

# Market Update

Issue 18



Strategic Moves:  
**Capitalising on  
Australia's  
Business Climate**

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## Transitioning Ownership Smoothly: Tips for a Successful Handover

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## Identifying the Strengths of a Business

Discerning between businesses available for a purchase that is best aligned with your values, needs, and goals is a new beast entirely



## Recent business sales



**SOLD**

### Takeaway Business

BRISBANE  
\$123,000+SAV



**SOLD**

### Professional

SYDNEY  
\$200,000



**SOLD**

### Pest Control

BRISBANE REGION  
\$190,000



**SOLD**

### Beauty/Health

GOLD COAST  
\$299,000+SAV



**SOLD**

### Services

SUNSHINE COAST REGION  
\$165,000+SAV



**SOLD**

### Online Store

SUNSHINE COAST  
\$895,000



**SOLD**

### Industrial Freehold

TOOWOOMBA & DISTRICT  
\$3,300,000



**SOLD**

### Fish & Chip Takeaway

GOLD COAST REGION  
\$135,000+SAV



**SOLD**

### Pizza Franchise

SYDNEY  
\$299,000



**SOLD**

### Food/Hospitality

CENTRAL COAST & REGION  
\$330,000

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# Strategic Moves: Capitalising on Australia's Business Climate

As the Australian business landscape continues to evolve, there is a notable shift in how businesses navigate challenges and capitalise on emerging opportunities. The latter half of 2024 promises to be a period of significant activity, driven by various economic factors. Farzin Hesari, CEO of LINK Australia, provides insights into the key trends that will shape the market in the coming months.

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Interest rates and inflation have become more than just headlines; they are now critical components of the country's business environment. “We've seen interest rates and inflation become deeply embedded in the decision-making process for both buyers and sellers,” says Hesari. While smaller deals have felt the pinch more acutely, the overall sentiment remains positive.

Hesari notes, “Businesses with strong cash flows are in a prime position to capitalise on acquisition opportunities as their competitors struggle with rising costs.” This resilience among certain businesses has created a favourable environment for growth through acquisitions.

Private equity firms are increasingly active in the small business M&A space, drawn to companies with scalable growth potential and dependable cash flows. According to Hesari, “We're seeing a notable increase in private equity interest in small to medium enterprises, particularly those that can offer synergistic value or fill critical gaps in a portfolio.”

Strategic buyers are also playing a key role, seeking out businesses that align with their long-term objectives. These buyers are particularly focused on companies that can offer synergies or complement their existing operations. As a result, there's a noticeable shift in buyer behaviour, with a greater emphasis on strategic acquisitions.

Economic uncertainties have made valuation a central focus in deal negotiations. “Reaching consensus on valuations has become more crucial than ever,” Hesari explains. To bridge the gap between buyer and seller expectations, earn-outs and contingent payments are becoming more common.

These deal structures allow both parties to share in the future success of the business, aligning incentives and reducing risk.

Hesari adds, “We’ve observed a slight adjustment in multiples during the first half of the year, with a stronger emphasis on high-quality assets.” This trend underscores the importance of quality over quantity in the current market, with buyers prioritising businesses that can demonstrate resilience and growth potential.

Looking ahead, the small business M&A landscape is poised for growth. “We expect to see a surge in

transaction volumes and stronger multiples as businesses and buyers alike seize the opportunities presented by favourable macroeconomic conditions and sector-specific trends,” Hesari predicts. “At LINK Business Group, we are leading the way in Australia, ensuring that our clients are well-positioned to succeed in this vibrant market.”

As the second half of 2024 unfolds, business owners and buyers will need to stay agile, adapting to the rapidly changing environment while remaining focused on long-term growth. With the right strategies in place, the coming months offer tremendous potential for those ready to seize the moment.

## Transitioning Ownership Smoothly: Tips for a Successful Handover

Selling your business is much more than just a financial transaction; it's a major transition that requires thoughtful execution. A well-managed transition can protect your legacy and help you to maximise your business's value upon selling.

### Start planning early

The most important step? Planning! The transition should begin well before the sale is finalised. Early planning allows you to prepare your team, streamline operations, and address any potential challenges. Develop a detailed transition plan that outlines key milestones and responsibilities. This preparation will also give you time to update all legal and financial documents, ensuring everything is in order for the new owners.

### Communication is key

Keeping everyone informed throughout the process is critical. Transparent communication with employees, suppliers, customers, and other stakeholders helps build trust and maintain stability during the transition.

### Document everything

Comprehensive documentation is essential for continuity. All critical business processes, procedures, and knowledge should be well-documented and easily accessible.

### Training and support are crucial

Decide whether you are willing to provide hands-on training and ongoing support to the new owners. This is usually an invaluable drawcard for buyers, helping them to settle into their new business with confidence and manage it effectively. Consider offering to stay involved in the business for a transitional period to guide them through this learning curve.

### Maintain business relationships

Relationships with suppliers, customers, and other stakeholders are vital to your business's sustained success. Ensuring these relationships are transferred smoothly is important to retaining the business's value. Introduce the new owners to these stakeholders and provide a detailed overview of ongoing projects or partnerships.

### Acknowledge the emotional aspects

Transitioning ownership can be emotionally challenging for both the seller and the new owners. It's important to recognise and address these emotional factors. For sellers, leaving a business you've built or managed for years can be tough. For new owners, stepping into your shoes might bring anxiety or pressure. Offering support and seeking professional advice can help manage these aspects.

### Focus on financial clarity

The financial transition is a critical part of the process. Ensuring all financial matters are settled and that the new owners have a clear understanding of the business's financial health is essential. Provide them with a detailed financial report, including cash flow, profit margins, and any outstanding debts or liabilities. This will help them start on solid ground.

By following these integral steps and engaging the help of a professional business broker to guide you through the sale process, you'll be best positioned to enjoy whatever else lies ahead for you.

The transition should begin well before the sale is finalised.



# Identifying the Strengths of a Business

Deciding to buy a business is just the beginning. Discerning between businesses available for a purchase that is best aligned with your values, needs, and goals is another beast entirely. Empowering yourself with information and learning how and what ways to identify a strong business that is poised for continued growth and success, is key to securing your future.

Whether you have a specific industry of interest where you are pursuing business ownership or are open to finding the best opportunity aligned with your career goals and objectives, there are a few essential things to keep in mind to help streamline the process of buying your business!

## Financial Health

A key indicator of positive financial health is a high rate of repeat customers as this shows that the business earns a reliable revenue stream that it can leverage. The broader and more varied the customer base, also reduces financial risk, as the business is not overly reliant on a handful of key clients. This also strengthens the business's overall market position.

## Supplier & Vendor Relationships

It is an exceptional sign of business health and strength if they have strong, dependable supplier relationships, secured also through supplier contracts and agreements to allow these to be more easily maintained throughout a transition of ownership.

## Operational Efficiency

The more streamlined the existing processes of the business, the better. Assessing the level of automation the business incorporates where appropriate, and how up-to-date its technology and systems are as this

finetuning of processes to optimise efficiency allows a business to be more resilient, agile, and scalable within the market

**The more streamlined the existing processes of the business, the better.**

## Diversity of Offerings

When buying a business, choosing one that has a unique offering that has strong demand, and is positioned to be expanded upon and continue to grow moving forward, is essential to help you to maintain a market dominant position.

## Legal & Regulatory Compliance

A business that has positive existing relationships and rapport with industry bodies and regulators (where relevant) is an excellent indicator of strength and business prosperity moving forward.

Secondly, a business that is compliant with all its legal and regulatory responsibilities reduces the risks of future liabilities.

Armed with the right questions when buying a business, and knowing where to look to identify the strengths and weaknesses of a business you are interested in, is key to ensuring you walk into a business acquisition well-informed making the best decision for you and your future.

The numbers just keep getting **better and better**



**\$2b+**

of businesses listed on our global websites

**250+**

businesses sold globally per month (avg)

**3,000+**

businesses for sale internationally

**73%**

of buyers think about buying a business for up to three years

**79%**

of buyer prefer an established business

