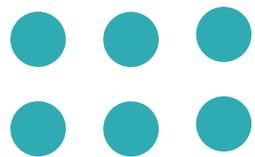




How much is your Business worth?

- **Presented by Jo Tomlinson**
- Owner and MD of Business Works UK
- Certified Quickbooks Trainer



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After 20 years in Industry analysing company data to support commercial business decisions, I founded Business Works with a vision to offer real-world solutions to businesses.

We have grown into a trusted partner for companies seeking a better understanding of their numbers, great customer service, and business growth.

With a team of 12, we are large enough to provide all the finance support SME business owners need, plus the value-added services that help them to flourish and grow.

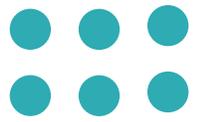


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Valuation Methods

- 
- Industry
 - Combination



Valuation Methods



Profit (EBITDA) Multiple

Earnings before Interest, Tax, Depreciation and Amortisation



Valuation Methods



EBITDA Adjustments

- **Owners' compensation** – The owner, or owners salaries need to be adjusted to reflect market rates
- **Non-recurring transactions** – Income or expenses that are not expected to recur in the future
- **Related party transactions** – these may not represent fair market value



Valuation Methods



EBITDA Multiple

- Size
- Risk
- Sector
- Growth rate and niche



Valuation Methods



Revenue Multiple

Doesn't take account for profit

All revenues may not be included

Lower multiple



Valuation Methods



Entry Valuation

Cost for a buyer to get to where you are now!



Valuation Methods



Discounted Cash Flow (DCF)

- Complex calculations
- Looks at the time value of money



Valuation Methods



Asset Valuation

- Land
- Property
- Intellectual property (copyrights and patents)



Valuation Methods



Value of Good will

+

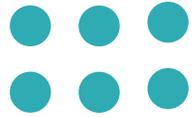
Value of net assets



Negotiation

Only worth what someone is prepared to pay for it

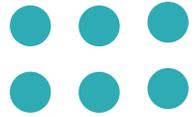
Written value is the starting point



Maximizing the Valuation

Quality of books and records

The messier the books are, the more risky the purchase is considered. You want to prove the business is profitable, and that transactions are transparent. You should use cloud accounting software and expect to show at least 3 years of financials as well as forecasts.



Maximizing the Valuation

Period of time trading

If your business is well established and has a long trading history. This will improve the perception of value



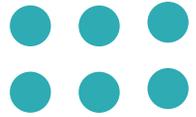
Maximizing the Valuation

Predictability

Buyers love predictability.

Repeat customers show strength.

Retainers, subscriptions and relationships all have a positive impact on multiples.



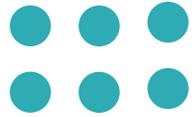
Maximizing the Valuation

Growth

If the business can demonstrate consistent growth, then this has a really positive impact on value.

As does available capacity for more growth and scalability.

Lack of bottlenecks

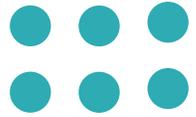


Maximizing the Valuation

Owner Dependency

How involved in day to day running is the owner, or owners.

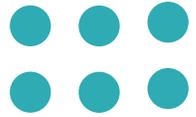
A key person discount is often applied if the business can not run without the owner



Maximizing the Valuation

Systems, processes and procedures

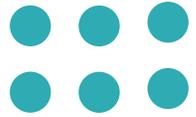
For a business to run consistently and without the owner, there must be well established systems in place for running every aspect of the business



Maximizing the Valuation

Customer Base

Buyers like a diversified customer base, rather than reliance on just one or two big customers (anything over 20% from one customer is a red flag)

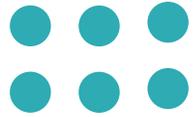


Maximizing the Valuation

Unique Selling Proposition (USP)

How can you differentiate from your competitors, as differentiation allows for higher prices and better profits.

Barriers to entry



Maximizing the Valuation

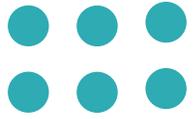
Legal and Regulatory

Ensure your contracts are in place and up to date along with compliance to HR legislation, data handling and any industry compliance requirements



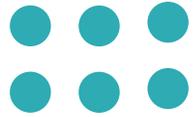
Timescales

- Due Diligence
- Legal Contracts



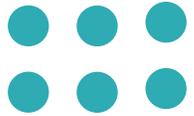
The buyer

- Competitor
- Affordability
- Money can't buy!
- Synergies



Management Tool

- Long Term Financial Health
- Long Term Financial Survival
- Strengths
- Weaknesses



Resources



1. MTD
2. Accessing Capital for Growth
3. Forecasting
4. How much is your business worth
5. Selling some or all of your shares
6. Shared Business Ownership
7. Profitability
8. Project Evaluation
9. Directors Loans v Dividends
10. Cash flow v Profit

Thank

You



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