



Over the years hundreds of business owners have suggest they know exactly how to value their business and what it would achieve. Generally they have been misled on an assumption that there is a simple calculation for their industry to arrive at the figure a buyer will agree to pay.

If only it was that easy! As an example of how values can vary, you could have two identical businesses in the same town with the same profitability, similar product lines, stock holding and clientele; yet, one may achieve double the price of the other.

A common myth is a business is worth its annual turnover, or, a multiple of three to four times its net profit. Whilst there are select industries that work to formulas (such as Childcare Centres & Management Rights complexes) most businesses have to be valued on their own merit.

When appraising or valuing a business we assess a myriad of variables that may affect the value of the business. Key staff members, owners input, lease terms, rent payable, cash flow requirements, ability to finance, supply agreements, amount of clientele, equipment included and of course current market conditions are a sample of what we consider.

Whilst some sellers are disappointed to learn they may not achieve their dream price, we also often exceed business owner's expectations. This is common for medium to large sales, where well established businesses with solid profit and management structures are offered. Wealthy buyers have a strong appetite for these and are aware they will have to pay a premium to secure them.

One thing for sure is there is an enormous amount of buyer activity at the moment. We recorded the strongest May & June results in over 20 years, so, if you really want to know what your business is worth, now may be the best time to find out!

A handwritten signature in black ink that reads "Rod Russell". The signature is written in a cursive style with a horizontal line underneath the name.