

# The Key Factors that make a Business Valuable

Use at the table below and score your business from 1 – 10 on how you feel the business is performing; 1 being a very poor performer in that area through to 10 being the leader in the market.

The key factors that make a business valuable	Score your business from 1 to 10
Highly Profitable	
Low reliance on Owner or single key person	
Repeatable Systems	
Strong Brand	
High Customer Loyalty	
Scaleable – Able to grow	
Unique – Difficult to replicate	
Consistent Figures and Performance	
Focused and reliable workforce/team	
Growth opportunities in the market	
<b>Total Score (out of 100)</b>	

Businesses that would score High (70 or above) on the scale above would be more likely to command higher business value or multiples.

Businesses who score low would be looking at lower multiples – perhaps 1 to 2 times profit

Businesses in the middle scores – would perhaps fall in the 2 to 3 times profit multiple levels.

**Now, you can have a go at a 'back of the coaster' indicator of what your business might be worth:**

What is your business profit after paying a market salary to the owner but excluding interest expense and other add backs (expenses that are not critical to the businesses operation)	\$ _____
Multiply by a valuation multiple based on how you scored yourself in the table above	X _____
Likely Business value (Profit x Multiple)	= \$ _____

The most common valuation range for small businesses value is between 2 and 3 times net profit (after allowing for working owners salary)

Remember Tax will take a slice of the sale proceeds – so you will need to consider your structure and options on sale before you list your business.