

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	
Total Score (out of 100)	

- 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.

Should you have any questions or require any assistance, contact our **Walsh Business Sales Specialists** Division today.

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