

# 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?"*