

Questions....answered

1. The best price comes from a financially motivated buyer, who examines the net operating profit of your business. Ability to generate high profits is key.
2. No Broker can ever guarantee complete confidentiality. Advertising your business with discrete details will help in the early stages. Buyers must sign a legally binding document of confidentiality with severe legal consequences for non-adherence.
3. Prequalification of buyers involves producing substantial financial and background information.
4. Access to sensitive financial, employee, customer and vendor information will be released in stages approved by the owner.
5. Due diligence disclosure only with a Letter of Intent or Purchase Offer.
6. The real value will evolve through the negotiation process and will be based on compromise and expectations.
7. The lowest price will be liquidation value in a crisis. Your Balance Sheet indicates Book Value. You can create a stated value.. Actual value is set in the marketplace by positioning your company for sale under the best possible conditions.

49 County Route 44
Mexico, New York 13114
AmazingBusinessBroker.com
amazing@logtcal.net
ADDRESS SERVICE REQUESTED

Amazing Business Broker
Barbara A. Molvar

A Guide to Valuation of a Business

What purpose does a valuation serve?

The reason for determining the value of your business is to prepare for an effective exit strategy. Will you keep your business in your family with a comprehensive succession plan? Will you sell your business for maximum value?

You can choose to sell your business when you want to, when you have to because of a disability or as a liquidation event by your heirs. Planning puts you in the driver's seat choosing in what way the sale will be made.

*Amazing Business Broker
49 County Route 44
Mexico, N.Y. 13114
315 963-4516 Fax 315 963-8621
AmazingBusinessBroker.com*

Barbara A. Molvar

Commit to Sell

Choosing to sell your business means preparing your business to be shown in the best possible conditions. Focus on maximizing your cash flow by decreasing expenses and increasing sales. Maximize profitability.

Taylor your business to meet the needs of the most likely type of Buyer. Financial buyers are interested in income producing capacity. Strategic buyers want access to your technology, expertise, location, clients, suppliers, products/services and processes, procedures and systems. Succession planning with family, employees, customers or suppliers is another group. Competitors within your industry are also possible.

Methods of Valuation

Asset Based Valuation is liquidation value and implies that you cannot sell your business as a going operation. Sell assets, pay bills and keep what is left over.

Market Comparison Valuation involves identifying similar companies that have recently sold and accurate information is readily available.

Income Based Valuation looks at its ability to generate income—the higher the income the higher the price.

True Value

The real value of your business will be what a financially qualified buyer is willing to pay on the day of the closing. That buyer will decide by reviewing proven income generation and the risk that it will persist into the future.

Buyer's Goal

A qualified buyer will want a fair wage, a reasonable rate of return on investment and a capacity to service debt. If the price is too high, the ultimate result could be liquidation.

Exit plan Strategy

- Determine your reason for selling
- Identify the type of buyer
- Method of Sale
- Time frame for Sale
- Actions taken to enhance Sale
- Identify team of advisors
- Price range for Business
- Identify key persons for buyer
- Plan to communicate intention to sell
- Documentation of Financials and Forecasts
- Sales and marketing brochures updated
- Processes, procedures and systems produced
- Determine structure for sale and payments
- Process for marketing, negotiating and selling the business
- Graceful exit and smooth transition

Business Valuation Program

Amazing Business Broker's method is to provide a fair market value based on financial operating information for the last three fiscal years. This appraisal and valuation estimate requires judgment of the following:

- History and nature of the business
- Economic outlook of the industry
- Company's recent financial condition
- Efficiency and effectiveness of operations
- Future earning capability
- Needed cash flow to support the purchase
- Worth of goodwill/intangible assets
- Risk of future viability and profitability

Questions to ask when Selling

- Asking price is what the seller wants
- Selling price is what the seller gets
- Fair Market Value is the highest price the buyer is willing to pay and the lowest price the seller is willing to accept
- Reconstruction of expenses and seller's benefits such as depreciation, interest, personal insurance, vehicles, travel and entertainment, donations, promotions and non critical employees etc.
- Marketing broadly conflicts directly with confidentiality