



How much is my business worth?

Andrew Manderfield

We are often asked by business owners, considering the sale of their business or trying to assess the value of their assets, how much their business is worth?

The answer invariably disappoints, as what might be determined as the 'real value' is often way below the owner's perceived value. The situation is often compounded by hype such as the business potentially being worth multipliers of annual profits from any where between 1 to 15 times.

Whilst there are a number of ways to value a business for example, based on assets, shares or a multiple of profits, a business ultimately is only worth what someone will pay for it.

One reason why the value may not be in line with seller's aspiration is that the value of the business is synonymous with the owner. Removing the owner from the day to day activity of the business, may result in the business struggling to operate to the same capacity as before the sale. The result can be no sale at all or one at a price much lower than desired.

Another key reason for the value being below expectations is often the simple fact that there is no known market for the business; essentially there are no potential buyers.

To optimise the value of the sale of any business, the approach must be to set out with this goal in mind, either from the start or at least for a set period of time before a proposed sale. By focusing on the goal of selling the business, many owners make themselves 'redundant' by demonstrating that the business is able to function in their absence, just as well if not better than before. This approach should help to maximise the financial value of any proposed sale, by what is often termed 'grooming the business for sale'.

Typically what you are looking to do is not only identify potential purchasers but to ensure the business is in the best shape, justifying your valuation and helping to create the right conditions for sale. At the same time forward planning should involve consideration of your own personal circumstances including the most tax efficient way to construct the sale and extract capital.

Overall the sale value of a business focuses on working with the end game in mind and utilising the advice of accountants, tax advisers and other professionals to help you attain your goals.

These notes are for general guidance only. No liability is accepted by Streets for actions taken in reliance upon these notes and it is essential that detailed advice relating to the particular circumstances of the case in question should always be obtained before action is taken.

Streets is a trading style of Streets LLP, Streets Northern LLP, Streets Southern LLP, Streets Tax LLP, Streets Audit LLP and Streets Financial Consulting plc Streets LLP (registered number OC309545), Streets Audit LLP (registered number OC309381), Streets Northern LLP (registered number OC309382), Streets Southern LLP (registered number OC309380) and Streets Tax LLP (registered number OC309379) are all Limited Liability Partnerships registered in England. Their registered office is Tower House, Lucy Tower Street, Lincoln LN1 1XW. A list of the names of the members is available for inspection at this address. Streets Audit LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work Streets Financial Consulting plc (registered number 2029793). Registered office : Tower House, Lucy Tower Street, Lincoln LN11 1XW. A list of directors is available for inspection at this address. Streets Financial Consulting plc is authorised and regulated by the Financial Services Authority
For regulation purposes, corporate finance work undertaken may be dealt with by Streets Financial Consulting plc, which is authorised and regulated by the Financial Services Authority

STREETS

Tower House
Lucy Tower Street
Lincoln
Lincolnshire
LN1 1XW

Tel: 01522 551200
Fax: 01522 533234

St Peters Chambers
2 Bath Street
Grantham
Lincolnshire
NG31 6EG

Tel: 01476 590838
Fax: 01476 590795

Halifax House
30 George Street
Hull
East Yorkshire
HU1 3AJ

Tel: 01482 225399
Fax: 01482 219964

Lloyd's Building
12 Leadenhall Street
London
EC3V 1LP

Tel: 020 7816 5827
Fax: 020 7816 5826

87 Park Road
Peterborough
Cambridgeshire
PE1 2TN

Tel: 01733 312191
Fax: 01733 896214

Churchgate House
33 Churchgate
Retford
Nottinghamshire
DN22 6PA

Tel: 01777 869955
Fax: 01777 869962

e enquiries@streetsweb.co.uk
www.streetsweb.co.uk