tangible assets of a business can be given a costing based on their purchase price, age and serviceability - it is often the value of the business's goodwill that is harder to establish and what is invariably most negotiated with the buyer.

Therefore, a thorough business assessment needs to be conducted by a licensed business broker or your accountant to establish what that multiple may be, according to a business's risk factors and likelihood of continued success in producing a certain profit level.

Interested in selling your business? Verified Businesses are the leading Business Brokers on the Sunshine Coast, so why not contact our friendly team to book a consultation? You can also explore our Sellers Toolkit for everything you need to know about selling your business on the Sunshine Coast.

Craig Campbell, Principal, Verified Businesses
0419 747 709



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