

WHY ASTUTE INVESTORS ARE BUYING BUSINESSES NOW

Supertrac interacts with a wide spectrum of business acquirers, from high net worth individuals, to private and public companies and private equity firms.

Whilst many would-be investors are spooked by global economic uncertainty, astute players are seizing the opportunity the current market presents to forge ahead with their acquisition plans. For them, the acquisition of strategically attractive businesses is their primary means of aggressively building value and achieving accelerated growth regardless of immediate uncertainty.

Contrary to general perception, astute buyers see huge opportunity to acquire strong, sustainable businesses and are prepared to pay fair prices.

Early out of the blocks have been private equity firms and high net worth investors who are flush with funds and have the meters ticking over on their portfolios. They are constantly scouring the market for opportunities. Supertrac is advising buyers and sellers on a growing number of engagements involving leading PE firms.

Many investors have engaged Supertrac to search for and qualify businesses meeting their particular requirements. For one client alone more than 130 targets have been identified and qualified across 3 separate industries, and discussions are currently in progress with several targets.

Many businesses are recovering from recent unfavourable trading conditions and are looking forward to a much stronger year ahead now their order books are filling.

For business owners whose businesses have been performing below the long term maintainable earnings level, selling on a staged or structured payment program is providing a workable balance to minimise risk to the buyers and achieving a respectable overall price for exiting business owners.

Businesses in the SME market can generally be acquired at values that represent between 3 and 4 times earnings before interest and tax (EBIT), which translates to returns of between 30% and 25% pa. These are base levels and most strategic investors intend growing or leveraging their investments with others. They may also gear them with debt, often realising much greater real returns on their funds invested.

Astute investors recognise these kinds of returns are more attractive than other forms of investment, but can be higher risk and need to be actively managed. The safest businesses to acquire are those in industries where the investors have least risk and most to gain - usually industries they already operate in and understand.

Supertrac is now seeing a growing line-up of transactions set to complete early in the new year.