

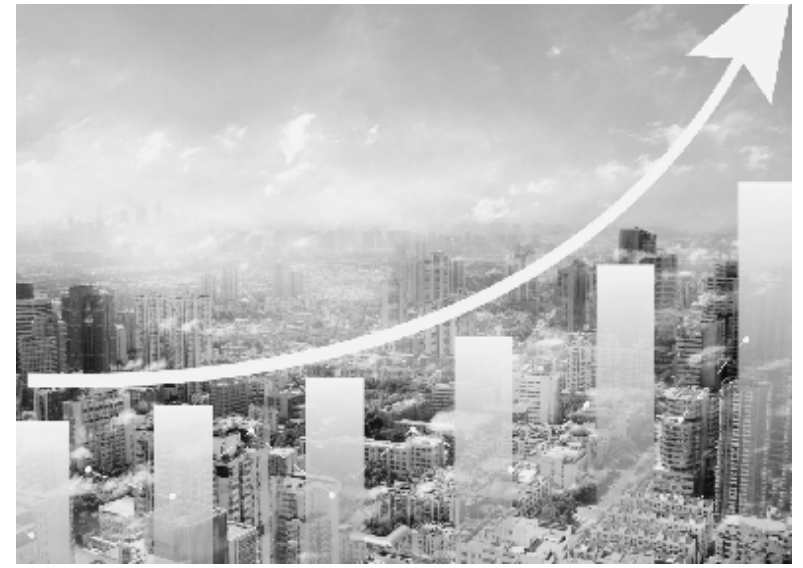
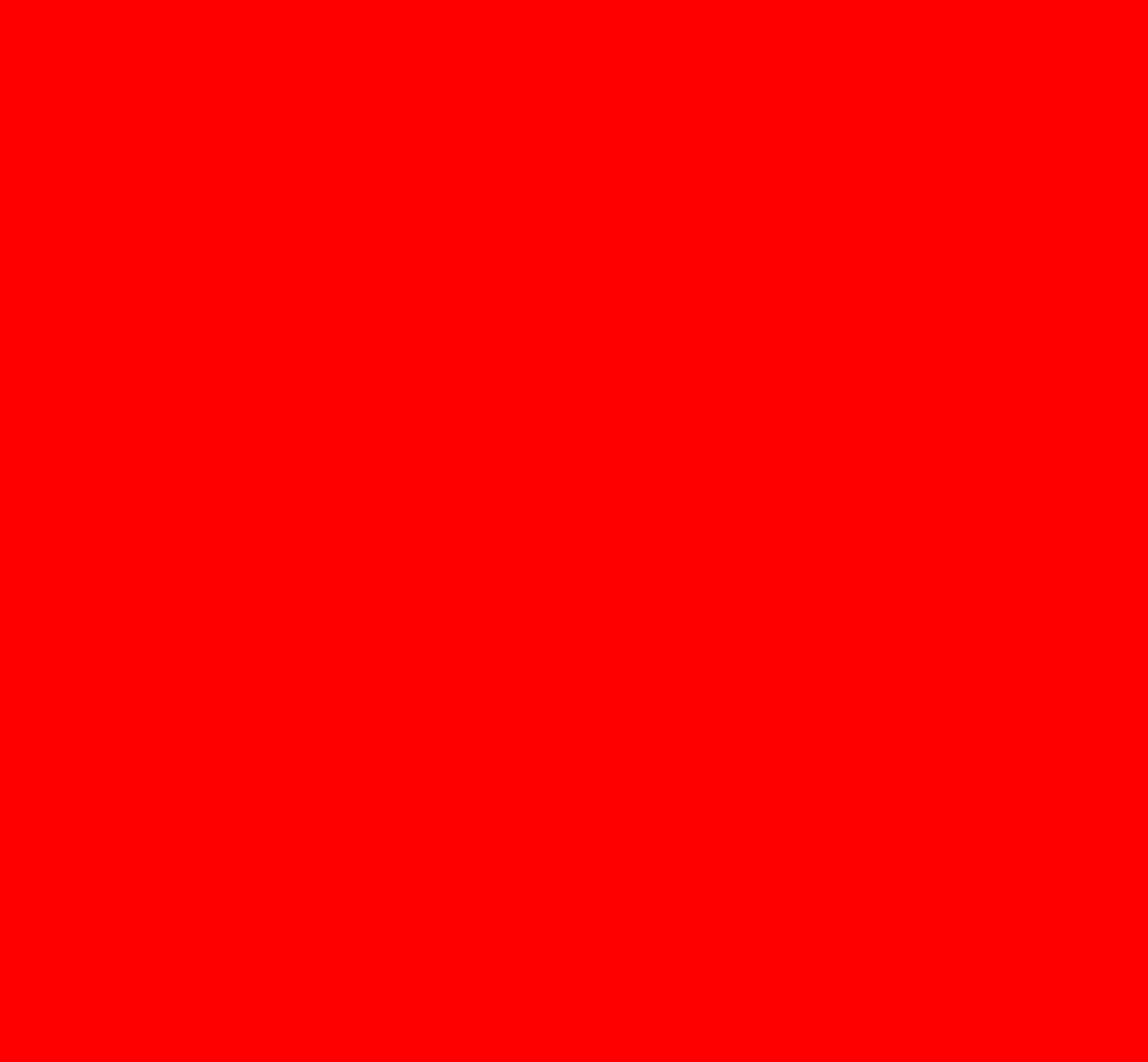
ABC.
Business Sales
Licensed REA 2008

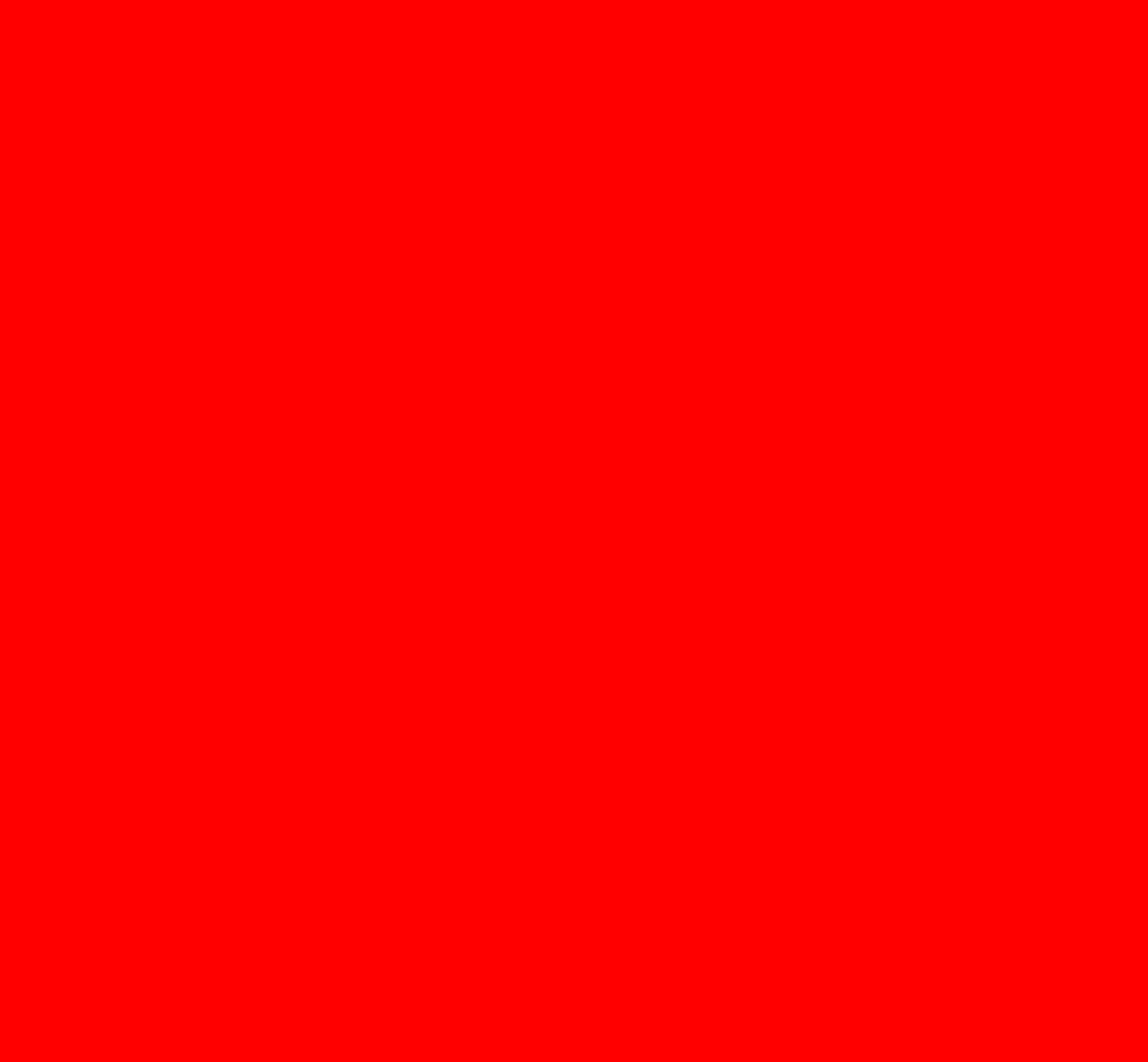
QUARTERLY MARKET INTELLIGENCE REPORT

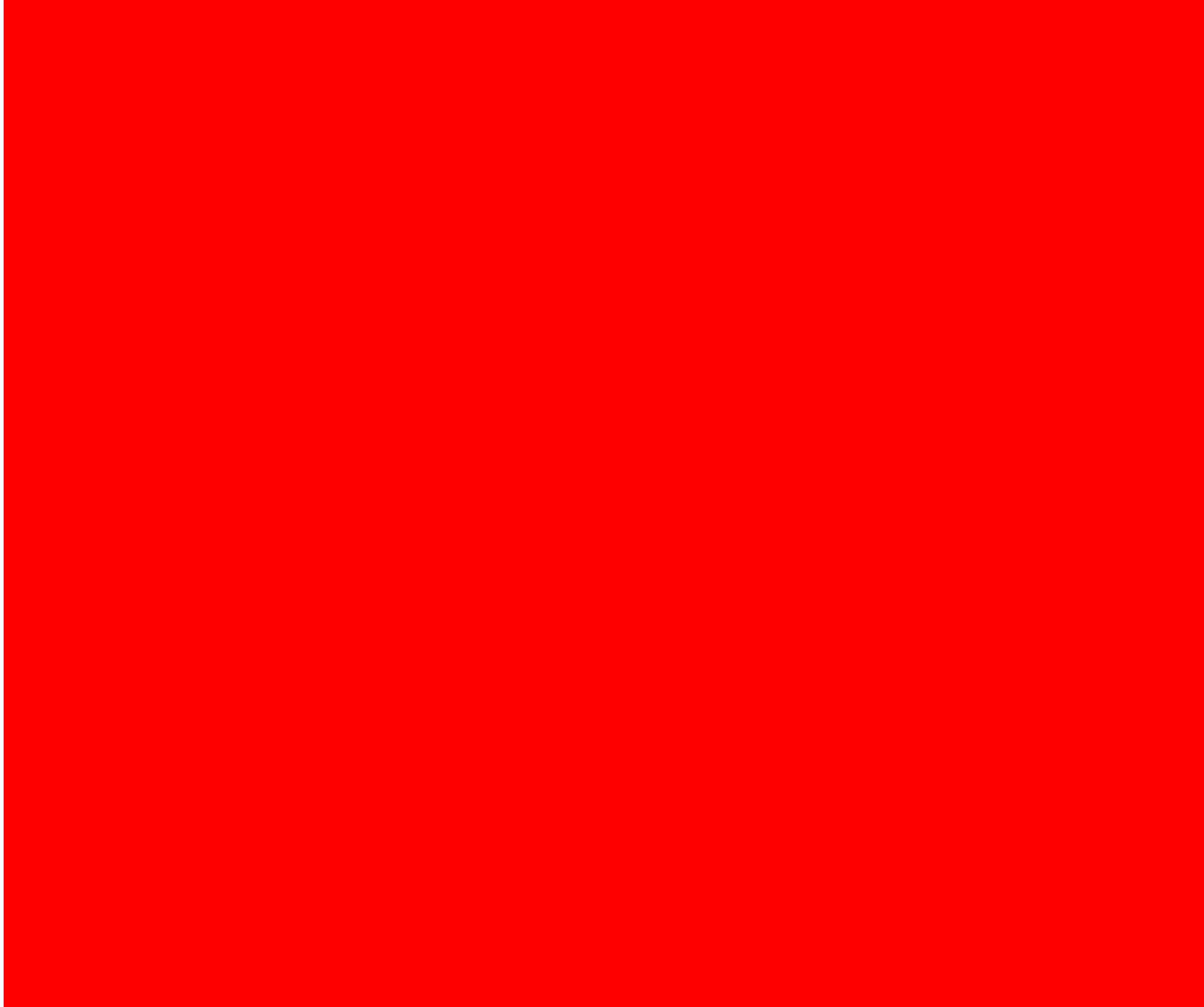
SMALL AND MEDIUM-SIZED ENTERPRISES

March - 2024









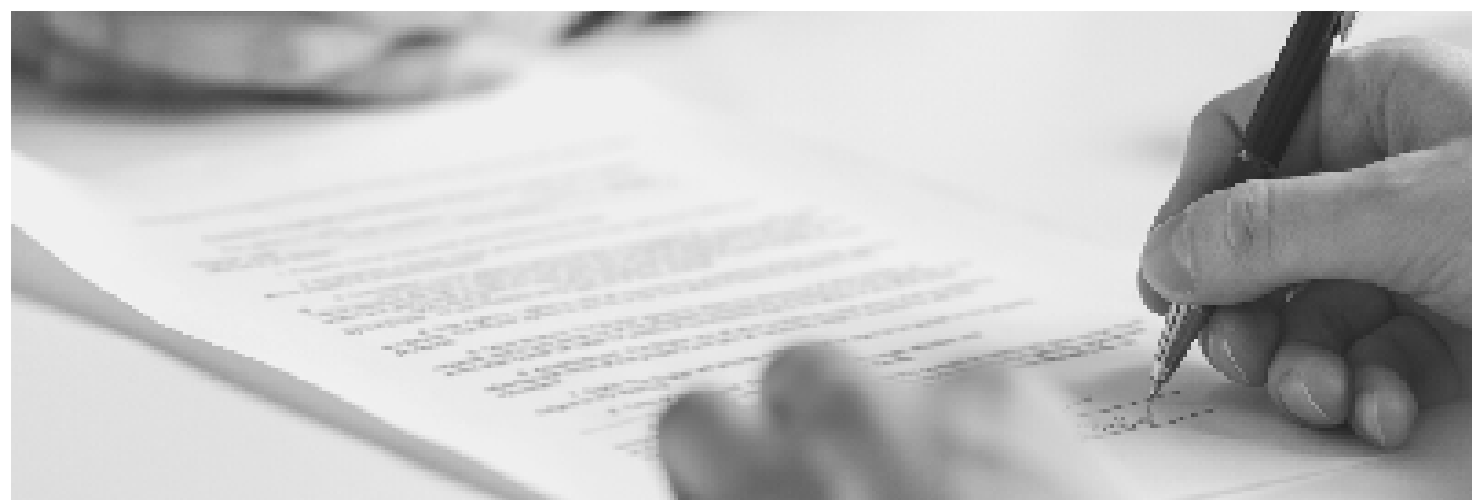
Signed Confidentiality Agreements Per Month						
Month	FY20	FY21	FY22	FY23	FY24	24 vs 23
April	941	684	1212	976	1109	14%
May	957	1127	1473	1050	1580	50%
June	1116	1285	1542	1250	1588	27%
July	1257	1392	1432	1135	1576	39%
August	1225	1287	1254	1231	1606	30%
September	954	1160	1111	1161	1697	46%
October	1160	1315	1235	966	1531	58%
November	1047	1334	918	1190	1628	37%
December	757	1267	800	768	1361	77%
January	943	1653	1116	1075	1787	66%
February	1190	1379	995	1065	2282	114%
March	861	1493	1172	1255	2121	69%
Total	12,408	15,376	14,260	13,122	19,866	51%

DEMAND DATA POINTS

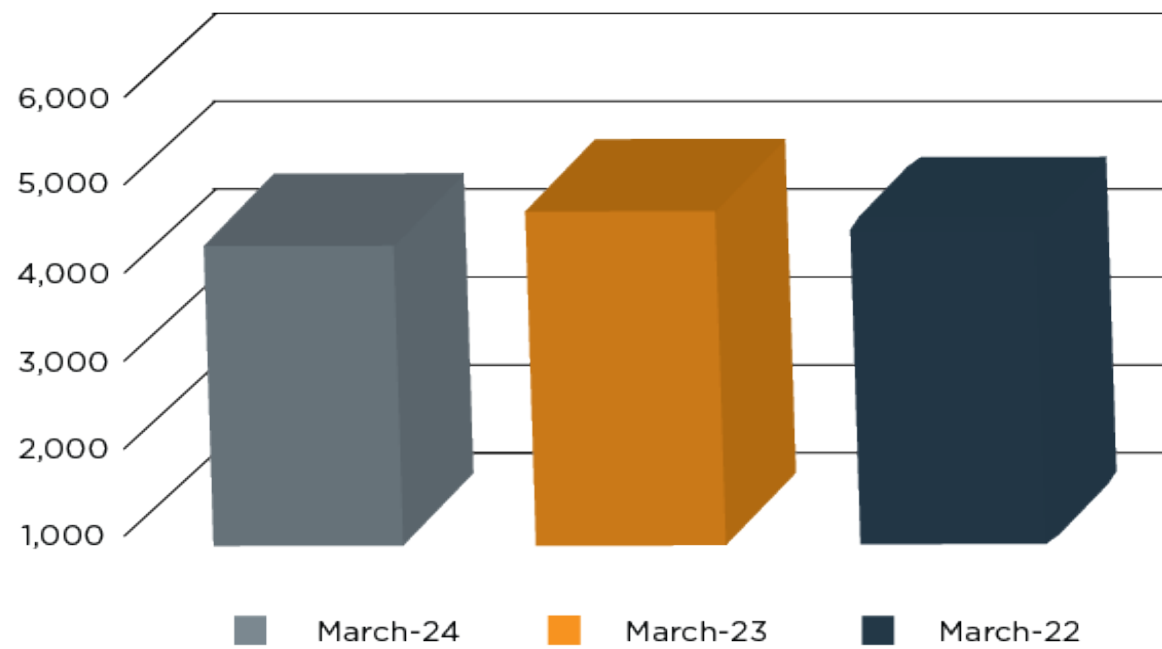
SIGNED CONFIDENTIALITY AGREEMENTS

The twelve months to Mar-24 shows an 51% increase in signed confidentiality agreements completed by potential purchasers compared to Mar-23. We believe the material increase of 51% is driven by the following factors:

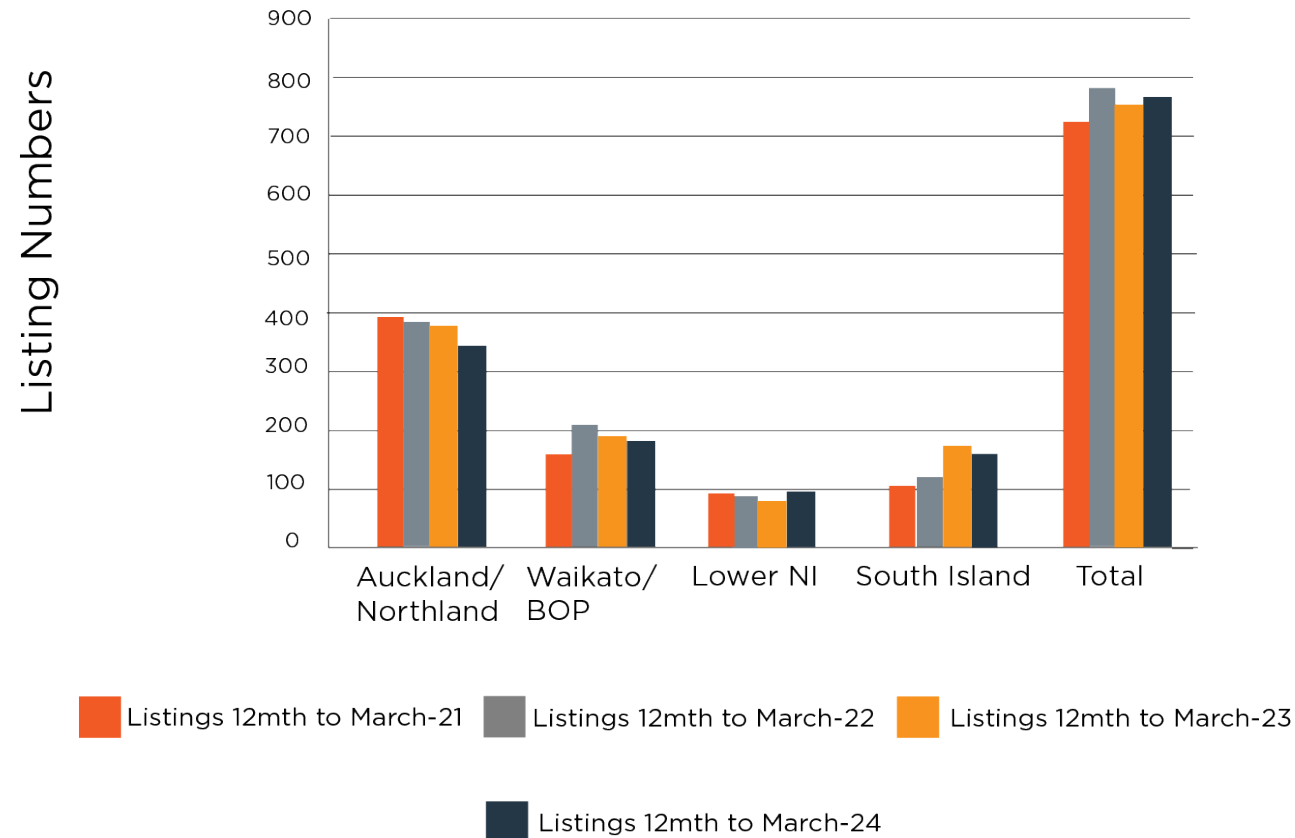
- New Zealand experiencing new record levels of immigration (back to its record levels of >100k)
- Unemployment rates are starting to increase with more companies looking to reduce staff levels, which in turn is providing more potential purchasers or people looking to buy businesses and effectively buy themselves a job.
- Investors feeling more confident about the economy with a new business friendly Govt and interest rates forecasted to start reducing later in 2024.



Average number of business listings TradeMe



New Listings ABC



SUPPLY DATA POINTS

BUSINESSES LISTED FOR SALE - TRADEME

This chart looks at the trend of businesses listed for sale across New Zealand via Trade Me. As you can see the trend is a decrease of 9% year on year and indicates the market has had a material dip in new businesses coming to market. This trend contradicts the listing trends we are experiencing at ABC Business Sales and our internal evidence shows new businesses coming to market are in line with historical averages.

For the 12 months to Mar-24, the average listings on the trademe website were 4,059, this has decreased by 9% from Mar-23 where the average listings for this period were 4,452.

ABC NEW LISTINGS

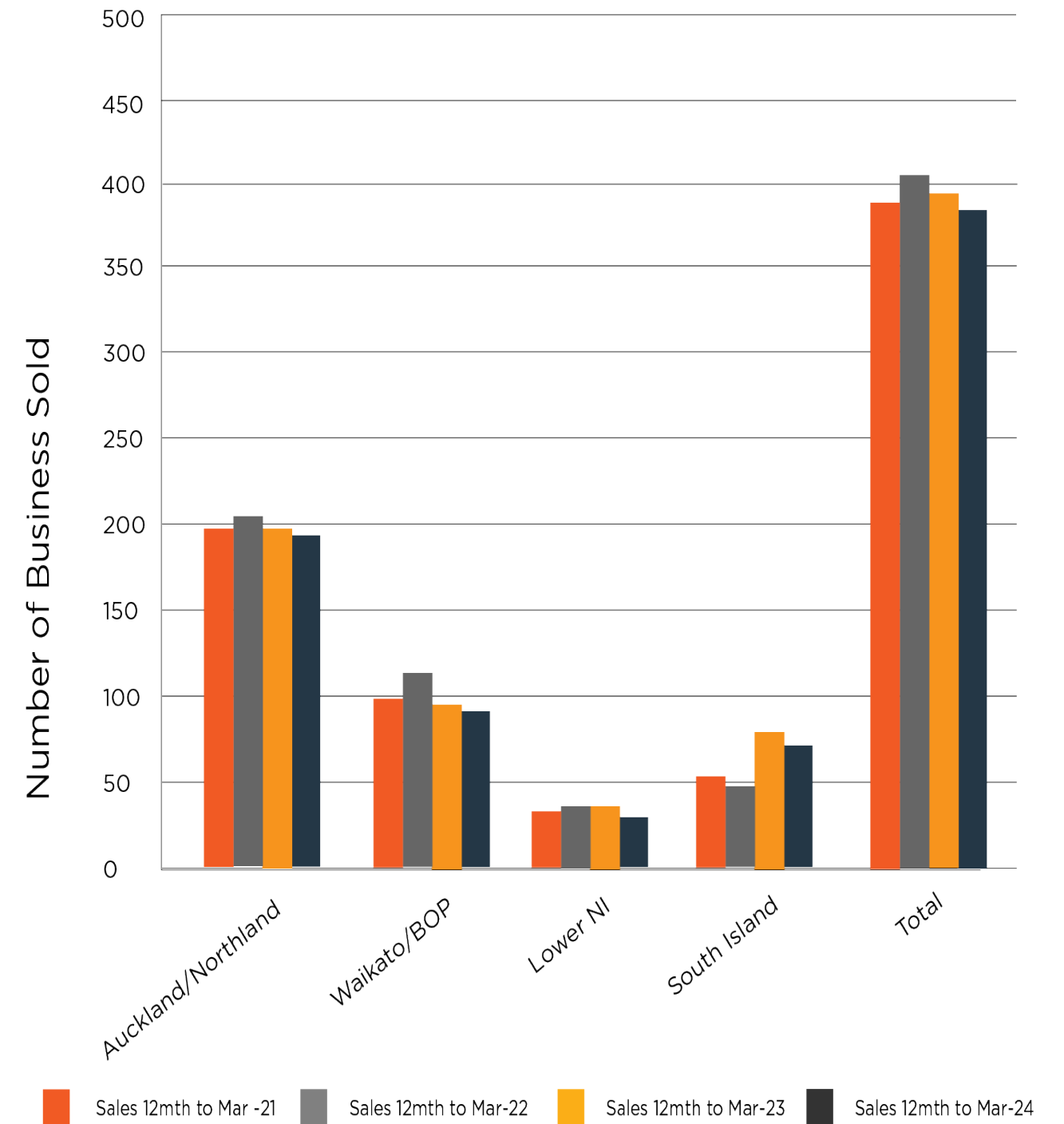
- ABC has experienced a 1% increase in new business listings for the 12 months to Mar-24 when compared to Mar-23.
- ABC's data is contradicting the overall market data from Trademe which shows a 9% decline in new listings. The reason for the difference is ABC has grown market share and less vendors are using private sales/trademe to exit there businesses given the complexity of the transaction.

ABC COMPLETED BUSINESS SALES BY REGION

- As per the graph, completed business sales by region for 12 months to Mar-24 (374 sales) are down 5% compared to Mar-23 (394 sales). The data supports the theme of purchasers having a more cautious attitude to buying businesses due to uncertain economic factors and the valuation gap between vendors and purchasers remaining wider than previous periods.
- Mar-22 was a record year for ABC with 405 business sales completed and this was driven by historical low interest rates post the covid period and across all levels of M&A records were achieved in both public and private markets.



ABC Sales Volumes Per Location



GENERAL BUSINESS PRICE TRENDS

12 Month Rolling Average	March-24	March-23	March-22	March-21	Mar-24 vs Mar-23	Mar-24 vs Mar-21
General Business Avge Price	\$835,255	\$839,486	\$810,255	\$703,701	(1%)	19%
12 Month Rolling Average	Mar-23	Dec-23	Sep-23	Jun-23	Mar-24 vs Dec-23	Mar-24 vs Sep-23
General Business Avge Price	\$835,255	\$851,923	\$831,329	\$835,547	(2%)	1%

Here's what this table tells us:

- Overall, the average price for SME businesses (\$0-\$10m) excluding Hospitality has decreased by 1% for the 12 months to Mar-24.
- Business prices peaked in Dec-22 (\$868k) and have remained in a flattening off trend since this date. The key reason for this is increasing interest rates restricting the ability of purchasers to pay higher multiples/prices, as well as the back drop of a recession within the NZ economy.
- For the past three years we have had a substantial increase in volumes of businesses coming to market with values >\$2m which has been driving the increasing average business price and resulted in a 19% increase from Mar-21 to Mar-24.

Data Source:

The data set used for the average price calculations are all the transactions completed by the ABC Group in the \$0-\$10m price range. It should be noted the ABC Group has approximately 40%-45% market share of this segment and hence this data is regarded as accurate and meaningful.

The proportion of NZ businesses in the \$0-\$10m segment is approximately 89% of all businesses in New Zealand. As per Stats NZ, 189,384 entities have 1 employee or more and 167,790 of these entities have between 1 - 19 employees; many of the businesses with 1-19 employees would be valued between \$0-\$10m.



HOSPITALITY BUSINESS PRICE TRENDS

12 Month Rolling Average	Mar-24	Mar-23	Mar-22	Mar-21	Mar-24 vs Mar-23	Mar-24 vs Mar-21
General Business Avge Price	\$235,332	\$222,356	\$304,994	\$177,255	6%	33%
12 Month Rolling Average	Mar-23	Dec-23	Sep-23	Jun-23	Mar-24 vs Dec-23	Mar-24 vs Sep-23
General Business Avge Price	\$235,332	\$236,964	\$248,956	\$223,124	(1%)	(5%)

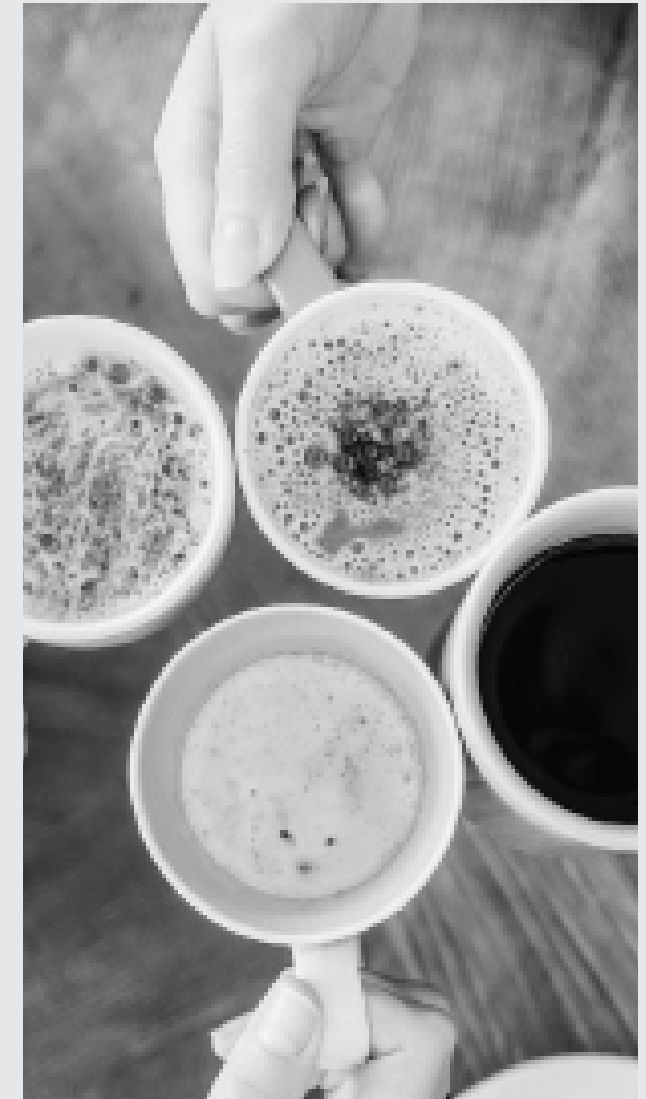
Here's what this data tells us:

- The average price for Hospitality businesses (\$0-\$10m) has seen a 6% increase for the 12 months to Mar-24.
- We are now seeing higher volumes of hospitality businesses selling but most of these transactions are in the below \$500k price range, this is driven by new migrants being the purchasers with reduced budgets.
- Overall, we can be confident that hospitality business prices have increased during the last three years as that is very clearly indicated by the data which shows a 33% increase over that period.

Data Source:

The data set used for the average price calculations are all the transactions completed by the ABC Group in the \$0-\$10m price range. It should be noted the ABC Group has approximately 40%-45% market share of this segment and hence this data is regarded as accurate and meaningful.

The proportion of NZ businesses in the \$0-\$10m segment is approximately 89% of all businesses in New Zealand. As per Stats NZ, 189,384 entities have 1 employee or more and 167,790 of these entities have between 1 - 19 employees; the majority of the businesses with 1-19 employees would be valued between \$0-\$10m.



GENERAL BUSINESS MULTIPLES (MEDIAN)

12 Month Rolling Average	Mar-24	Mar-23	Mar-22	Mar-21	Mar-24 vs Mar-23	Mar-24 vs Mar-21
Managed EBITDA Median Multiple	3.38	3.45	3.62	3.54	(2%)	(5%)

Here is what the data tells us in regard to multiples paid for NZ businesses (excluding hospitality):

- The median EBITDA business multiple being paid for privately owned NZ businesses is currently 3.38x. The EBITDA number is based on all the businesses being fully managed.
- As the data shows the median multiple has stayed flat for the last three years and the market has not experienced any material differences during this period.

Data Source Details:

- The median was used to get an accurate measure of what is the midpoint for business multiples being paid across all industries (excluding hospitality)
- The data used for calculating the median multiple were all business sales in 2021-24 (~1,600 transactions) across all industries excluding hospitality for businesses with a value range of \$0-\$10m
- A salary of \$120k has been removed from the reported EBITPTA to calculate a fully managed EBITDA number.



HOSPITALITY BUSINESS MULTIPLES (MEDIAN)

12 Month Rolling Average	Mar-24	Mar-23	Mar-22	Mar-21	Mar-24 vs Mar-23	Mar-24 vs Mar-21
Hospitality EBITPDA Median Multiple	1.95	1.90	2.09	1.88	3%	4%

Here is what the data tells us in regard to multiples paid for NZ Hospitality businesses:

- The median EBITPDA multiple being paid for Hospitality businesses as at Mar-24 is 1.95x. The EBITPDA number excludes the owner’s salary and as such is the full return paid to a working owner which is industry standard for hospitality businesses. (Different to managed EBITDA)
- The data shows the median multiple has not moved out of the 1.9x-2.1x range in the last three years and has stayed relatively stable in what has been a very challenging market for hospitality given the covid effect.

Data Source

- The EBITPDA number excludes the owner’s salary and as such is the full return paid to a working owner which is the industry standard for hospitality businesses. (Different from managed EBITDA)
- The data used for calculating the median multiple were all business sales in 2021-24 (~600 transactions)



Privately Owned Business Yields vs Other Investments

Segment	Capital Invested	\$ Return	% Yield
Privately Owned Business Yield	\$500,000	\$142,857	29%
Investment Property Yields	\$500,000	\$20,000	4%
Term Deposit Yield (12mths)	\$500,000	\$25,000	5%
NZ Share Market Average Yield	\$500,000	\$20,000	4%



- The average pre-tax yield for investing in a privately owned business equates to 29%. The average residential investment property yield is 4%, term deposit 6% and the average yield from the NZ Share market is 3%.
- Clearly, there is a material difference in the annual yields, with private business ownership returns being 500% higher than other investment segments available to New Zealanders.
- The 29% pre-tax yield for business ownership is based on the company being fully managed with limited input from the investor. The 29% yield is derived from the average business multiple which is 3.38x EBITDA. (1/3.5x = 29%)
- This analysis excludes any capital gains for business ownership or any of the other asset classes.
- It needs to be acknowledged that private business ownership has a higher risk profile than investing in the comparison investment classes but we do not believe the premium for investing in a private business should be 500% higher than investing in property, term deposits or the NZ share market.
- Based on this data we expect business values to continue growing and more investors to realize this asset class can be extremely rewarding and lucrative compared to other asset classes.

Selection of ABC Business Sales to March 2024

This is a sample of 19 from a total of 374 Business Sales for the twelve months to March 2024

Industry	Location	Revenue	EBITPDA	Sales Price	Multiple
Other Manufacturing	Auckland	\$2,882,945	\$680,112	\$2,300,000	3.38
Early Learning Centres	Tauranga	\$805,000	\$114,667	\$396,000	3.45
Other Manufacturing	Auckland	\$11,570,340	\$2,120,245	\$7,250,000	3.42
Service Stations	Tauranga	\$13,449,645	\$579,928	\$2,400,000	4.14
Cafes (licensed)	Wellington	\$1,747,895	\$209,116	\$580,000	2.77
Other Products	Auckland	\$6,800,000	\$1,800,000	\$4,800,000	2.67
Engineering Production	Dunedin	\$2,225,000	\$324,532	\$1,315,000	4.05
Aluminium Joinery	Auckland	\$3,795,510	\$831,478	\$1,950,000	2.35
Building and Contracting	Auckland	\$1,022,397	\$235,000	\$250,000	1.06
Other Service	Rotorua	\$1,250,000	\$570,000	\$1,675,000	2.94
Other Manufacturing	Auckland	\$1,851,638	\$465,897	\$1,400,000	3.00
Sports Goods	Taupo	\$1,369,401	\$324,038	\$416,563	1.29
Agriculture/Farm Machinery Sales	Hamilton	\$2,500,000	\$864,000	\$1,500,000	1.74
Hardware	Wellington	\$1,355,965	\$290,492	\$1,750,000	6.02
Auto Parts/Accessories	Hamilton	\$1,650,000	\$450,000	\$900,000	2.00
Landscape Contractors/Designers	Tauranga	\$1,476,239	\$295,955	\$350,000	1.18
Insurance Brokers/Agencies	Christchurch	\$256,000	\$165,000	\$565,000	3.42
Surveyors	Auckland	\$2,006,716	\$702,731	\$875,000	1.25
Dentists	Auckland	\$992,534	\$426,332	\$1,100,000	2.58

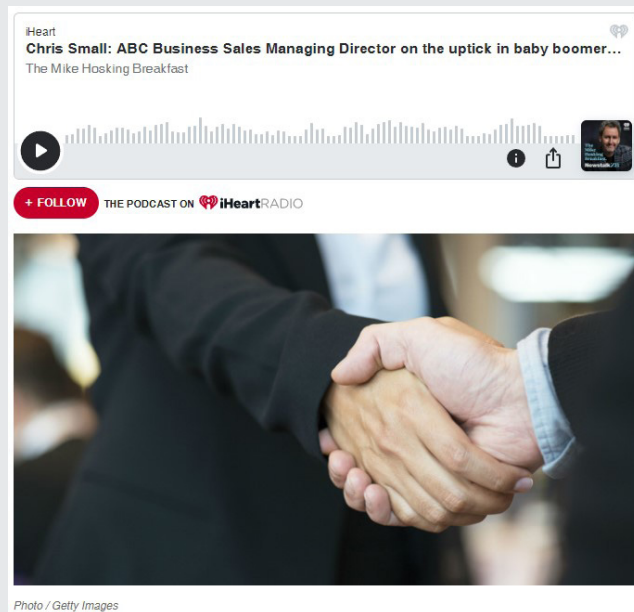
ABC MEDIA ACTIVITY



ABC Business Sales prides itself on being a respected thought leader within the business sales industry. Here is a selection of our recent media exposure with ABC Business Sales identifying trends and sharing our insights and knowledge.

Newstalk ZB Radio and Online

ABC Business Sales Managing Director Chris Small discussing that Baby boomers' businesses are back on the market.



Newstalk ZB Radio

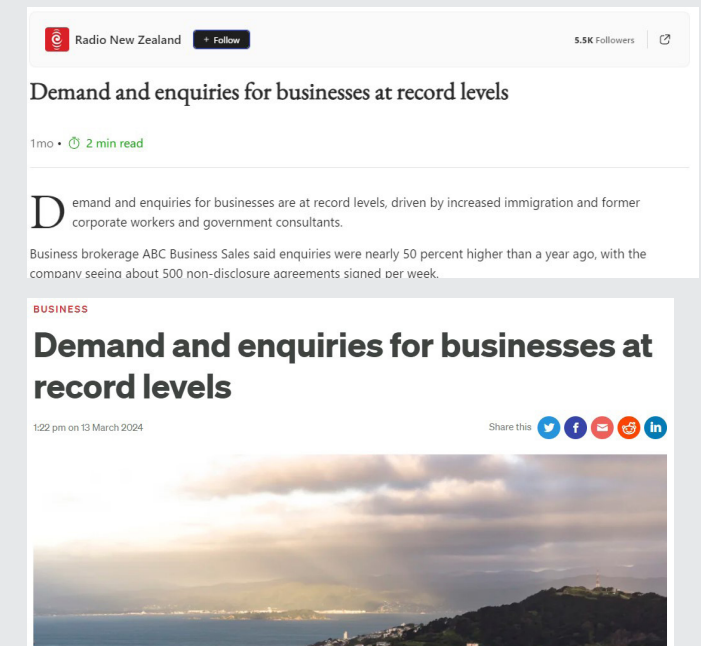
ABC Business Sales Managing Director Chris Small discussing a number of topics in regards to aspiring business owners

- Enquiries are up 50% from last year
- 'Corporate refugees' and former Government consultants being the main drive for this surge.



RNZ Radio and Online, MSN

ABC Business Sales Managing Director Chris Small spoke to RNZ on 'Demand and enquiries for businesses is at record levels'.



AUTHOR



CHRIS SMALL

Managing Director

- Former Head of ASB Regional Corporate Banking
- Completed over 100 M&A deals in the corporate and commercial banking market
- Twenty years of experience in the banking sector

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