



EPISODE  
157

THE DEAL ROOM

Market trends in sales and acquisitions activity for small business

## *The Deal Room Podcast*

### **Episode 157 – Market trends in sales and acquisitions activity for small business**

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#### **Transcript**

**Joanna:** Hi it's Joanna Oakey here and welcome back to The Deal Room podcast a podcast proudly brought to you by our commercial legal practice Aspect Legal Now today we have on the show the very fabulous Mary Tamvako- okay, I can't say it. Okay, Mary, Mary's gonna give you her last name Mary, please save me. Mary introduced yourself

**Mary:** Mary Tamvakologos from AnyBusiness.

**Joanna:** Okay, it's really not that hard but I don't know why I anyway you say it much better than I have the ability to Mary from AnyBusiness and today Mary and I are drilling into the market trends at the moment market trends

are always a hot topic on the deal room podcast. So I think you, our listener are really going to really enjoy this discussion with Mary and I. So Mary, over to you, let's kick into it. And maybe if you can just start off with a little bit of an overview of what any business is. So

**Mary:** Thanks, Jo. Thanks for having us on. Any business has been around for about six years where we have a business for sale website. So predominantly, we have Business Brokers on the website that that lists their businesses for sale we are Australia wide and we came about when real businesses back six years ago, close down our founders where we're from real business. So we have created this website based on real business website.

**Joanna:** What do you mean, just just to drill into that? What do you mean by real business website?

**Mary:** Okay, so about six years ago, real commercial, realestate.com sorry, had a section called realbusinesses.com. They closed that down about six years ago, our co founders were actually one of the general managers and operators in that section. So once that closed down, we did see a space there for opening a website that was only based on selling businesses, huh? Yep, yep.

**Joanna:** And so the basic idea behind it is that brokers use the any business website as a means of getting their vendors listings out to the general public, because people who are looking to buy business are doing internet searches. And so up pops any business with the businesses that you have listed for sale. Is that right?

**Mary:** That's right Jo.

**Joanna:** Brilliant. Okay. And then and just to drill into that a little bit more, you have brokers who list on any business, but do you also have vendors directly if they're not using brokers that a thing? Does that happen?

**Mary:**

Yes, we do. We have private listers. So we've just had that launch in the last three months. So if you're not looking for a broker, you can directly look at the lis on the website.

**Joanna:** Do you know what, for you the listener, I didn't even say that question. I didn't even know that. So there you got it. That's fabulous. Mary. Okay, so brokers will list through your or, you know, private listings as well.

Okay. All right. Great. So obviously, and this is the reason for this discussion, obviously, you have access to a wide range of information. In relation to the trends, you know, you see, when there's a slowing in the listing of businesses, you see when businesses are being listed and then being pulled down quickly because they're selling like hotcakes. So that's why I wanted you on the show, Mary, so that you could share with us some of these amazing insights that you'll have access to via all of the data that you collect as a byproduct of the any business website that you run. So let's start from the beginning. Then in trends, what are you seeing just as a general perspective, what are you seeing as general perspective right now,

**Mary:** Well what we have seen Jo, this year, compared to last year, the same time last year, we have seen a 30% decrease in business listings?

**Joanna:** Okay, that's interesting, a 30%? decrease. Okay. And then so so that's right now, what were you seeing when COVID hit? And I guess there's always a lag period, isn't it? Because the the businesses that were listed at the time COVID hit, were obviously, you know, had already been there, but when did you start to see a drop off? And how severe was that initially?

**Mary:** So we did see a drop off pretty much automatically after COVID hit. We saw people pulling off their businesses now, I recently did a survey from our Business Brokers just to work out exactly what happened to those businesses because a 30% decrease in businesses is a huge decrease. So what we did find out was people were moving their businesses because of the fear of the value of the businesses dropping. Yeah, because of the closures they had also a fear of they won't be able to get a job so they're best to keep them businesses. And also we did say that some businesses were actually just closed down.

**Joanna:** And I guess, um, before we dig into that a bit more just to ensure I'm clear, what's the general size of business? Or what's what's the range in these sort of sale values for business on any business?

**Mary:** So we have 20,000, up to about 1.8 million, 2 million. Yeah. So we saw the smaller businesses obviously, come off the website pretty quickly.

**Joanna:** Yeah, right. Okay. And so was there a difference? It sounds like you're suggesting there was a difference between small businesses versus slightly larger businesses, small businesses were impacted more but were a slightly larger businesses impacted as well?

**Mary:** they definitely were. However, we did say that the smaller mentle had

more the fear component in them, obviously, virtues value of the business and not being able to get a job. So it was best for them to keep their businesses.

**Joanna:** Yeah, that's interesting. It's interesting that one of the elements might be that vendors are concerned about not being able to have a job, because many of the vendors that we deal with, in fact, almost all of the vendors we deal with won't go to employment after selling a business. In fact, in many instances, they're selling to retire, they're selling to go and you know, start another business or whatever. So that's, that's an interesting component. But we're talking a little bit before about maybe there's different elements of that as well.

**Mary:** That's true, Jo, they're looking into the future of the economy. We know right now the economy is down, but in six months time, they don't know whether they're going to be able to find a business that's going to be viable, or employment.

**Joanna:** Yeah. It's so it's just that general concern about what does it look like? I've got my business now that earns me income. You know, it's that fear of if I'm selling the business. Now, what happens if I can't find the thing that will bring me an income afterwards? Right, got it. Okay. I think you're right about some of these reasons why sellers, putting their business on the market at the moment, or have pulled them from the market? Certainly, you know, from just from our perspective, dealing with our clients, where there have been sellers who have been a bit uncertain about whether or not they sell right now, which has been a loss or having a pooled their business from the market, the number one main reason that we have seen is that fear that they're going to be pushed down too much on price, because they just feel like it's not the optimum time for them to sell in terms of proving the the ongoing strength of the business, because I feel like they've been a name and in an impaired state. So that certainly, you know, I can agree that we certainly seeing that as a reasoning as well. And we are also saying that there's a lot of buyers in the market. However, at the same time that we're seeing a decrease in listings, is this something that you're experiencing as well, at any business?

**Mary:** Definitely, we're seeing from this time last year to this time this year, we've actually seen a 70% increase in traffic over the last two or three months, we're seeing continuous growth in traffic and continuous growth in enquiry as well, which goes against, obviously, less businesses, but more buyers out there and more buyers looking for full opportunity to buy a business.

**Joanna:** Well, that's what we saying, anecdotally. But it's fascinating that the statistics You're giving me because the statistics are so marked, you've got a

30% decrease in listings, but what did you say it was a doubling for me before

**Mary:** it was 70% increase from last year's traffic.

**Joanna:** That's huge. And, you know, I guess there's irony, isn't it? And I think it's useful for any prospective sellers to be listening in to understand that right now. We are looking at a period of time that ironically, you might be thinking it's almost the worst time to sell a maybe it's the best. There's the irony in it.

**Mary:** True. Yeah. And that's probably a good point you have because a good business will sell regardless of the situation and we see that there's buyers out there looking for those good businesses, so people building their businesses off because of believing the reduced rate will impact them or they'll get a lower value is against what we're seeing in our traffic and our enquiry rate.

**Joanna:** Okay, so then drilling into that further, do you are you able I'm sure you are able to identify but let us know if you are and if you can give us the information on what types of businesses are getting the most traffic At the moment, what size is the industry?

**Mary:** So we did see through COVID, we did see an influx in enquiry for online businesses, supermarkets or bottle shops, we did all the essential businesses. For example, we did also see manufacturing businesses. Because obviously, being that we're not getting as much manufacturing products in from China, people are now looking at Australian manufacturing businesses. So we did see a lot of those type of businesses, car washes service stations, but saying that in the last month, it has gone back into your cafes, towel washes, and just the the mum and dad businesses, franchises, it is swaying back into even gyms as well, which is great to see. And hotels and motels. Because we did say that they weren't open. So there was less enquiry towards them, especially here in Victoria.

**Joanna:** Yes, I was going to say particularly where you are in Victoria. And have you seen a difference then given we've just raised the you know, the topic of gyms and cafes in Victoria, just opening up, have you seen a difference in between states. By enquiry listings...

**Mary:** There has been a little bit more traffic across the board in the other states a little bit more enquiry. But there's also a few component that what happened in Victoria will also happen back into the other states. So there was still quite hesitant, people were looking even in Victoria through lockdown, it was a good time for them to get online and look for businesses, a lot of

people had lost their jobs, and we're looking towards the future. And it's a great time if you lost your job to look at your dream of buying a business.

**Joanna:** Yep. And do I mean, that's absolutely the case? Are there signs that are able to point you to the increase in the buyer job market? Like will direct you to that? I mean, you know, the type of business I guess, but I'm partly but I guess it's a little bit hard to hard to tell. Are there any signs in the in the data that

**Mary:** you collect? That helped? Yeah, we do see that there's more enquiry towards the the business under 200,000. Yeah, but we do also see the top end businesses selling quite a bit as well. I think the market has suffered the most was that the middle market, which is probably 250 to the 700. Market.

**Joanna:** That's interesting, isn't it? What do you think that was?

**Mary:** Affordability, I think? that the people that are looking at the moment are looking for either really good businesses, companies looking for, you know, million dollar businesses to acquire, and people that have lost their jobs just don't have the ability to pay more than 200,000 for a business.

**Joanna:** Okay, interesting. All right. So that's great. So we've talked about the differences in the States, which is very interesting the differences in the size of businesses and impact the differences in the the listing numbers versus the buyer numbers and activity at the moment.

**Mary:** One interesting fact that we did find also through the survey was there was a lot of businesses that were shut, they just closed the doors Jo. And we did find from Business Brokers that a lot of those businesses that 60% of those businesses actually saleable businesses.

**Joanna:** Do you know what? I've seen a bit of that as well. And it's intrigued me, maybe let's talk about that for a moment. I'll just talk about what I've seen. And then maybe you can talk about what you've seen, Mary, you know, I've talked to quite a few business owners who have run businesses where they have a concern about how quick the recovery will come, and how much effort will be taken to rebuild their business and they just don't have the energy for us. And you know, then making that decision, do I just walk away? Or do I come back? And do I open it? Do I spend time, money and effort making it sale ready because making a business sale ready can take time, money and effort if you want to put it in the best possible state for sale, or do I just walk away and I've seen you know, a lot of the way those decisions have been made based on energy and the connection, I guess, to the

business of the business owners behind them. What are you seeing Mary?

**Mary:** I think the fact that everybody had to close and you're right, they're already closed and the emotions there of do I then once I open it's going to take me another 6 to 12 months to get the business ready for sale again, I think you're right. Question will be - Do I have that energy? What's the market going to look like? Am I close for one month, two months or six months?

**Joanna:** It's not just am I close for that period of time, it's when I open, you know, can I get the traffic that I need to make this a viable business? And there's a lot of, you know, thought process that has to go into and obviously weighing, you know, financial considerations weighing lease terms weighing commitments, you know, because some businesses have financial commitments that extend for a long period of time, which makes it harder for them to walk away. Yeah, the one thing that I haven't got a good grasp on is whether there's a marked difference between Sydney Melbourne and the other states in relation to this walk away, or this higher likelihood of a walk away rather than cell type decision that these owners are having to make. I suspect, there's probably more of these in Melbourne in Sydney. But you know, we are ultimately most of our clients have ended up in this sale, but it's just it's been this decision, it's not been this obvious, let's sell the business move that it usually is COVID has introduced this other element, which is for some businesses, it's actually a decision, whether you prime for sale, and then sell or whether you just walk away, but I just wonder if you've seen any differences between the states, as I say, I presume in Melbourne and Victoria, generally, it's been bigger than the other states.

**Mary:**

D efinately, I think I agree with you on that one. We haven't seen a specific number. So I can't give you a specific number. But yeah, a lot of obviously, the businesses were closed for six months. Yeah.

**Joanna:** Yeah, absolutely. I'm hearing stories just all the time of these poor, you know, business owners in Victoria that just have not been able to trade through. And you know, the stories I'm hearing about mostly the cafes, the hairdressers, the beauty salons, the you know, the small mum and dad businesses that just have not been able to weather the storm. And they probably don't have the ongoing contractual commitments that make that a much bigger decision for them.

**Mary:** I think if we go back, I think that if the advice I'd give them is to contact a business broker or your lawyer before they look at closing anything to see whether their business is saleable.

**Joanna:** We are absolutely giving the same advice, Mary, because when you sit down and have a look at it, the first thing in is that many business owners interestingly, don't have a really strong initial grasp on where their liabilities lay, you know, they sort of forget about the personal guarantees that may have signed, you know, they forget about some of these obligations that might continue, even if they decide to walk away. So it's absolutely imperative that they understand that first. But number two, as you say, Mary, I say, like just go and investigate the potential of sale. But it does mean like the reality is, if it will be required to get a business to the position, that it's likely to require a bit of effort to get it to a sale. ready position,

**Mary:** But if we look at the market now, Jo, we do have more buyers?

**Joanna:** Exactly so don't just assume you're not going to be able to sell this business we saying right, there's Here we are, we've got the 70% increase in traffic on your website from these buyers who are hanging out to find the businesses we've got listings that have decreased by 30%. Now might actually be the best time.

**Mary:** Right, yeah, rather than walk away and get nothing and like you said, and have that ongoing commitment of leases, and so forth. It's definitely worth, you know, some time to actually bring up a business broken and get your business valued.

**Joanna:** And if I come back for a moment to this discussion we're having earlier about the the buyer job market, which appears to have have had a big increase at the moment. I believe there's been a survey recently conducted with Business Brokers, is that right? Maybe Could you talk us through that survey,

**Mary:** we conducted a survey through the Business Brokers on our website, and our predominant reason for doing that is just to see where the market was to see obviously, we saw a decrease in listings where the decrease was and the reasons for people not obviously removing their businesses which we talked about some of the reasons we did also see there was some booming industries such as if you were selling a supermarket or a bottle shop or even a news agency. There were really good businesses to have some of the other things that we did see is where with Business Brokers thought the market was going to be in the next six months.

**Joanna:** Where did they think the market was going?

**Mary:** Oh, they It was going to be great. Look, it's a positive market. With all

the initiatives and all the incentives that governments are giving, it is great to see that businesses will start increasing their revenue and getting back on track. Now saying that they've been closed for a bit, that's also a good thing, because they've, they've now managed to look at their businesses and cut costs where they needed to cut costs, and start again, in a more profitable way.

**Joanna:** I completely concur with that I am an optimist at heart. So maybe take what I say with a grain of salt here, but I am really bouyant, I'm really bouyant about the market, I think we will see a lot of activity over next year, I think 2021, we'll see a lot of business sale and acquisition activity we saw in the work coming through to us in the work, the matters that we held, that there was there was a real pause for a few months, and then, you know, it was a fairly quick increase. And we are just absolutely flat out right now. So there is a lot of activity on the table, we deal with a lot of buyers as well. And I can tell you there is an absolute mass of buy interest that is coming on to the market. There's things that are slowing buyers down at the moment find access to finance is a bit of a problem at the moment, finance is slow. And the hurdles have been heightened at the moment. But I think there's a lot I don't think I know, I absolutely know, because we deal with them. We see them all the time, at the moment, we are seeing a flood of businesses get acquisition ready. And that's you know, I just want to say as an aside, if you're a business who's listening to this, because you're interested in market trends, and you're looking at acquiring into the future, in individual who's looking to acquire, it's going to be vitally important that you get yourself in an acquisition ready state, because I think you're going to see a lot of competition, but we'll probably see, you know, that drop off of a 30% decrease in listings change around as well. And I think you'll see rather than it just coming back to the status quo, we'll see a bump in that area as well. This is my crystal ball game, Mary. What are your thoughts?

**Mary:** I totally agree with you Jo. At the moment, I think we're in a false economy where job keeper is prepping up some of the businesses so they're not ready to sell. And I think the next three months, they'll flourish with the other job key partner then and obviously increasing their revenue, and then you'll see them wanting to go to the next step to selling so I definitely

**Joanna:** Definitely, I just want to say cuz we were talking about the buyer job market before as well just want to say that's actually the job keeper and other stimulus, I think has been another reason for vendors pulling out as well, in the buyer job market, these feeling of business owners who have qualified for job keeper, which is most of them, if they're looking at selling, most of them have qualified for job keeper for that initial period, at least they didn't want to sell when they were getting job keeper in that sized market because they because of the financial incentives to stay on, which would be generally lost at sale. There were ways that vendors could potentially take

advantage of it, but there were certainly many instances when it would say well the vendor certainly would say and of course there are businesses who will continue on to you know, tranche two and tranche three of job keeper so in those I think will say they could be at the very end there a number of those a much larger component of those by a job sized businesses coming on the market then as well Don't you think?

**Mary:** Yep, totally agree. Totally agree I think that yet we're looking at about March however you know we do see a quite a big drop in each time the TR changes in job keeper we do see probably we will send out a lot of businesses that will got come onto the market definitely.

**Joanna:** Well there you go. I think this is some some great forecasting we're doing here Mary, gosh, I hope we get it right. How embarrassing if we get it wrong if you're listening to this in the future and we've got it totally wrong. Well, it's not our fault. Well, who could have predicted any of these anyway, but I guess this brings me married to my next question. How is it that you market your business at this time to make sure it sells?

**Mary:** first few things you do need to do with your broker is disclose the location if you're going to a business broker people are worried about disclosing their location. Their business and also the price or their takings of their business. People want to know where businesses are located. If you if you're looking at a buy that's ready to buy, they know where they want to buy, and they know what what price they want to buy. So if you go through a business broker, you really do need to set your marketing plan up to make sure that you're, you're making location visible. And some of the key data that people need to finalize their purchases, for example, takings and, and so forth visible in your ad, because as we all say, you can't sell a secret. And the majority...

**Joanna:** I didn't know anyone said that. I love it!

**Mary:** And the majority of people have been to a business and will buy that business. Because they know the location, they know that clientele and they've been in there like the food. And so the first thing I say to people, part of your marketing plan is make sure that you have the key components of your business visible in the ad. We do have other components that other things that can use to to make sure that you get the right buyer we do on on our website, have social media ads, and Google AdWords that people can purchase to make sure that they're visible across not only our website, social media, and also Google ads. So I do believe that you do need a combination of of advertising at the moment marketing advertising, to make sure that you're in front of those increased buyers of 70% that are ready to buy.

**Joanna:** Absolutely, I mean, get yourself ready. Now, now's a great time to sell notwithstanding some of the reservations you might have. And if you're a buyer, get yourself acquisition ready quickly, because you'll be likely to have a competitive market that you're buying in. So you need to be able to act quickly. So you need to have all of your ducks lined up in a row. Okay, hold on. I feel like I've got that metaphor wrong. Your ducks in a row.

**Joanna:** Okay, well, do you have any other parting tips, ideas, insights for us, Mary?

**Mary:** So basically, if you're looking at buying a business, come and see us, visit our website.

**Joanna:** Brilliant. Where do we find that Mary?

**Mary:** [www.AnyBusiness.com.au](http://www.AnyBusiness.com.au) as you can see by the title, any business, you're looking for a cafe, restaurant, carwash motel, we've got them all. So come and visit us. If you're looking at buying a business, you're looking at selling a business, we do have a database of Business Brokers that can help you over 1000 Business Brokers across the whole of Australia. So please visit us or if you're looking at also selling it privately, we do cater for that as well. So please give us a buzz. hop onto the website or our motto is "We are your destination for buying and selling businesses."

**Joanna:** Love it. I love it. That's a great tagline. What was that again? We are your destination, for buying and selling businesses." I love that Mary, that's great stuff. So thank you so much for coming on to The Deal Room podcast today Mary, I've really enjoyed this discussion. It's been great to have you on.

**Mary:** Thanks, Jo. Thanks for your time and look forward to seeing what the market does.

**Joanna:** I know right, let's see, if we've ticked all of the forecasts off correctly. I think we'll have to pop a bottle of champagne together, what do you reckon Mary?

**Mary:** That's it. Looking forward to it!

**Joanna:** Forecasting success. Brilliant, wonderful, Mary. Well, once again,

thanks again for coming on The Deal Room podcast.

**Mary:** Thank you, Jo.

**Joanna:** Well, that's it for this episode of The Deal Room podcast. And of course, we're talking to Mary from any business all about the trends in small business sales and acquisitions. If you'd like more information about this topic, then head over to our website at [thedealroompodcast.com](http://thedealroompodcast.com), where you'll be able to download a transcript of this episode if you'd love to read it in more detail. There you'll find a lot of there you'll find the details of how to contact Mary at AnyBusiness. And of course, you will also be able to find contact details for contacting lawyers at Aspect Legal If you or your clients would like to discuss any legal aspects of sales or acquisitions. We work with clients both big and small, and have different types of services depending on size and complexity. So don't hesitate to book an appointment if you'd like to find out how we might be able to assist. Well, that's it. I hope you enjoyed the episode today. And if you did, make sure you have hit subscribe on that podcast player that you're listening to us on. Thanks again for listening in. You've been listening to Joanna Oakey and The Deal Room podcast, a podcast proudly brought to you by our commercial legal Practice Aspect Legal. See you next time.