Longame

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Longame Limited

Your Next Chapter

Selling Your Mastercraft Licensed Business



Longame

Pursue Enduring Value

in your Business

Background - Longame

A blend of 'long game' - a term from sports or any activity where having a plan or strategy is advantageous, defining life as a game that can be played better by thinking ahead and applying wisdom in order to improve outcomes for oneself, society or civilisation.



Why make Exit / Succession a *planned* event?

1. Reap the rewards of your years of effort
2. Ensure Mastercraft stays strong and endures
3. Great experience for both parties

It’s not personal Sonny,

It’s strictly business

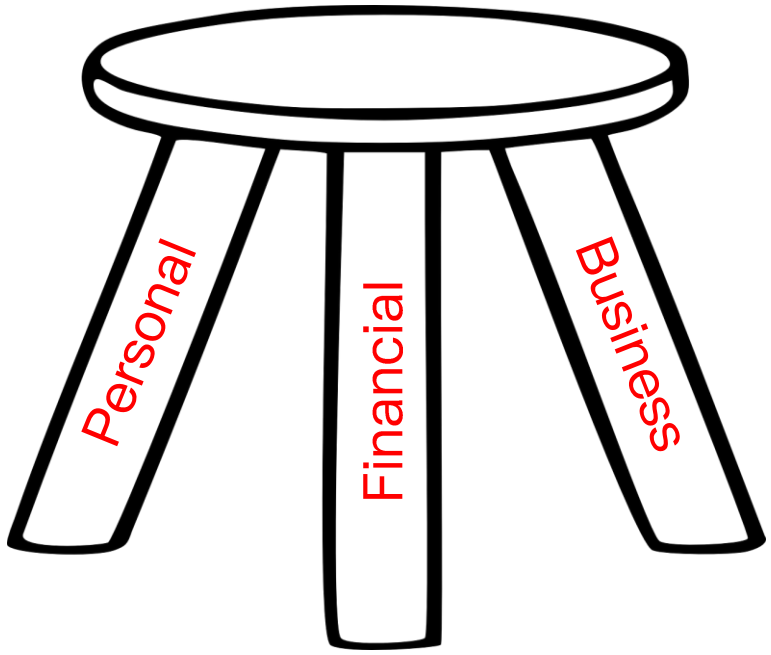
Michael Corleone



It is Personal, not *strictly* business...

Determine your *End Game*

1. **Personal** – Answering the question, “What Next?”
2. **Financial** – Ensuring you’re financially prepared for the next chapter
3. **Business** – Maximising your business’s transferable value



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Mismatched Expectations...

Seller

- Subjective - Emotionally driven
- Intimate understanding of the history
- Numbers guarantee future profitability
- What do I want to get out of the business?

Buyer

- No emotional connection
- Cold objective investors' mentality
- Numbers only a view of the past
- What is the business worth to me (ROI, Growth, Risk profile, Funding)?

Mismatched Expectations...

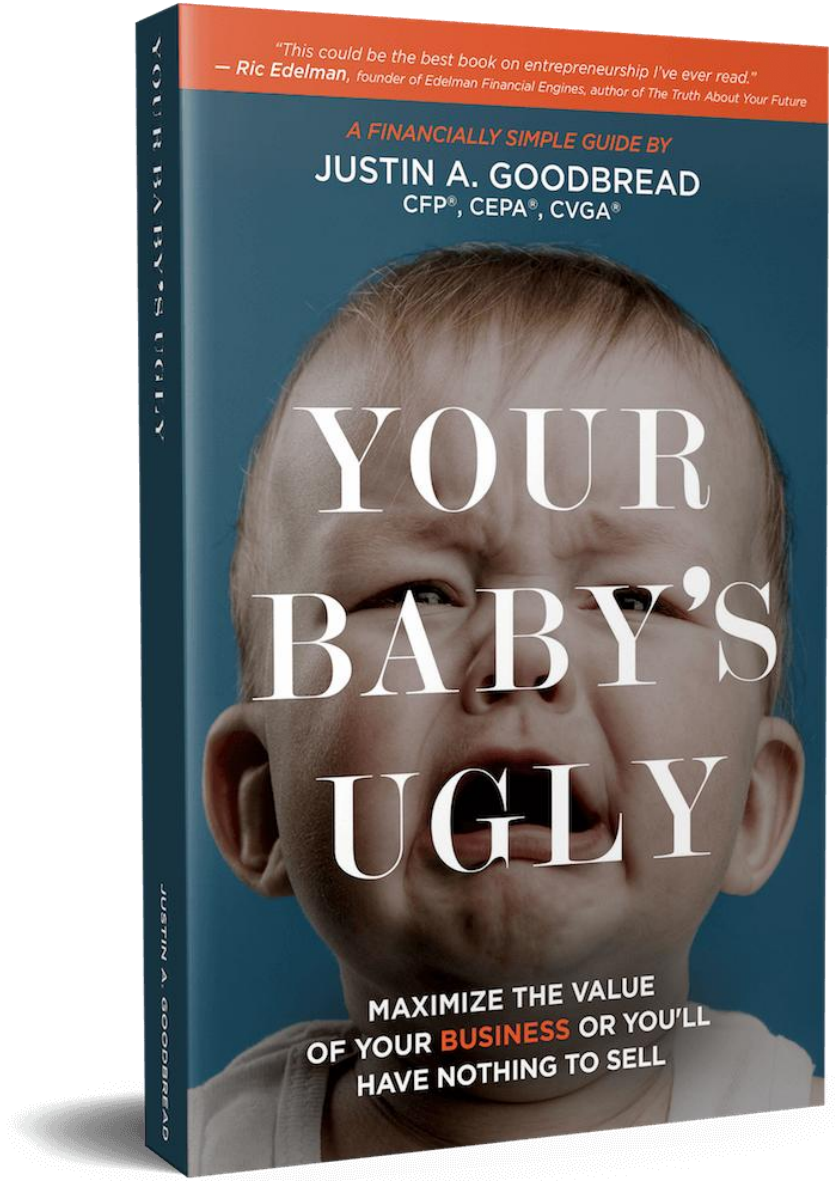
Seller



Buyer



So they wrote the book...



Exit Options

INTERNAL

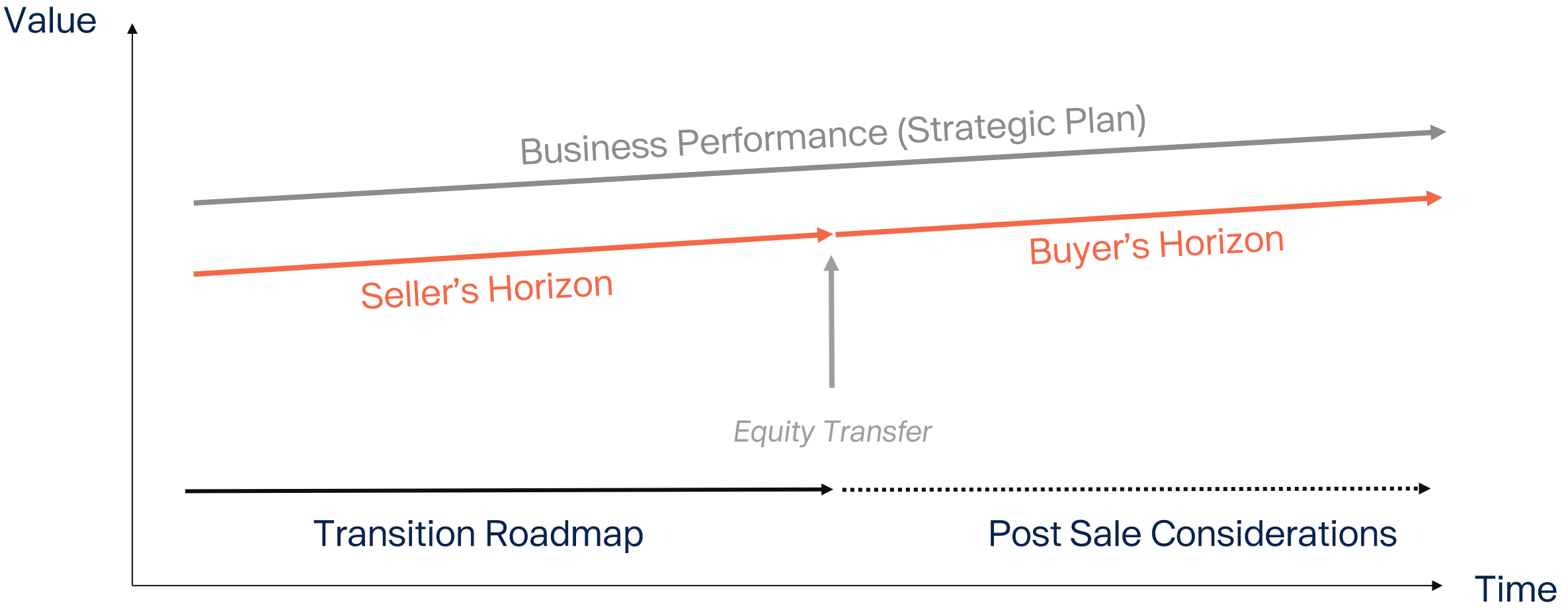
- Family
- Staff
  - Management Buy Out
  - Employee Share Plan

EXTERNAL

- Outright Sale

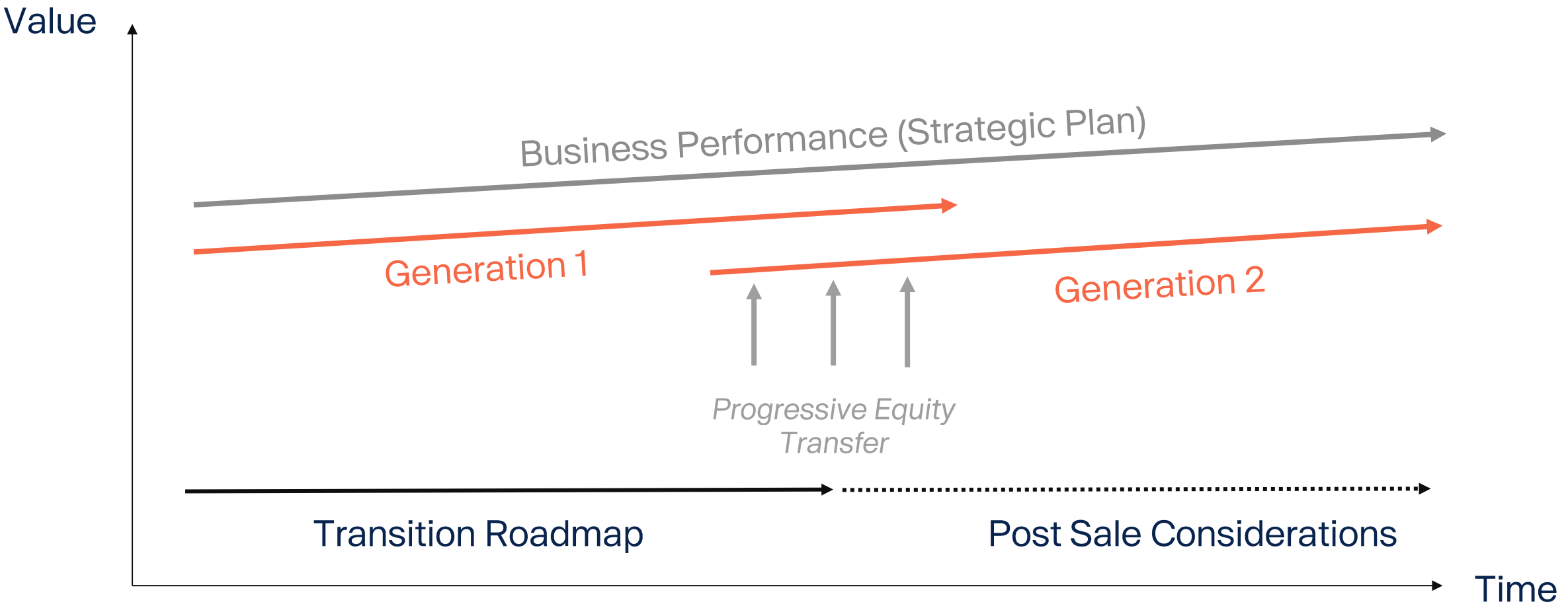
  (incl mergers)
- Orderly Liquidation

Transition Model – Exit Planning (external)



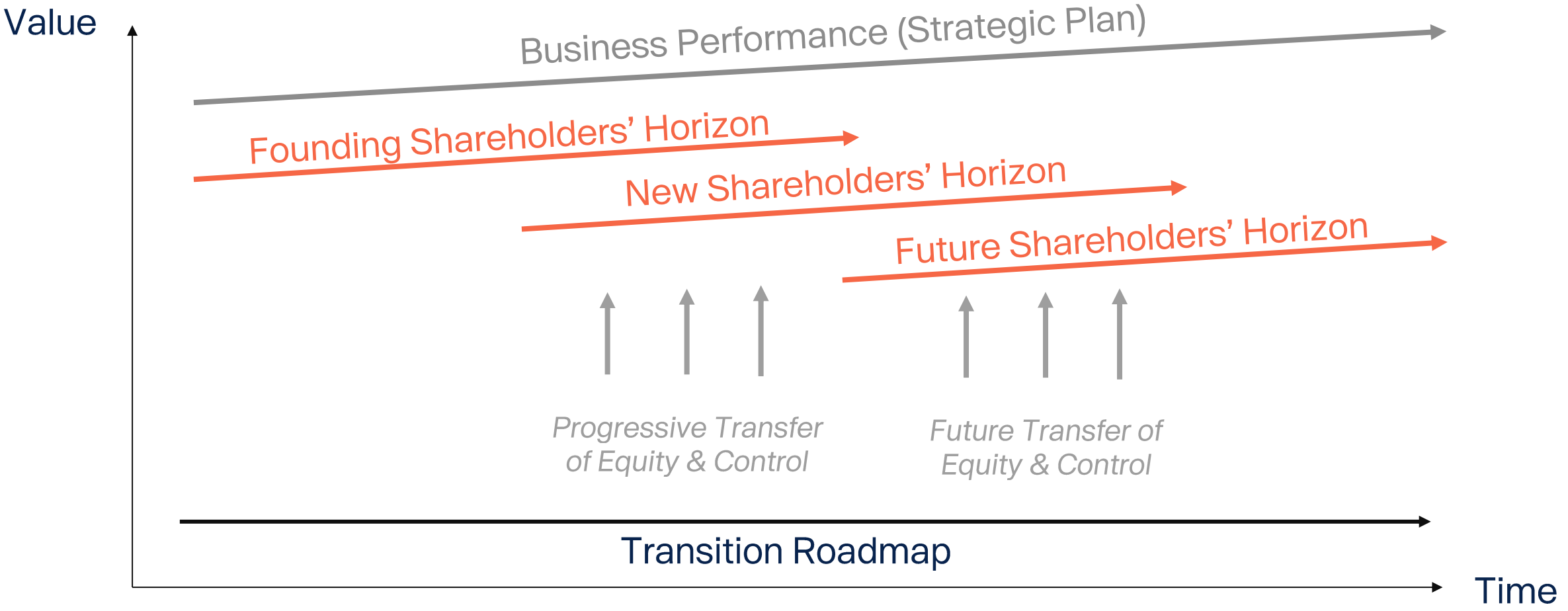
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Transition Model – Succession Planning (internal)



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Transition Model – Partner Succession Planning

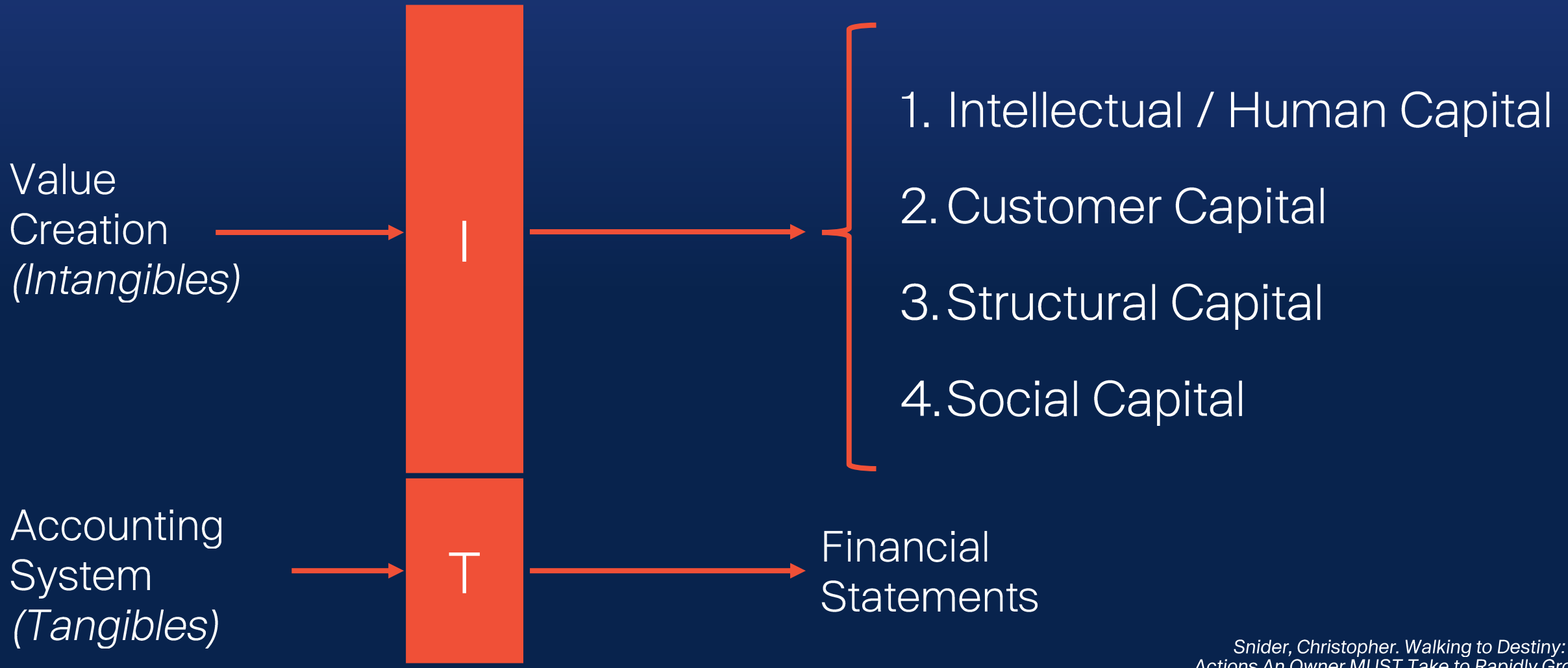


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Seek value to develop legacy

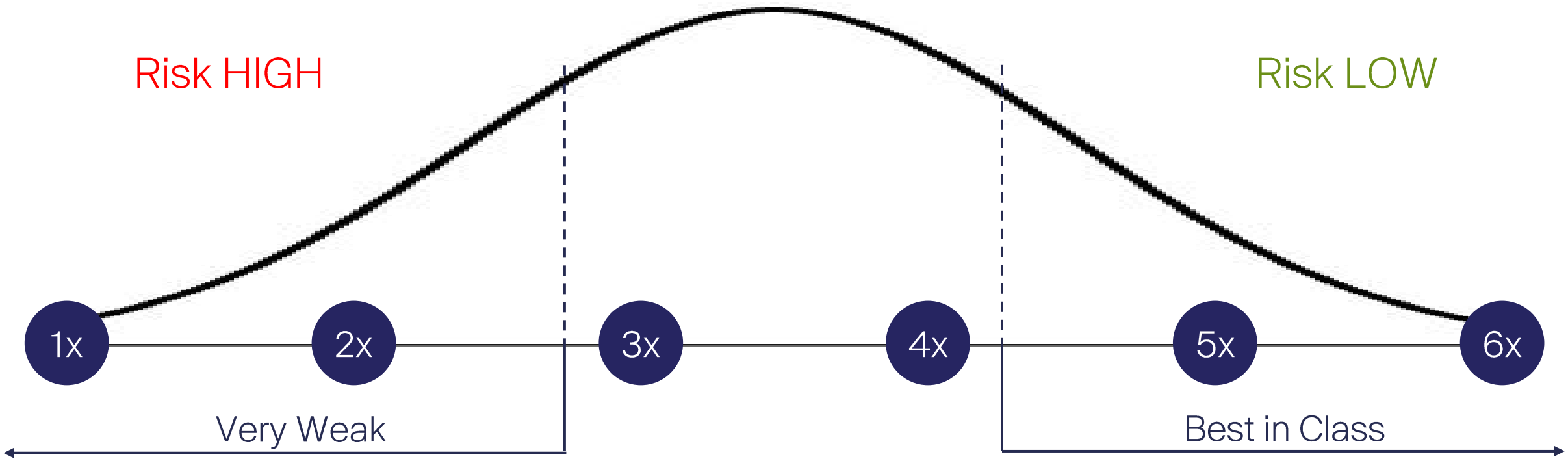


Driving Value - Intangible Capital



Snider, Christopher. Walking to Destiny: 11 Actions An Owner MUST Take to Rapidly Grow Value & Unlock Wealth

Valuation – What's your business worth?



You trade on a multiple of **Returns** for your business type, dependent upon your level of performance (from Weak to Best in Class)

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Understanding & Applying Multiples

SDE

(Seller's Discretionary Earnings)

EBITDA

(Earnings Before Interest, Tax, Depreciation, and Amortisation)

Two Common Measures of Returns...

Understanding & Applying Multiples

SDE

(Seller's Discretionary

Earnings)

SDE represents the total financial return to a working owner.

It includes the business's net profit plus one full-time owner's salary, interest, depreciation, and any personal or one-off expenses.

It's mainly used for owner-operated businesses where the buyer will work in the business.

Understanding & Applying Multiples

EBITDA, by contrast, represents the operating profit of a managed business, excluding any owner's remuneration or private adjustments.

It's the preferred measure for larger or systemised operations, where the buyer is investing for return rather than stepping into day-to-day management.

EBITDA

(Earnings Before Interest, Tax, Depreciation, and Amortisation)

Understanding & Applying Multiples

SDE

(Seller's Discretionary

Earnings)

Because SDE already includes the owner's salary, the **SDE multiple will be lower than the EBITDA multiple** when comparing the same business.

By understanding which figure the multiple is applied to, buyers and sellers can make fair, like-for-like comparisons and avoid overstating or understating a business's true value.

When appraising a business, the most critical figure is not what it earned last year, but what it can sustainably earn going forward.

Future Maintainable Earnings (FME)



reviewing the last several years of financial performance

adjusting for non-recurring, discretionary, or abnormal items

weighting each period according to its relevance

isolate a level of earnings that can be reasonably expected to continue



Drivers of Resilient FME

The key attributes that underpin resilient FME include:

1. Consistent Historical Performance
2. Diverse Customer Base
3. Recurring or Contracted Income
4. Management Depth
5. Operational Systems
6. Balanced Cost Structure
7. Forward Work Pipeline

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A strong or “resilient” FME is one that can be defended and sustained through market cycles.



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Industry Specific

Direct Broker Feedback

While the average multiple across these industries falls between **2.0x** and **2.3x** SDE, the key driver of value is not the sector itself but the **structure, scale, and risk profile** of the business.

Cabinetmaking & Joinery

Average Multiple: **2.32x SDE**

Range: **1.4x – 4.3x**

This sector shows the **widest variance in multiples**, reflecting the spread between small, owner-reliant workshops and larger, systemised operations. Businesses with CNC automation, strong builder relationships, and quoting systems consistently achieve higher multiples, while smaller operators or those heavily reliant on manual labour and variable project work trade at the lower end.

The key constraint is asset intensity, where high capital replacement and material costs compress returns, buyers typically apply lower multiples despite healthy revenue.

Electrical

Average Multiple: **2.12x SDE**

Range: **1.1x – 3.4x**

Electrical businesses tend to trade at **slightly lower, but more stable**, multiples than manufacturing trades. Value increases with recurring service income, franchise affiliation, or commercial maintenance contracts.

Larger operators or those with multiple teams under management appeal to investors seeking scalable, low-touch assets. Franchise-aligned businesses also trade strongly due to brand recognition and proven systems. The lower end of the range reflects smaller contracting teams or project-dependent operators without structured management or pipeline visibility.

Plumbing

Average Multiple: **2.18x SDE**

Range: **1.3x – 2.7x**

Plumbing **remains a resilient and highly sought-after** trade due to its essential service demand and recurring nature. Multiples strengthen where there is qualified staff, recurring maintenance work, and management depth..

Owner-reliant operations still sell well but transact at more conservative multiples. Businesses with diversified service lines, especially in drainage, backflow testing, or commercial maintenance, achieve higher buyer confidence and correspondingly higher returns.

Summary

Across the trades, market sentiment remains strong for businesses with **proven earnings, strong teams, and low dependency on the owner**.

Average SDE multiples between 2.0x and 2.3x are typical, with systemised or franchise-backed businesses achieving premiums above 3.0x.

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The Process

Financial & Tax Considerations of a business sale

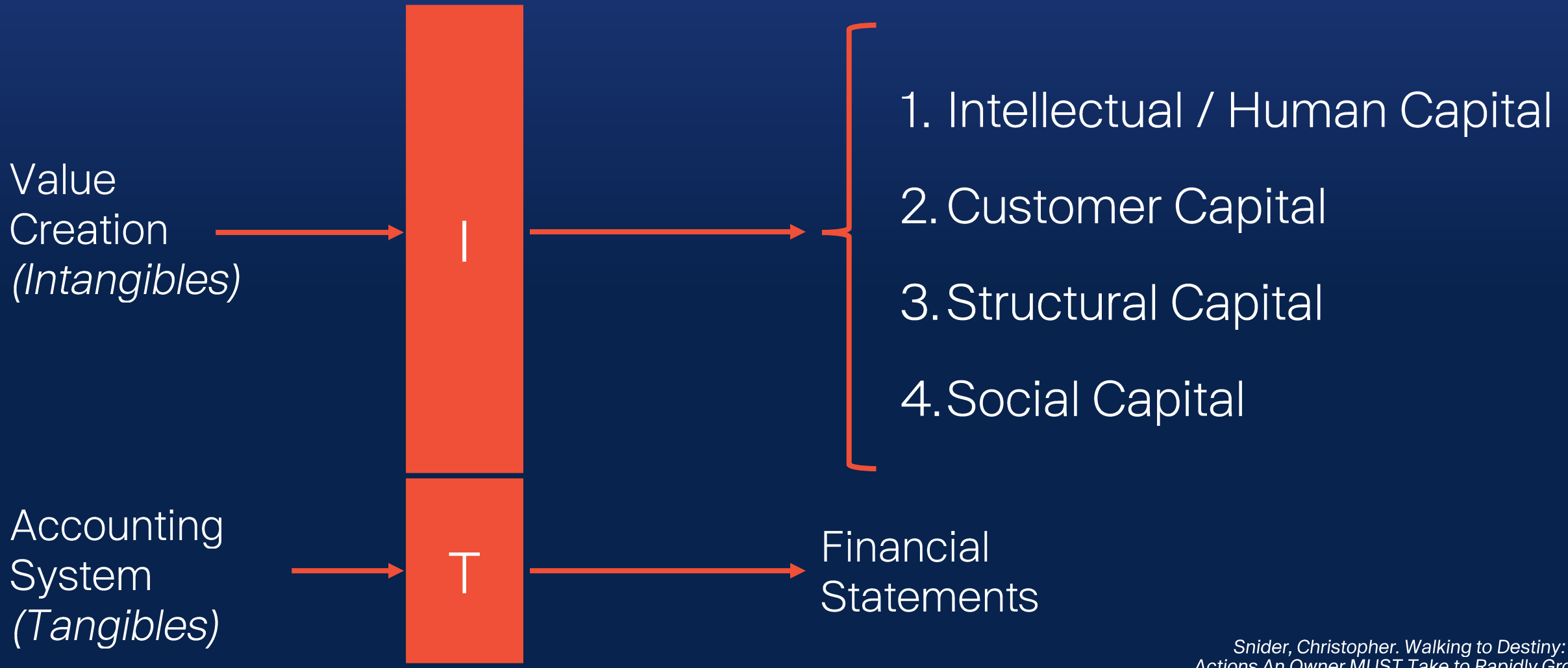
In *most cases*, the sale is structured as an asset sale, with the purchase price apportioned between:

- **Tangible** assets such as plant, vehicles, and equipment,
- **Stock,** and
- **Goodwill,** representing the intangible value of the business.

Where assets are sold at or near book value, there is no taxable gain or loss. The goodwill component is treated as a capital gain, which is not subject to income tax for the vendor.

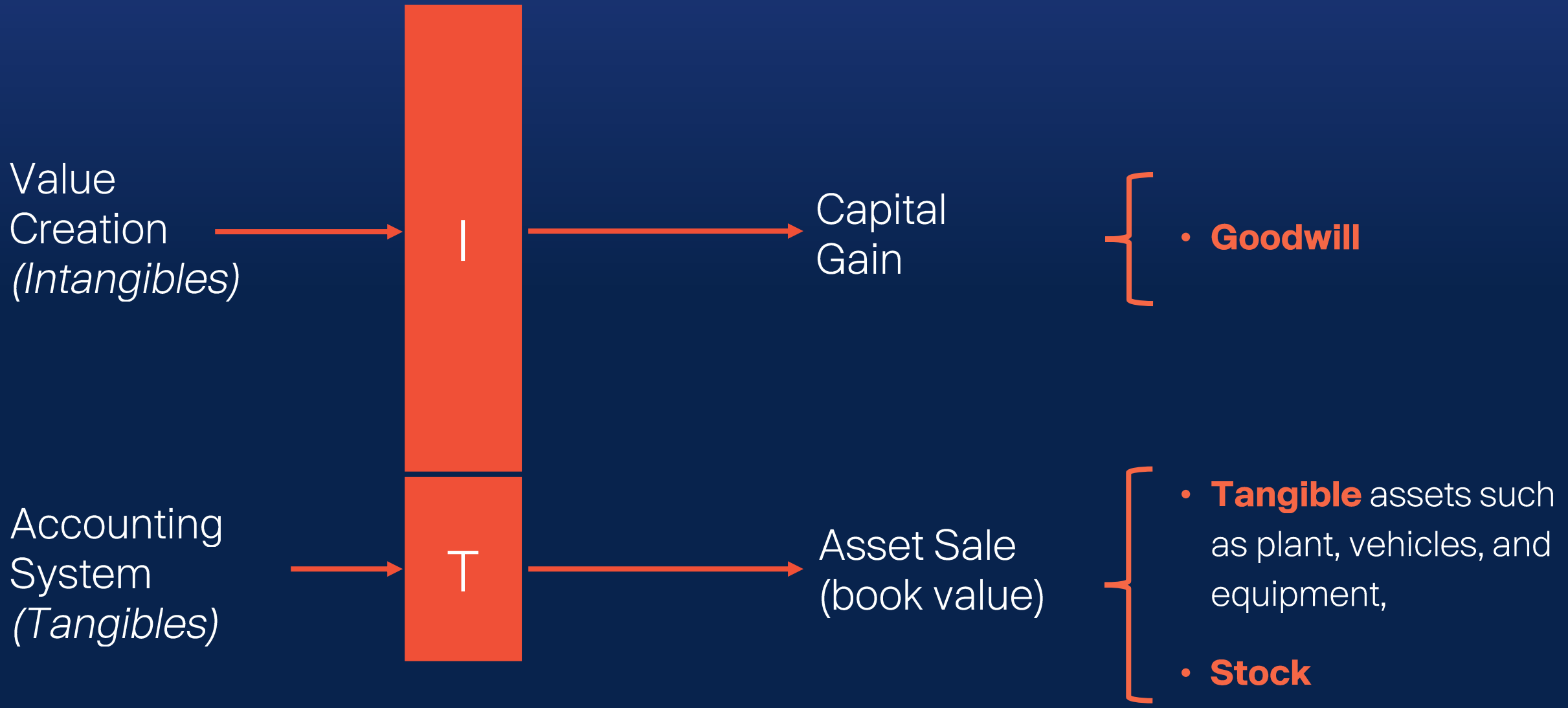
Because each sale structure is unique, both parties should seek **specialist accounting advice** before finalising the apportionment schedule.

Driving Value - Intangible Capital

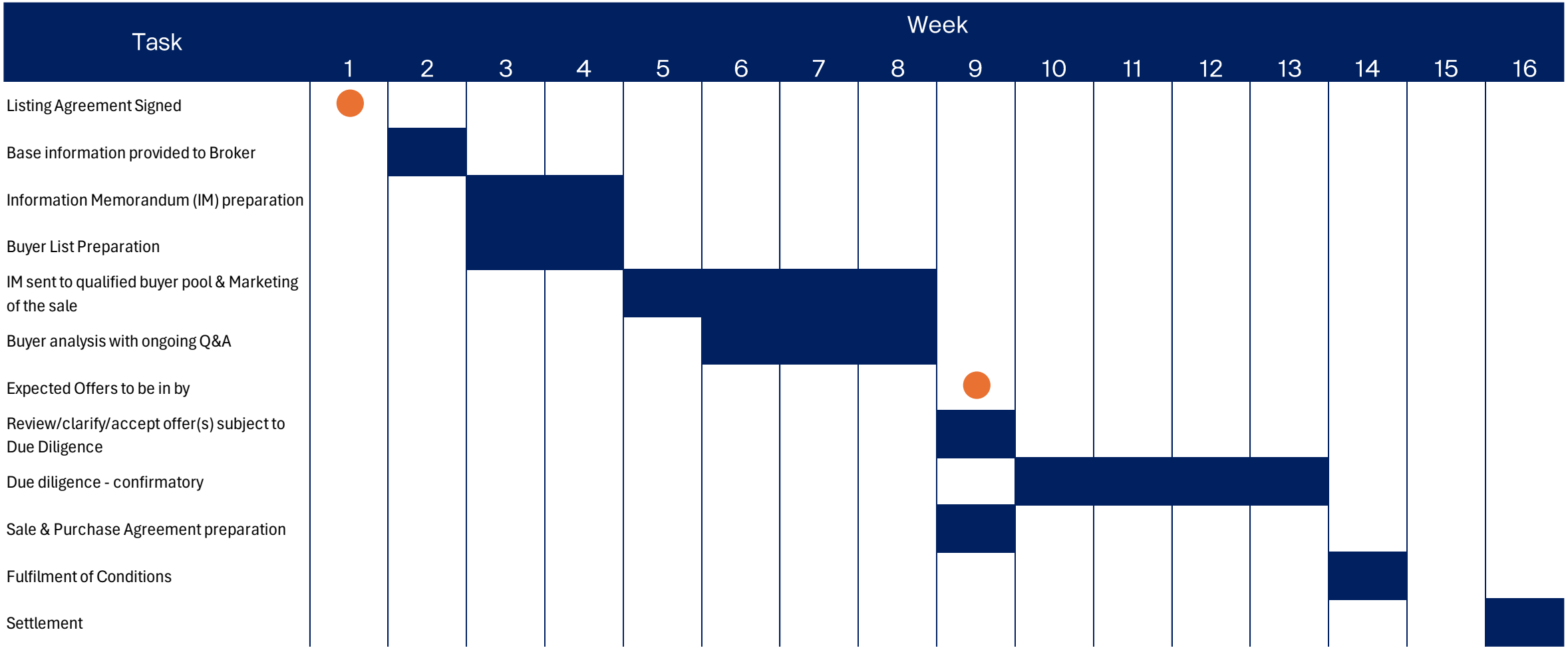


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Driving Value - Intangible Capital

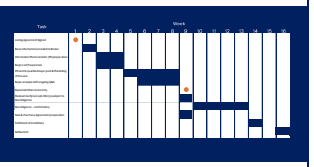


Time to Sell...


Task
Week
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
Listing Agreement Signed
Base information provided to Broker
Information Memorandum (IM) preparation
Buyer List Preparation
IM sent to qualified buyer pool & Marketing of the sale
Buyer analysis with ongoing Q&A
Expected Offers to be in by
Review/clarify/accept offer(s) subject to Due Diligence
Due diligence - confirmatory
Sale & Purchase Agreement preparation
Fulfilment of Conditions
Settlement

Time to Prepare...

Task	Year -3				Year -2				Year -1			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Preparation												
Sale												



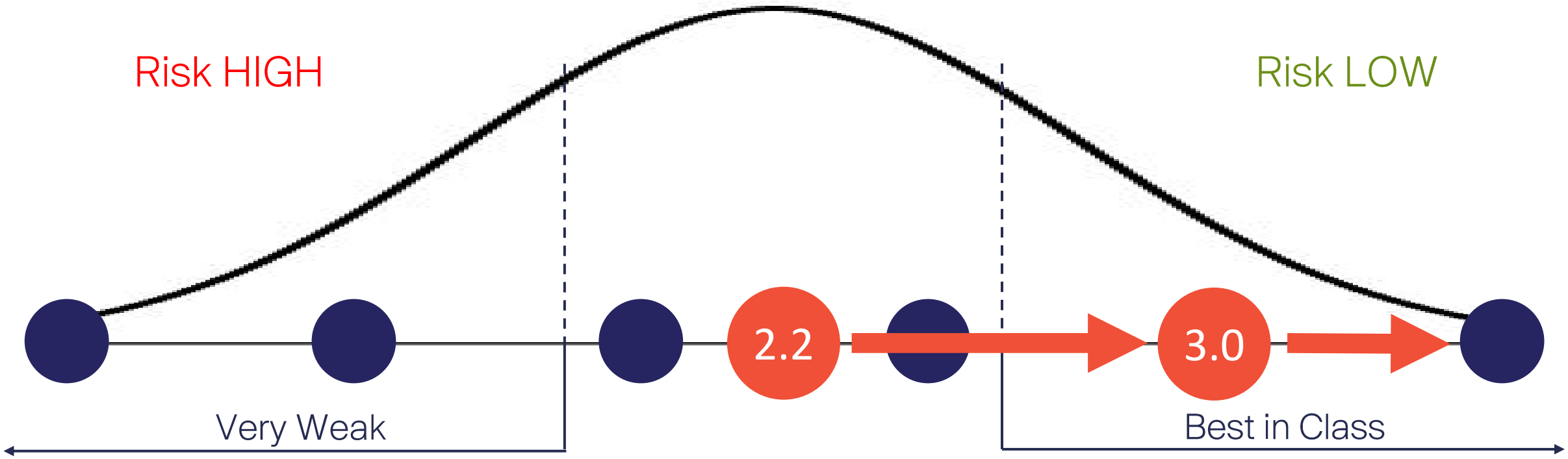
It takes a village to raise a child....



What drives the multiple?

Driver	Effect	Commentary
Size & Scale	✓	Larger businesses with multiple teams and stable earnings attract a broader buyer pool.
Owner Involvement	✗	Heavy reliance on the owner reduces perceived sustainability and limits buyer competition.
Recurring work vs Project work	✓	Predictable contract or maintenance work supports premium valuations.
Systems, Brand & Franchise report	✓	Proven processes and franchise systems reduce risk and enhance buyer appeal.
Asset Intensity	✗	High capital requirements reduce ROI and suppress achievable multiples.
Geographic Location	?	Metro-based operations, particularly in Auckland, benefit from stronger demand.

Valuation – What's your business worth?



You trade on a multiple of **Returns** for your business type, dependent upon your level of performance (from Weak to Best in Class)

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Returns	X	Multiple	=	Value
the money the business will produce after paying all expenses and costs		based on quality of the business and the industry it operates in		
$400,000	x	2.2	=	$880,000
$500,000	x	2.2	=	$1,100,000
$400,000	x	3.0	=	$1,200,000
$500,000	x	3.0	=	$1,500,000



NEXT STEPS

Imperfect action is better than perfect inaction

Harry S Truman



Information on Succession / Exit Planning

- Walking to Destiny – Chris Snider
- Every Family's Business – Thomas William Deans
- Exiting Your Business, Protecting your Wealth – John M Leonotti
- Finish Big – Bo Burlingham
- The Art of Selling your Business – John Warrilow
- The Master Plan – Peter Christman