

Building the Value of Your Business

8 Critical Factors

Financial Performance

(Transparency & Profit)

Growth Potential

(Scalability)

Customer Score

(Net Promoter Score)

Recurring Revenues

(Degree of income security)

Monopoly Control

(USP, IP, Branding, Patents)

Cashflow

(Demand for working capital)

Business Autonomy

(Independence & Self-Reliance)

Business works without the business owner

(Buyers buy future profits, not the owner!)

Building the Value of Your Business

1. FINANCIAL PERFORMANCE

*Transparency & Profit - The bigger you are, typically the higher multiple (ave. is 3.76)
(<£1m: 2.76, £1m-3m: 3.67 £3m-10m: 4.42 £10m+: 5.10)*

2. GROWTH POTENTIAL

Scalability - The more you can demonstrate the ability to grow, the higher the multiple

3. CUSTOMER SCORE

*Net Promoter Score - The Satisfaction Levels of your Customers is predictive of your future growth rate.....
(9-10 = Promoters (25%) 7-8 = Passives (70%) 0-6 = Detractors (5%) results in NPS of 20%)*

4. RECURRING REVENUES

Degree of income security - When a buyer looks at your business they realise YOU'RE leaving so the more recurring revenue, the more attractive it is

5. MONOPOLY CONTROL

USP, IP, Branding, Patents - Companies with a monopoly in their market get 50% higher offers

6. CASHFLOW

The more cash your company sucks up, the less your company will be worth to a buyer

7. BUSINESS AUTONOMY

*Independence & Self-Reliance - Do NOT become too dependent upon any one customer, employee or supplier
(No one customer should represent any more than 15% of revenue)*

8. BUSINESS WORKS WITHOUT THE OWNER

Buyers buy future profits, not the owner! If the owner is at centre of the business it's less valuable

Selling Your Business

1. AVOID PASSIVITY

4/5 buyers didn't expect to buy so don't expect them to call you. Selling a business is not a financial issue. It's a sales & marketing game!

2. MOTIVES NOT MULTIPLES

People looking for an ROI will pay up to 4-5 multiple. People pay a significantly bigger multiple for strategic reasons

3. 2.5X RULE

*There will typically be a significant difference between the lowest offer and the eventual sale price.
Never take a business to market with a value attached.*

4. BE WELL PREPARED

When marketing the business and then preparing the negotiation

5. LOOK OUTSIDE THE OBVIOUS

Only 16% of sales go to trade buyers.. The right buyer for you is most likely to be a complimentary business rather than a competitor.

6. LOOK OVERSEAS

Overseas buyers influence local buyers. Overseas buyers will often pay a premium

7. CHOICE IS KING

You must have a choice – having a choice helps you dictate terms

8. SELL THE FUTURE

Value is far more about future possibility than past performance. Always sell the future through a Synergy Plan – buyers need to see value in an acquisition and the bigger the value they see the higher the bid. The Synergy Plan helps to change a buyer's mindset from "how little can I get away with?" to "why am I investing and what are the consequences if I don't?"