

# What is really happening in the M&A market?

ADAM J WALKER  
& ASSOCIATES LTD

# Why are so many businesses being sold right now?

- Independent £1 Million turnover= £150,000 profit
- Folded in £1 Million turnover=£500,000 profit
- Demand- Private Equity loves recurring income
- Prices at an all time high

# Why are so many businesses being sold right now?

- Many owners approaching retirement age
- Increased costs and reduced profit
- Increased compliance burden
- Concern about Renters Right Act
- Worries about Landlords selling up

# Should you consider buying a business?

- It's not just the corporates who are buying businesses
- The case for independent buyers is compelling
- £500,000 turnover=£250,000 profit
- Purchase price of £1 Million gives 25% return
- Exceptional risk to reward ratio

# What sort of businesses are in demand?

- Lettings, not sales, at least 50/50
- Managed properties, not Let Only
- City Centre, not rural
- High rents and high fees

# Will there ever be demand for sales businesses?

- Sales market is cyclical
- Good prices achieved for 2-3 years in every cycle
- Current cycle started the day after the Brexit referendum
- Recovery delayed by Liz Truss
- Next window of opportunity about 2 years away
- Prices likely to double

# How are businesses valued?

- Multiples of turnover
- Managed/Rent Collection/Set up/Let Only
- Current range 1.5 to 2.5 times turnover
- Sales element SSTC only
- If geographically remote, valued on circa 4 x profit

# The sales process in brief

- Accurate valuation
- Preparation of Marketing Pack
- Approval of potential buyers list
- 4 to 6 week marketing campaign
- Closing date for offers
- Sales progression is key



# Common pitfalls and how to avoid them

- Asking for too much money
- Inaccurate or incomplete numbers
- Involving too few buyers
- Accepting the first offer
- Focusing on the price alone
- Allowing the buyer to chip the price
- Falling for accounting tricks

# How to increase the value of a business prior to sale

- Increase the revenue through higher rents and higher fees
- Convert Let Only properties to Managed/ Rent Collection
- Commission a compliance audit
- Deal with all known problems

# What does the future hold?

- Consolidation will be over in 5-10 years
- A dozen or so megabrands
- Sales market less affected
- Increase in self employed agents and franchisees

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