

What improves my business valuation?

Current financial profits are very important in valuations but are not the only factor. Look at the value of Amazon, compared to its net profits of less than 1%. So what else should one look at when considering a sale?

It's all about the future

Future profits are the key driver of valuation and the buyer's certainty of earning them. How can you make future profits more certain? (see our checklist for some of our thoughts)

But the past really matters

As it provides the buyer with an indication of the likely future. If your future projections bear little resemblance to past performance, it is unlikely your buyer will believe them no matter how well you present them. Credibility impacts valuation. Be realistic and really focus on the assumptions supporting the future projections



Who will be exiting and what impact will this have on the business?

If the owners are exiting and they have a prominent role in the success of the business, expect to get paid less or the owners be tied into the business for a period post sale. Ideally, step away from the day to day business prior to sale, and let your successors demonstrate their ability.

Cash in or cash out?

Why are you selling? To exit and leave the business? Or is it a partial sale to fund further expansion? Who is your target buyer? A competitor or a financial investor? A clear approach helps attract the right buyers.

Areas to consider:

- How is your sector performing and what is the likely future outlook?
- How fast and consistently are you growing?
- How “tied in” are the customers and for how long?
- How strong are the relationships with customers?
- If a typical customer leaves, how will it affect the business? (do you have few or many customers?)
- What stops new entrants to the market from taking your business?
- Which staff/owners are exiting at the point of sale and what impact will this have?
- How strong are the remaining staff undertaking all the business activities?
- How “tied in” are the key staff members post sale?
- What is the culture and how does that fit with the buyer’s culture?
- Are the structures, systems and processes within the business strong? i.e. do they support repeatable future performance?
- How strong are the relationships with suppliers?
- Are there multiple suppliers available or just one for each key area? What would happen if that supplier stopped supplying?
- How much information is available on the business to a potential buyer (sales, operational, financial, legal, and tax)?
- How vulnerable is the business to changes in technology?
- How long is the lifecycle of the business products / services?