Business VALUES

JAROT
BUSINESS VALUATIONS

T/A Jarot Business Valuations
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MARKET UPDATE

Australian Economy

As at mid-2026, the Australian economy is navigating significant uncertainty, driven by several headwinds: the Middle East conflict, major budget reform and successive interest rate hikes. The Middle East conflict drove a material increase in global fuel and energy prices through the first half of the year, feeding into household budgets and business operating costs. The RBA has raised the official cash rate three times in 2026 to 4.35%; however, headline inflation remains above their target at 4.0% in May.

Iran Conflict and Oil Price

The war between the US / Israel and Iran is now in its fifth month. Oil prices have eased from their peak but remain above where they sat before the conflict began. Globally, the response to the conflict drew heavily on emergency fuel supply. These drawdowns provided a meaningful but time-limited buffer to oil prices. Over time, these national oil reserves will need to be refilled. The additional demand created by refilling these reserves has the potential to keep oil prices elevated in the medium term.

In Australia, the temporary fuel excise relief introduced in response to the conflict is now being wound back in stages. From July, the excise relief has been halved and the plan is for the full excise to return from August 2026. The RBA has indicated it will raise the cash rate again if the oil shock proves more persistent than expected.

Budget Reform

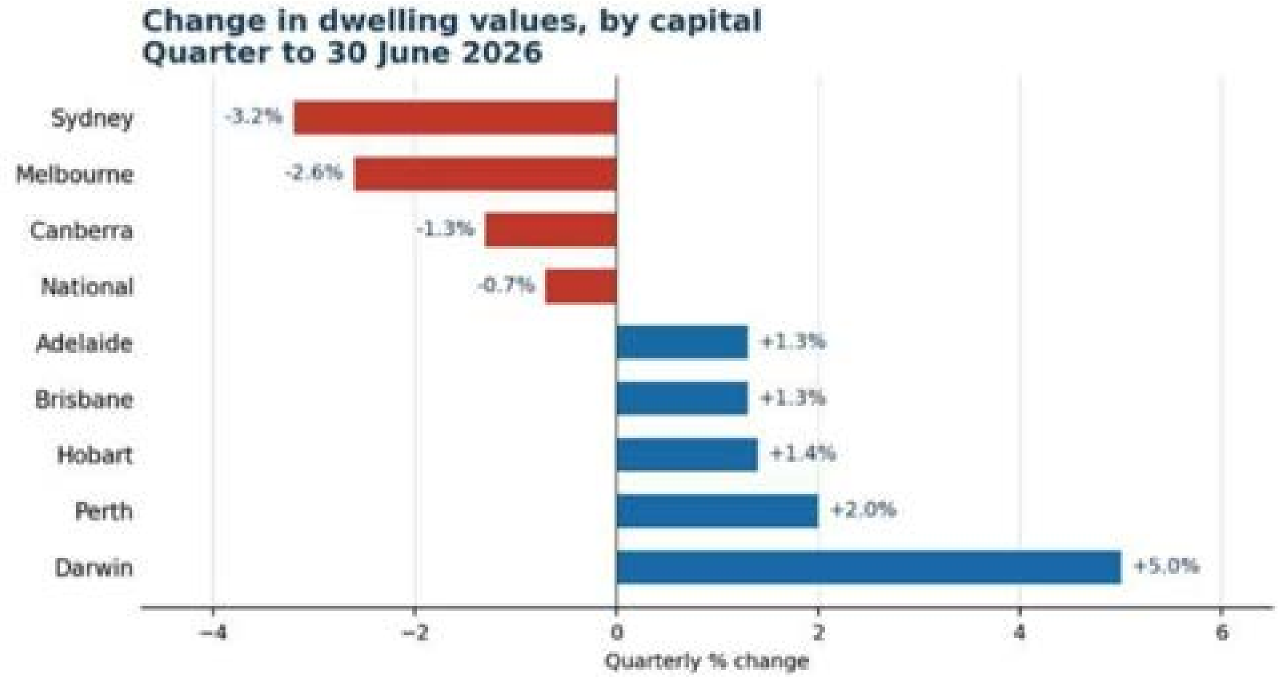
May's federal budget introduced several changes relevant to SME business owners and property investors. Key changes that impact SME's and the Australian economy are summarised:

- CGT: 50% discount replaced with cost base indexation plus a 30% minimum tax rate, from 1 July 2027, across all CGT assets.
- 30% minimum tax on discretionary trusts from 1 July 2028.
- Negative gearing: restricted on established residential dwellings purchased after budget night will apply from 1 July 2027. Existing holdings are grandfathered.
- Personal income tax cuts: effective 1 July 2026, with a further round from 1 July 2027.
- $1,000 instant work-related deduction from 1 July 2026.
- $20,000 instant asset write-off from 1 July 2026.
- Loss carry-back for businesses up to $1bn turnover from 1 July 2026.
- Small business CGT concession: asset reduction threshold raised from $2m to $10m.
- Changes that are yet to be confirmed: Innovative Business CGT Concession & venture capital incentives.

Many of the changes have been broadly welcomed as practical, cash-flow-positive support. The CGT and negative gearing changes have drawn considerable criticism. The removal of the 50% CGT discount reaches well beyond housing to affect all CGT assets. That backlash prompted a Senate inquiry and forced the government to announce mid-stream carve-outs, including the proposed Innovative Business CGT Concession for early-stage investors. The 50% discount has historically acted as an incentive to put capital at risk, including into SMEs. Effectively increasing the CGT has the potential to reverse this with potential for negative longer term consequences to productivity in Australia.

Property Prices

National dwelling values fell 0.7% over the June quarter but are still up 7.3% over the past year. Sydney, Melbourne and the ACT are now going backwards for the quarter while other capitals continue to grind higher, led by Darwin and Perth.



Source: Cotality, 1 July 2026

Brisbane, Darwin and Perth have had annual growth rates of 17%, 20% and 24%. As we've noted before, these are also the markets where SME buyer demand has been strongest.

NUMBER OF BUSINESS LISTED FOR SALE

SME Market

Feedback from brokers active in the market points to a genuine softening in activity over recent months. Brokers put this down to the tax changes noted above, layered on top of the general effect of higher interest rates. The mum-and-dad buyers who typically transact under $1 million have been the quickest to step back. Above $1 million, enquiry is thinner but the buyers are more commercially minded and have continued to transact.

The following table shows recent changes in business listing numbers for each state of Australia:

	JUNE 25	MARCH 26	JUNE 26	March 26 to June 26 % Change	June 25 to June 26 % Change
NSW	2920	2947	2962	0.51%	1.44%
VIC	5058	5082	5210	2.52%	3.01%
SA	358	343	354	3.21%	-1.12%
TAS	196	165	159	-3.64%	-18.88%
QLD	2438	2521	2503	-0.71%	2.67%
WA	931	935	990	5.88%	6.34%
NT	39	42	49	16.67%	25.64%
ACT	96	84	82	-2.38%	-14.58%
Australia	**12036**	**12119**	**12309**	**1.57%**	**2.27%**

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).

Mining services businesses continue to sell well, especially in fabrication and maintenance. Businesses with lean staffing structures and limited exposure to AI disruption are the most sought after. These include trades, healthcare and local-based services. Smaller businesses under roughly $200,000 to $250,000 in PEBITDA profit continue to be the hardest to sell, while demand has remained strong for businesses generating over $2 million in EBITDA profit. Pricing and flexible deal terms remain very important in this market.

BUSINESSES IN DEMAND

- Accountancy Practices
- Medical Practices
- Dental Practices
- Allied Health
- Caravan Parks (Large, profits over $400,000)
- Service (5 Days)
- Online businesses/ work from home
- Information Technology Businesses (with strong maintenance contracts)
- Manufacturing – selected sectors
- Supermarkets
- Liquor Stores
- Real Estate Rent Rolls, most states/ territories of Australia
- Businesses with low staff requirements (laundrettes, car wash etc)
- Businesses with EBITDA profits above $2million
- Businesses less likely to be disrupted by AI
- Mining services businesses focussed on maintenance

DIFFICULT TO SELL

- General Discretionary Retail
- Clothing Boutiques
- Bookstores
- Newsagencies
- Travel Agencies
- Hospitality/ Entertainment
- Non-Franchise Bakery
- Gyms
- Printing
- Profits less than $200,000-$250,000
- Project related businesses

CURRENT MULTIPLES - JULY 2026

The following table outlines the current prices and market multiples for a range of businesses based on Proprietors Earnings Before Interest, Tax, Depreciation and Amortisation (PEBITDA) profit. This is effectively the profit prior to one owners salary being allowed for.

Please be aware that these figures are only a guideline and based on mainly capital city market information. The multiples used apply to the profit level. Higher profits will typically attract higher multiples, as shown in our April Newsletter which includes a multiple chart for larger businesses. Coastal city and town prices are generally within + or - 10% of these multiples. Professional advice should always be sought before placing a price on a particular business.

Subscribers can calculate a ballpark estimate of a business' value by using the below table noting points (a) and (b) below:

(a) Market Multiple = Purchase Price Divided By PEBITDA Profit

(b) The approximate price includes only business assets of plant, stock/ work in progress and goodwill, as is typical in transactions of SME businesses.

These figures are only a guideline.

The market multiple ranges in the table are mainly for independent businesses (unless otherwise specified). It is noted that good franchise businesses in the same category can often achieve higher prices, based on market multiples around 10% higher than a similar independent business.

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PRICE CHART AT JULY 2026

Industry	Net Profit (PEBITDA)	(a) Current Multiple Range	Approx. Price (b) July 2026	Buyer Demand
Bakery (Franchise)	200,000	1.30 to 1.80	310,000	Fair
Bakery (Franchise)	400,000	1.50 to 2.00	700,000	Fair
Bakery (Non-Franchise)	200,000	0.75 to 1.25	200,000	Weak
Bakery (Non-Franchise	400,000	1.00 to 1.50	500,000	Fair
Butchers	200,000	1.40 to 1.80	320,000	Fair
Butchers	400,000	1.50 to 2.00	700,000	Fair
Cafe/Restaurant - Franchise	200,000	0.75 to 1.25	200,000	Weak
Cafe/Restaurant - Franchise	400,000	1.00 to 1.50	500,000	Weak
Cafe/Restaurant - Non Franchise	200,000	1.00 to 1.50	250,0000	Weak
Cafe/Restaurant - Non Franchise	400,000	1.30 to 1.70	600,000	Weak
Cafe/Restaurant - Non Franchise	600,000	1.30 to 1.70	900,000	Weak
Cleaning	200,000	1.40 to 2.00	340,000	Fair
Cleaning	400,000	1.40 to 2.00	680,000	Fair
Consultants	200,000	0.50 to 1.50	200,000	Weak
Consultants	400,000	1.00 to 1.75	550,000	Fair
Consultants	600,000	1.40 to 2.00	1,020,000	Fair
Fast Food (Franchise)	200,000	1.74 to 2.25	400,000	Fair
Fast Food (Franchise)	400,000	2.25 to 3.25	1,100,000	Fair
Fast Food (Franchise	600,000	2.50 to 3.25	1,725,000	Fair
Fast food (Non-Franchise)	200,000	1.00 to 1.50	250,000	Weak
Fast food (Non-Franchise)	400,000	1.25 to 2.00	650,000	Fair
Fast food (Non-Franchise)	600,000	1.50 to 2.25	1,125,000	Fair
Hairdresser	200,000	0.90 to 1.20	210,000	Weak
Hairdresser	400,000	1.20 to 1.60	560,000	Fair
Hire - People	400,000	2.00 to 2.50	900,000	Fair
Hire - People	600,000	2.10 to 2.60	1,410,000	Good
Hire - Plant	200,000	1.40 to 2.00	340,000	Fair
Hire - Plant	400,000	2.10 to 2.40	900,000	Fair
Hire - Plant	600,000	2.40 to 2.90	1,590,000	Fair
Liquor Store	200,000	2.90 to 3.60	650,000	Good
Liquor Store	400,000	3.30 to 5.00	1,660,000	Good
Liquor Store	600,000	3.30 to 5.00	2,490,000	Good
Manufacturing	200,000	1.70 to 2.40	410,000	Weak
Manufacturing	400,000	1.90 to 2.50	880,000	Fair
Manufacturing	600,000	2.10 to 2.50	1,380,000	Fair
Manufacturing (Tenders/Complex)	400,000	1.70 to 1.80	700,000	Fair
Manufacturing (Tenders/Complex)	600,000	1.80 to 2.10	1,170,000	Fair
Newsagencies - Franchise/Lotto	200,000	1.50 to 2.10	360,000	Good
Newsagencies - Franchise/Lotto	400,000	2.00 to 2.70	940,000	Good
Newsagencies / Post Office	200,000	2.50 to 3.00	550,000	Good
Newsagencies / Post Office	400,000	2.80 to 3.50	1,260,000	Good
Retail - General	200,000	1.10 to 1.50	260,000	Poor
Retail - General	400,000	1.30 to 1.50	560,000	Fair
Retail - General	600,000	1.50 to 1.80	990,000	Weak
Retail - Online	200,000	1.10 to 1.50	350,000	Fair
Retail - Online	400,000	2.00 to 3.30	1,060,000	Fair
Retail - Online	600,000	2.00 to 3.30	1,590,000	Fair
Service	200,000	1.50 to 2.20	370,000	Fair
Service	400,000	1.80 to 2.20	800,000	Good
Service	600,000	2.10 to 2.50	1,380,000	Good
Supermarket - Franchise	200,000	2.30 to 3.30	560,000	Good
Supermarket - Franchise	400,000	2.30 to 3.30	1,120,000	Good
Trades (maintenance)	200,000	0.50 to 1.25	180,000	Poor
Trades (maintenance)	400,000	1.00 to 1.50	500,000	Fair
Trades (maintenance)	600,000	1.25 to 1.75	900,000	Fair
Wholesalers	200,000	1.40 to 2.20	360,000	Fair
Wholesalers	400,000	2.00 to 2.90	980,000	Good
Wholesalers	600,000	2.30 to 3.00	1,590,000	Good

ACCOUNTANCY PRACTICES

Accountancy Practices were last covered in Issue 140 of the Business Valuers Newsletter in July 2017.

For this update, your author has consulted with Zircom Business Brokers for the sections on market commentary, pricing and multiples being achieved. Whilst Zircom Business Brokers sell businesses in a range of different industries, accountancy practices are one of their passions. Brokers Catherine and David Screaigh are qualified Chartered Accountants and have a deep insight into the accounting industry. Together they have sold more than 150 accounting practices in Western Australia over the past 20 years.

This article focuses on the small to medium enterprise (SME) sized businesses, excluding the Big Four as well as larger mid-tier firms.

CURRENT INDUSTRY PERFORMANCE AND OPERATING CONDITIONS

Over the past five years, industry revenue has increased at a modest average of 1.9% per annum. Whilst broader industry profit margin has fallen moderately, the SME sized firms have maintained a solid average margin in the order of 26% to 27%.
For SME sized accounting practices, revenue is predominantly compliance work for taxation. Other services provided include auditing, bookkeeping as well as advice on tax planning, restructuring, business improvement, etc.

In recent years, there has been a reduction in bookkeeping done for clients. This is due to significant improvements in online software platforms such as Xero and MYOB, which have made it easier for bookkeeping to be done by external bookkeepers or direct by clients.

The client base is typically a range of SME sized businesses, as well as higher income individuals, who have some complexity in their finances. Whilst there is a theory that more of the individual clients may move to using the Australian Taxation Office, "MyTax" online tax lodgement system, the reality is that most accounting practices have a very stable client base.

Increasing operational costs, including wages, have posed a threat to profitability. However, this is being offset to an extent by improvements in technology/software, as well as outsourcing some work to offshore contractors. As such, SME accounting firms have been able to maintain a relatively strong profit margin, averaging 26% to 27% of revenue.

A summary of financial benchmarks as a percentage of revenue are as follows:

- **Wages – 40% to 42%**
- **Purchases – 6% to 7%**
- **Rent and utilities – 7% to 9%**
- **Other costs – 17% to 20%**
- **Profit – 25% to 30%**

ACCOUNTANCY PRACTICES

INDUSTRY OUTLOOK

Industry revenue is forecast to increase at 2.9% per annum, over the next five years. This is largely based on an assumption, that the Australian economy will gradually recover from several years of lingering inflation.
There is ongoing consolidation occurring, with existing firms looking to expand through acquisition of other practices. Technology, including online accounting platforms, are predicted to increase efficiency and reduce costs. This also provides the potential for offering more competitive fees to clients. If smaller firms do not keep up with technology advances, a downward pressure on fees, is likely to affect profit margins.

CURRENT MARKET FOR PRACTICE SALES

David and Catherine Screaigh from Zircom Business Brokers advise that purchaser demand remains strong and well in excess of the number of businesses listed for sale.

The strength in demand is likely due to:

- Attraction of the recurring nature of accounting business revenue.
- Purchase of another business represents the easiest way to increase scale and profitability, through leveraging existing office infrastructure, systems and staff.
- A way to secure experienced staff.
- Business purchases can be financed against existing recurring revenue streams.

The majority of purchasers for businesses with fee levels up to $1 million, are other accounting firms looking to add scale.
In relation to larger businesses, private equity and corporate buyers are also coming into the market. The private equity buyer transactions, typically involve retaining a majority of the existing working owners for extended periods.

PRICING AND MULTIPLES PAID

Small to medium-sized accounting practices continue to be mainly transacted based on a multiple of revenue, rather than a multiple of profit.

The revenue used is the typical annual revenue, excluding any extraordinary amounts which would not likely be achieved in following years e.g. a once off large payroll tax audit. The main reason for transactions being based on revenue, is that the majority of sales involve purchasers which are existing accounting firms, looking to achieve economies of scale. As most buyers already have premises, administration, systems and management in place, the profit generated from the acquired business (fees) is often higher once integrated into the purchaser's existing practice. This means that the profit margin of business (fees) being purchased, will likely increase once added to the purchasing firm's existing infrastructure.

Over the past few years, the multiples paid have increased from a previous level of around $1.00 per dollar of revenue, to now being mainly in the range of $1.10 to $1.20 per dollar of revenue.

For larger practices, over $1 million, and particularly over $2 million, the type of purchaser can start to change to larger accounting firms, private equity or corporate groups. For these larger firms, profit starts to elevate in importance. The main multiple range is in the order of 3.50 to 5.00 times EBITDA profit.

ACCOUNTANCY PRACTICES

These main multiple ranges are based on "normal" transaction terms, such as follows:

- Around 80% of the purchase price paid at settlement and the remaining 20% in 12 months' time, subject to retaining clients and level of revenue. Recoverable work in progress is paid for in addition to the price based on the multiple of revenue.

Whilst there are some reports of higher multiples being achieved, these are likely due to extended vendor terms and/or transactions that include work in progress and/or working capital. The multiple should therefore not be considered in isolation, as the transaction terms can have an impact on the multiple being achieved.

David and Catherine from Zircom Business Brokers, advise that a crucial element to a successful transaction, with a strong multiple being achieved, is finding a purchaser that is a "good fit" in terms of matching client types/client needs with the skill sets and service philosophy of the purchasing accountants. In their words, there needs to be a "meeting of the minds".

They advise that some of the main factors impacting prices/multiples achieved are:

- Quality of clients and level of recurring fees.
- Fee level per client.
- Revenue percentage from business clients versus individual clients.
- Level of profitability – particularly for larger practices.
- Staff/dependence on the main working owner.
- Age profile of clients.
- Level of work in progress and debtors.
- Likelihood of clients transferring.
- Reason for sale – for smaller practices, buyers prefer when the seller is retiring.

For all sales of accounting practices, it is important that sellers engage with an experienced broker several months prior to listing. This allows the broker to provide advice on getting the business "fit for sale". Experienced brokers will also have a database of vetted purchasers. This enhances the ability to match a purchaser to the accounting business (fees) for sale, thus achieving the best fit and sale price.

FINANCE RATES

Commentary from Southshore Finance

The most significant event in the past 3 months has been the 2026 Federal Budget. The changes to negative gearing, Capital Gains Tax and treatment of Trusts have had a major impact on business and consumer confidence. Many clients, both in the SME space and investors, were in limbo until the final legislation was passed. Accountants and advisors were unable to provide advice to their clients during this period, which stalled activity in the market.

Now that the legislation has passed and the dust has settled, activity in the business and commercial property market has picked up. A combination of more properties being listed for sale, the number of purchasers decreasing, due to investors withdrawing from the residential market, and concerns about further interest rate rises, has resulted in the residential market being subdued. Only time will tell whether this is a temporary situation or the beginning of the long-predicted correction in the market.

The following borrowing rates, as at 9th July 2026 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		
Variable		6.50% pa.
Fixed	1 Year	6.79% pa.
Fixed	3 year	6.89% pa.
Fixed	5 year	7.19% pa.
Chattel Mortgage (equipment)		7.50% pa.

RESIDENTIAL - OWNER OCCUPIER - PRINCIPAL & INTEREST		
Variable		6.14% pa.
Fixed	1 Year	6.29% pa.
Fixed	3 year	6.39% pa.
Fixed	5 year	6.49% pa.

RESIDENTIAL - INVESTOR - PRINCIPAL & INTEREST		
Variable		6.29% pa.
Fixed	1 Year	6.49% pa.
Fixed	3 year	6.49% pa.
Fixed	5 year	6.59% pa.

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