

# Businesses for sale

## Retirement spike spurs business sales

Paul Charman

As more baby boomers reach retirement, more greying business owners seem open to selling operations they may have built up over decades.

It's a trend now creating solid opportunities in the business brokerage sector, and LINK Business managing director Aaron Toresen says his company is making the most of it.

LINK is in growth mode, he says, servicing more mature business owners keen to sell, plus significant numbers of both Kiwis and immigrants keen to buy.

LINK raised NZ\$3.15m through staff and wholesale investors last August, the capital – obtained via the online and investment marketplace Snowball Effect – being used to implement expansion focused on acquisition of broking offices in markets including Australia and the United States.

The Auckland-based company is involved in raising a further NZ\$3.25m, aiming to continue expansion with a focus on acquisition (with a major Australian broking business now under contract).

It is determined to be not only the largest business brokerage in Australasia but one of the largest in the world, now having 500 staff and 28 offices internationally, including one

Toresen describes as the largest brokerage of its type in California.

“This growth trend has been exhibited through our activity in the past 12 months; in Australasia alone we sold more than 664 businesses with a combined value in excess of NZ\$300m. And with more than 50 per cent of New Zealand and Australian SME's predicted to sell in the next 15 years, we feel strongly positioned to take advantage of this opportunity,” he adds.

The fundamental driver has been the demographic bulge created by the baby boom at the end of World War II, people born from 1946 to 1964, who are now often looking for a quieter life.

“These baby boomers certainly went into a wide range of endeavours, trades and careers, but nowhere have they been more prominent than in business ownership. It's not just in New Zealand; there's a disproportionate number of older owners of businesses around the Western world.

“This leaves us in a position where a huge number of businesses will have to sell in a more condensed time frame, before returning to more normal distribution.

“The Global Financial Crisis struck at about the time many of these business owners had planned to sell. This created a concertina effect, where thousands of business owners



Research shows that more older business owners are ready to sell.

delayed their divestment or succession, and we're still working through this deferred sales activity.”

**Who is taking advantage of the trend?**

Toresen says the typical business buyer demographic in New Zealand is extraordinary, and in most cases, is a

fair representation for the wider community. “While we have a large number of people born overseas – for example, Chinese and Indian-born business buyers – they tend to be focused on specific business types and industries, preferring retail and hospitality,” he points out.

“At the larger end of town, where

businesses for between \$2m and \$20m are being sold, buyers tend to be syndicates, private equity firms or returning expatriates looking for an alternative to a corporate job.

“Educational background tends to increase with the value of the acquisition. In many of the so-called “buy your own job” type operations, where the buyer intends to work full time in the business, we find people from all walks of life, who may be with and without tertiary education.

“However, it is worth noting that while many successful business owners may have no previous business education, they often make up for it with common sense, hard work and through surrounding themselves in good advisers.”

**What about Aucklanders in search of a less stressed lifestyle in rural or provincial New Zealand?**

“Undoubtedly this group is evident among purchasers,” says Toresen.

“We have specific areas such as Mt Maunganui and Tauranga, where buying a business is the only option to relocate as job opportunities are fewer than in Auckland, while the lifestyle and cost of living are considered by many to be a lot better.

“Our offices in Australia have long benefited from internal business migration with the Gold Coast and Sunshine Coast classic examples.”

**What kind of businesses do they typically seek?**

“The most commonly sold businesses are still within the hospitality space, such as restaurants, cafes and bars; there has always been an insatiable demand for good quality hospitality businesses.

“Such operations can attract buyers from every ethnic group and can often be purchased with a simple addition to the home loan.

“When moving to the provinces, we also see the accommodation sector maintaining popularity as a leading choice, with holiday parks, motels and hotel ownership providing the desired lifestyle change for many. Hospitality is booming thanks to the present buoyant state of international and domestic tourism. One of our top hospitality brokers recently had three deals signed in one day.

“In fact, the macro story of hospitality businesses in New Zealand is staggering, with the equivalent of seven new hospitality businesses opening each day according to the Restaurant Association of New Zealand's 2018 Hospitality Report.

“There are a number of agriculture businesses focusing on using technology to make farmers more efficient. We are seeing a lot more syndications of orchards and farms which is providing New Zealanders an option to diversify their investment into assets

they may otherwise not have had the chance to get into.”

**What about manufacturing?**

While New Zealand manufacturing may have had its heyday late last century, Toresen believes its ongoing value to the economy should not be underestimated.

“Surprisingly, although Chinese contract manufacturing is abundant, there are still plenty of very profitable manufacturing businesses located in this country,” he says. “They manufacture items that you see every day but often pay no attention to, such as galvanised nails, powder coating steel legs for tables and chairs; or castors for shelving for example.

“There are many sophisticated manufacturing operations dotted around the country, albeit keeping a relatively low profile as far as the general public are concerned.

“Many of these tackle niche manufacturing projects, often producing surprisingly complex items. They can have clients here in this country and around the world, offering expertise in small runs, produced within relatively short lead times,” he says.

“So there is huge demand for profitable manufacturing businesses in New Zealand, and typically the owner – who may be in his or her 50s or 60s – will be quite open to passing on the reins to a new owner.”

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