

The question most commonly asked by business owners is, "What is my business worth?"

Unfortunately, this is one of those simple questions that is always difficult to answer – particularly on the telephone working from summarised information!

The starting point is to understand why the business owner is interested. It is often because they are considering a sale of the business.

As with any asset, value is "the price somebody is prepared to pay to purchase the business." In such cases owners should be less concerned about 'value' and more interested in what drives value for potential buyers – and "**The Market Value.**"

Strategic purchasers will consider paying more than market value if they see a good strategic 'fit'. Similarly a business with rarity value can command a healthy price.

Of particular interest to purchasers will be:-

- Profit or potential profit
- Cash flow sustainability
- Growth potential
- Clearly defined cost rationalisation opportunities

The most common mistake is for business owners to take a very short-term view. A better approach is to focus on longer term

growth potential or to view the potential cost savings as a mutually beneficial situation.

Ask yourself, "Why might they be interested in my business?"

Doing this enables important commercial issues to be identified and addressed – on both sides.

The overall focus should be on enhancing the quality of income whilst maximising the purchaser's opportunities to access those all important "synergies and strategic benefits."

Ultimately you must think about the value which the business may bring to your own personal objectives in areas such as lifestyle, personal tax, pension and property. These should always be an area of continual review.

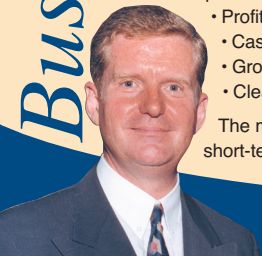
It is vital to unlock the best value. To do this a sound sale process is required.

Understanding purchaser's aspirations will make this possible.

Gaining this understanding will demand an adviser with a deep industry knowledge, the ability to think strategically and a motivation to realise wealth to its maximum.

Never forget it!

The author accepts no legal responsibility for the advice given. Comments and advice given in this column do not necessarily represent the views of Printing World.



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