

Business VALUES



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April Quarter 2025 - Issue No. 171. Published Quarterly By Subscription Only. Established 1990 - ISSN 1035-9648



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MARKET UPDATE

In February 2025, the RBA lowered the cash rate to 4.10%, citing faster-than-expected disinflation and easing wage pressures. Underlying inflation fell to 3.2% in the December quarter, which gave the RBA increased confidence that inflation is moving sustainably towards target.

In the December 2024 quarter, Australia exited a per capita recession for the first time in two years, with GDP growing 0.6% for the quarter and 1.3% annually. Per capita GDP rose slightly by 0.1%, ending seven quarters of decline.

The growth was largely driven by government spending, which reached a record 27.5% of GDP, with strong contributions from state investment in infrastructure and rising public sector wages in health, education, and aged care.

Home prices jumped in the month the Reserve Bank cut interest rates, with property analysts speculating that Australia is looking to have exited one of its shortest and mildest property downturns on record.

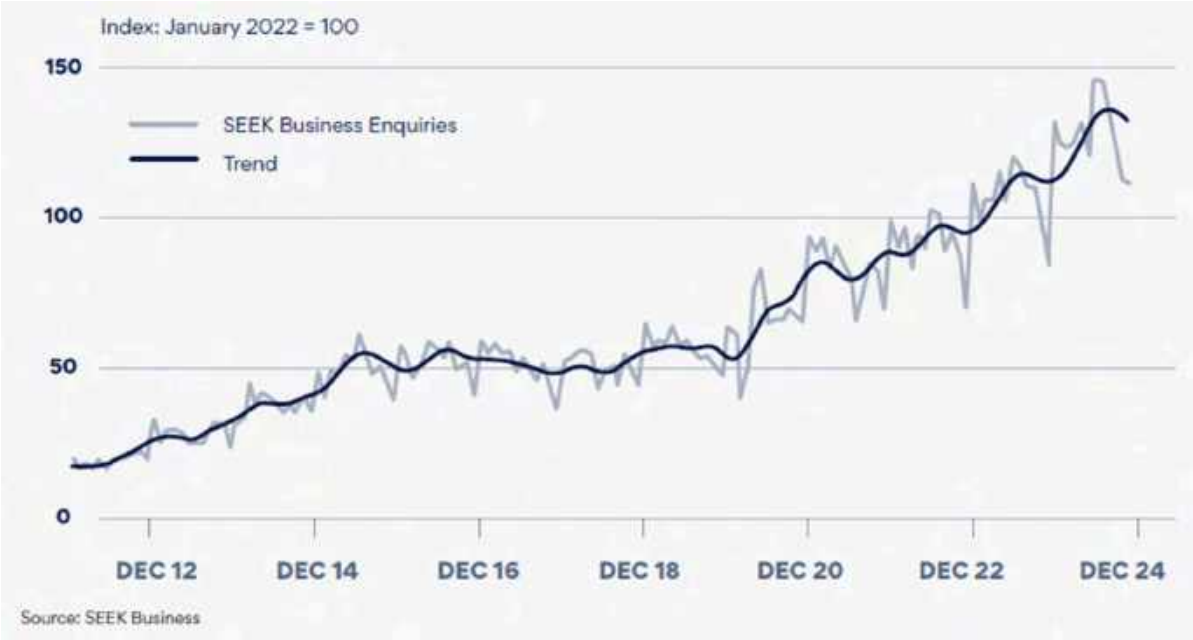
WAGE GROWTH

According to SEEK's February 2025 Advertised Salary Index, advertised salaries rose by 0.4% over the month and 4.4% year-on-year, with the pace of annual growth continuing to ease from the mid-2023 peak of 5.5%. Growth remains strongest in Western Australia and South Australia, driven by demand in mining, resources, and trades sectors. However, salary growth is softening in New South Wales and Victoria, reflecting broader economic conditions and a more cautious hiring environment in the eastern states.



SME MARKET

Enquiry levels for businesses on SEEK Business grew by 19% in calendar year 2024, marking the strongest growth since 2021. The increase was broad-based across most states and industries, with particularly strong growth in Western Australia (+38%) and high-value businesses over \$2 million. Despite subdued consumer spending and economic uncertainty, buyer confidence remained resilient, supported by expectations of interest rate cuts, income tax relief, and a positive economic outlook for 2025. Health & Medical and Business Services sectors led enquiry growth, while demand also increased for food and beverage businesses. Enquiry volumes in both metropolitan and regional areas rose equally, reflecting widespread confidence in business ownership opportunities nationwide.



Up until December 2025 The SME market remained resilient. Business demand varies across states and across industries. Larger businesses with values above \$2 million continue to attract the most interest as shown in the following graph from Seek Business.



However, recent discussions with brokers across multiple states indicate a noticeable shift in buyer demand since mid-February. Increased caution is being observed among buyers, driven by uncertainty surrounding tariffs, geopolitical risks, and the upcoming federal election in May 2025. In parallel, banks have further tightened their lending criteria. Brokers report that smaller businesses are being disproportionately affected, while larger businesses are gaining a more dominant share of the market.

As always, brokers advise that businesses must be priced well to sell, often including some form of vendor terms where often less than 100% of the purchase price is paid at settlement.



NUMBER OF BUSINESS LISTED FOR SALE

Business Values Newsletter uses data from leading business listing website "Seek Commercial," to report on the number of listings in each state of Australia. It is noted that Seek does not pick up all listings and that some listings are duplicated. What it does provide however, is a consistent basis of data from which to measure change.

The number of businesses listed for sale has decreased for the quarter however, increased on an annual basis into March 2025.

	Mar-24	Dec-24	Mar-25	Dec 24 to Mar 25 % Change	Mar 24 to Mar 25 % Change
NSW	2925	2784	2794	0.36%	4.48%
VIC	5014	5105	4980	-2.45%	0.68%
SA	360	352	337	-4.26%	6.39%
TAS	170	180	177	-1.67%	-4.12%
QLD	2370	2390	2311	-3.31%	2.49%
WA	860	834	873	4.68%	-1.51%
NT	61	51	39	-23.53%	36.07%
ACT	106	120	96	-20.00%	9.43%
Australia	11866	11816	11607	-1.77%	2.18%

This table reports the number of businesses listed for sale on the Seek Business website with listing prices of \$50,000 or greater (excluding new franchises/ licenses).

PRICES OF LARGER BUSINESSES

Every April issue of the Business Values Newsletter includes a table showing the appropriate multiples for a range of larger businesses. Subscribers can calculate a ballpark estimate of a business's value using the multiple table on the next page. Please refer to the "How to calculate an estimate of business value using BVN price list document" in the Jarot Business Valuations online members library. BVN subscribers can also refer to the online Index Sheet, to find the latest article about a particular business type.

Most types of smaller businesses, are typically sold/ valued, based on an owner operator or Proprietors Earnings Before Interest, Tax, Depreciation and Amortization (PEBITDA) standard of profit. (i.e. no salary for one owner in the expenses).

Most types of larger businesses, where profits exceed around \$600,000, are typically sold/ valued based on an Earnings Before Interest Tax Depreciation and Amortization (EBITDA) standard of profit (i.e. includes an appropriate salary for the owner in the expenses).

In the table below, the most typical standard of profit used in the marketplace for the various types of business and sizes of profit are used. Care should be taken to apply the multiple ranges shown to the correct size and standard of profit. If profit is lower than the levels shown in the table, refer to price charts in other recent quarterly newsletters in the online library.

It should be noted that the profits used in the table are based on having all interest and depreciation expenses added back. The only exception is depreciation in hire businesses, which is not added back.

Please be AWARE these figures are a guideline only and are based on the most common sale price range encountered, for each business type, in capital city markets. Regional business prices are generally within + or - 10%. However, it should also be noted that there can be greater fluctuations in actual sale prices that occur. This especially applies to exceptional businesses which often attract a premium above market rates. Professional advice should always be sought before putting a price on a particular business.



BUSINESS PRICE UPDATE AS AT APRIL 2025

BUSINESS	Operated Profit (PEBITDA)	Current Multiple Range	Approx. Price March 2025	Under Management Profit (EBITDA)	Current Multiple Range	Approx. Price March 2025	Buyer Demand
Caravan Park (Leasehold)	400,000	3.00 to 4.30	1,460,000	-	-	-	Fair
	600,000	3.10 to 4.30	2,220,000	-	-	-	Good
	-	-	-	1,000,000	5.00 to 6.70	5,850,000	Good
Child Care Centre (Leasehold)	-	-	-	400,000	2.90 to 3.60	1,300,000	Good
	-	-	-	600,000	4.00 to 4.50	2,550,000	Good
	-	-	-	1,000,000	4.00 to 4.50	4,250,000	Good
Coffee Shop (5-6 days)	400,000	1.70 to 2.20	780,000	-	-	-	Fair
	600,000	1.90 to 2.40	1,290,000	-	-	-	Fair
Consultants	400,000	1.30 to 1.50	560,000	-	-	-	Fair
	600,000	1.50 to 1.80	990,000	-	-	-	Fair
Equipment/ Machinery Dealer	400,000	1.80 to 2.50	860,000	-	-	-	Fair
	600,000	2.00 to 2.50	1,350,000	-	-	-	Good
	-	-	-	1,000,000	2.90 to 3.60	3,250,000	Good
Fast food (Non- Franchise)	400,000	1.50 to 1.80	660,000	-	-	-	Fair
	600,000	1.50 to 1.80	990,000	-	-	-	Fair
Fast Food (Franchise)	400,000	2.50 to 3.20	1,140,000	-	-	-	Fair
	600,000	2.70 to 3.40	1,830,000	-	-	-	Fair
Gyms	400,000	1.70 to 2.20	780,000	-	-	-	Poor
	600,000	2.00 to 2.50	1,350,000	-	-	-	Fair
	-	-	-	1,000,000	2.30 to 3.00	2,650,000	Fair
Hire-plant	400,000	2.10 to 2.40	900,000	-	-	-	Fair
	600,000	2.40 to 2.90	1,590,000	-	-	-	Fair
	-	-	-	1,000,000	3.00 to 3.70	3,350,000	Fair
Hire -people	400,000	2.00 to 2.50	900,000	-	-	-	Fair
	600,000	2.10 to 2.60	1,410,000	-	-	-	Good
	-	-	-	1,000,000	2.50 to 3.10	2,800,000	Good
Liquor Store	400,000	3.30 to 5.00	1,660,000	-	-	-	Good
	600,000	3.30 to 5.00	2,490,000	-	-	-	Good
Manufacturing	400,000	1.80 to 2.50	860,000	-	-	-	Fair
	600,000	2.10 to 2.50	1,380,000	-	-	-	Fair
	-	-	-	1,000,000	2.70 to 3.10	2,900,000	Good
	-	-	-	2,000,000	2.70 to 3.10	5,800,000	Good
Manufacturing (Tenders/ Complex)	400,000	1.70 to 1.80	700,000	-	-	-	Fair
	600,000	1.80 to 2.10	1,170,000	-	-	-	Fair
	-	-	-	1,000,000	2.20 to 2.50	2,350,000	Fair
	-	-	-	2,000,000	2.30 to 2.60	4,900,000	Fair
NDIS Home Care	400,000	1.80 to 2.50	860,000	-	-	-	Fair
	600,000	2.00 to 2.50	1,350,000	-	-	-	Good
	-	-	-	1,000,000	2.20 to 3.30	2,750,000	Good

BUSINESS PRICE UPDATE AS AT APRIL 2025

BUSINESS	Operated Profit (PEBITDA)	Current Multiple Range	Approx. Price March 2025	Under Management Profit (EBITDA)	Current Multiple Range	Approx. Price March 2025	Buyer Demand
Printing	400,000	1.50 to 1.80	660,000	-	-	-	Weak
	600,000	1.70 to 2.00	1,110,000	-	-	-	Fair
	-	-	-	1,000,000	2.00 to 2.90	2,450,000	Fair
	-	-	-	-	-	-	-
Registered Training Organisations	-	-	-	400,000	2.70 to 3.60	1,260,000	Fair
	-	-	-	600,000	2.70 to 3.60	1,890,000	Fair
	-	-	-	1,000,000	2.70 to 3.60	3,150,000	Fair
	-	-	-	-	-	-	-
Restaurant (Non-Franchise)	400,000	1.30 to 1.70	600,000	-	-	-	Weak
	600,000	1.30 to 1.70	900,000	-	-	-	Weak
	-	-	-	1,000,000	1.80 to 2.50	2,150,000	Weak
	-	-	-	-	-	-	-
Retail (General)	400,000	1.30 to 1.50	560,000	-	-	-	Weak
	600,000	1.50 to 1.80	990,000	-	-	-	Weak
	-	-	-	1,000,000	2.00 to 2.50	2,250,000	Weak
	-	-	-	-	-	-	-
Retail (Online)	400,000	2.00 to 3.30	1,060,000	-	-	-	Fair
	600,000	2.00 to 3.30	1,590,000	-	-	-	Fair
	-	-	-	1,000,000	2.90 to 4.30	3,600,000	Fair
	-	-	-	-	-	-	-
Service	400,000	1.80 to 2.20	800,000	-	-	-	Fair
	600,000	2.10 to 2.50	1,380,000	-	-	-	Good
	-	-	-	1,000,000	2.60 to 3.10	2,850,000	Good
	-	-	-	2,000,000	2.80 to 3.30	6,100,000	Good
Supermarket	400,000	2.30 to 3.30	1,120,000	-	-	-	Fair
	600,000	2.60 to 3.30	1,770,000	-	-	-	Good
	-	-	-	1,000,000	3.00 to 3.70	3,350,000	Good
	-	-	-	2,000,000	3.30 to 4.20	7,500,000	Good
Trades	400,000	1.30 to 1.80	620,000	-	-	-	Fair
	600,000	1.40 to 2.00	1,020,000	-	-	-	Fair
	-	-	-	1,000,000	1.80 to 2.90	2,350,000	Fair
	-	-	-	2,000,000	1.80 to 3.00	4,800,000	Fair
Wholesalers	400,000	2.00 to 2.90	980,000	-	-	-	Fair
	600,000	2.30 to 3.00	1,590,000	-	-	-	Good
	-	-	-	1,000,000	2.90 to 3.80	3,350,000	Good
	-	-	-	2,000,000	3.10 to 4.20	7,300,000	Good

SHAREHOLDERS AGREEMENTS – “THE MAIN PITFALLS OF NOT HAVING ONE AND COMMON ISSUES WITH POORLY DRAFTED AGREEMENTS”

Following on from our article in the Business Values Newsletter 170 on Share Sales, it is an opportune time to examine shareholders agreements. Once again, this topic is explored with the benefit of experts in the field. Tamra Seaton of Keypoint Law is an expert in all facets of commercial law impacting the small to medium enterprise sector. David Screaigh of Zircom Business Brokers, with his chartered accounting/corporate experience, is often found managing transactions with shareholders where a percentage of the business is being sold.

Your author has also been involved in an increasing volume of company share valuations for the purposes of:

- Establishing an independent market value for transactions between existing shareholders and/or senior staff; and;
- Dispute resolution – where conflict between shareholders gets to the point where they can no longer work together, such that some shareholders are looking to buy others out.

Why Are Shareholders Agreements Needed?

A shareholders agreement is essentially a binding contract between shareholders of a company which typically covers:

- Who controls the company/decision-making protocols – an example of this is outlining voting rights of directors and shareholders;
- How the company will be managed – for example, appointment of directors, delegative authorities for directors/shareholders in decision-making;
- Rights and responsibilities of shareholders and directors – for example, policy around dividend payments to shareholders, work and management duties;
- Dispute resolution/protection of shareholders' rights – outlining procedures for resolving disputes;
- Process/procedure of how shareholders can buy and sell shares – for example, who gets first option to buy, or what the process is if a share price cannot be agreed upon.
- Typically where the price is not agreed on, the agreement will direct the shareholders to jointly appoint a business valuer to determine the value. Some agreements will also define elements of valuation method to be used.

The need for a shareholders agreement typically occurs where there is more than one shareholder. Although the vast majority of businesses/companies start with shareholders on friendly terms, the agreement should be drafted assuming conflict will occur.

A well-drafted shareholders agreement should include the following:

- Clearly outlined shareholder interests, rights and obligations in relation to the running of the company;
- Help prevent, resolve, or at least manage resolution of conflicts; and
- Detail “trigger events” and provide the process and rules for how these are dealt with. Eg. shareholder exits, whether the exit is due to conflict or not.

Common Pitfalls of Poorly Drafted Shareholders Agreements

Lawyers, business brokers, accountants and valuers are often brought in as part of the process to resolve shareholder disputes. What we see in these situations are a number of recurring issues, which are often not adequately covered in shareholders agreements. Some of these include the following:

1. One shareholder feels as if they provide the majority of effort in driving company success/revenue and yet only receives the same financial reward as other shareholders playing lesser roles.
2. Business partners/ shareholders holding onto their own clients and not working as a team.
3. Relationships between shareholders break down to the point where a shareholder needs to exit. I.e.. where the shareholders agreement has no clear rules and process designed around the exit.
4. Poorly drafted valuation clauses which do not reflect the intent of shareholders – The intent is most often simply to arrive at a market value.
5. Lack of well-drafted non-compete clauses – this applies for both exiting shareholders and even remaining shareholders (running businesses on the side).
6. Failure to address what happens if a shareholder ceases their involvement as a working owner and reverts to being a passive shareholder.
7. Lack of deadlock provisions – for example, where two shareholders hold 50% of shares each and cannot agree on important company decisions.
8. Lack of rules around funding and capital raising.
9. Lack of rules around sale events for both controlling and minority shareholders, such as “drag along” and “tag along” clauses.
10. No direction on timeframes of meetings and provision of financial information to all shareholders.

Summary

The above are by no means an exhaustive list, but rather just some of the more common issues. Where there is either no shareholders agreement in place or a poorly drafted one, resolution can be a long and costly process involving litigation.

It is therefore highly recommended that shareholders engage an experienced commercial lawyer at commencement (when shareholders are on good terms). This allows the lawyer to get input from all shareholders and draft agreed intentions into the agreement. An experienced lawyer will also provide guidance on a range of areas (such as the above numbered points) which can commonly cause dispute. They will then recommend clauses to deal with them. As such, a well drafted shareholders agreement can help avoid disputes, or where they cannot be avoided, give clear direction as to process for resolution.



BUSINESSES IN DEMAND

- Accountancy Practices
- Health and Medical
- NDIS Businesses
- Caravan Parks (Large, profits over \$400,000)
- Business Services (5 Days)
- Online businesses/ work from home
- Information Technology Businesses (with strong maintenance contracts)
- Manufacturing – selected sectors
- Mining Services – Fabrication and Maintenance
- Labour Hire
- Supermarkets
- Liquor Stores
- Service Stations
- Real Estate Rent Rolls, most states/ territories of Australia
- Businesses over \$2 million in price

DIFFICULT TO SELL

- General Discretionary Retail
- Clothing Boutiques
- Bookstores
- Newsagencies
- Travel Agencies
- Hospitality/ Entertainment
- Non-Franchise Bakery
- Gyms
- Printing
- Profits less than \$150,000



FINANCE RATES

Commentary from Southshore Finance

What an interesting world that we live in.

The RBA decided to leave rates on hold in April which was not unexpected however, events of the past few days with the USA imposing tariffs increases, this has caused some lenders to revise their forecasts to include more rate cuts this year than they thought only a matter of weeks ago. We are expecting to see further reductions in the fixed rates in coming weeks as the market reacts to the disruption caused by the new US tariff policy.

The commercial property market and business market have remained strong with WA still leading the nation in economic performance. We are seeing record levels of transactions in the \$2 m – \$5m space in particular.

Activity in the residential market has slowed slightly but prices appear to have remained firm. The recent RBA cut has helped activity lift a little but now that the days on market are starting to increase (still well below historical averages), hopefully real estate agents will stop pushing buyers into making “cash” offers. It is a dangerous practice with a potentially significant legal impact on buyers who are then unable to raise the finance.

There is keen competition in the market but at the same time we are experiencing a general tightening of credit policy from the major lenders, likely to be a reaction to the economic woes of Victoria and to a lesser extent NSW, with those two markets representing the biggest exposure that the banks have to the market.

Rates quoted are indicative as at 04/04/25 and subject to a formal application meeting the lender's credit criteria. Hadmor Pty Ltd t/as Southshore Finance ACL 393334

The following borrowing rates, as at 4th of April 2025 were provided by Hadmor Pty Ltd t/as Southshore Finance ACL 393 334 (Phone 08 9474 1999).

Interest rates are indicative at the above date and subject to a formal application meeting the lenders criteria. The actual rate will vary depending on market conditions and aspects of the finance application including credit worthiness, capacity to service and security offered.

COMMERCIAL LOANS - PROPERTY SECURED JANUARY 2025		
Variable		6.00% pa.
Fixed	1 Year	6.00% pa.
Fixed	3 year	5.80% pa.
Fixed	5 year	5.85% pa.
Chattel Mortgage (equipment)		6.75% pa.

RESIDENTIAL - OWNER OCCUPIER - PRINCIPAL & INTEREST		
Variable		5.90% pa.
Fixed	1 Year	5.49% pa.
Fixed	3 year	5.39% pa.
Fixed	5 year	5.39% pa.

RESIDENTIAL - INVESTOR - PRINCIPAL & INTEREST		
Variable		6.09% pa.
Fixed	1 Year	5.64% pa.
Fixed	3 year	5.55% pa.
Fixed	5 year	5.55% pa.

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