



# What is the real value of your business

Building your wealth

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# Selling your business is all about risk!

- The higher the risk the lower the valuation
- The lower the risk the higher the valuation

Risk refers to the relative risk that a buyer feels if he were to invest in your company.

**How do you get more  
money for your business?**

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# You lower the risk levels!

- Risk is derived from two indexes
  - The relative attractiveness of your business to an end user
  - The readiness level of your systems and documentation to be opened to scrutiny by a potential buyer

# To maximise the value of your business

- Prepare a plan at least 12 – 24 months before selling
- Develop a checklist of the things you will you need to do to make your business more attractive
- Implement the correct documentation and systems that you will need to have in place

# What makes a business attractive

- Example two businesses have a turnover of \$1 million dollars and a Net profit of \$150,000
- Are they both going to be valued at the same amount?

# What makes a business more attractive

- **Reliance** - One business appears to rely on the Directors and Owners and the other appears to rely on staff members
- **Newstart** - One may be a new start company and the other may be an established company with a 5 year trading history
- **R & D** - One of the companies may have spent a considerable amount on Research and Development that will lift their profits in the future
- **Sales Contracts** - One may have developed long term contracts that will ensure the profit for the next 24 months whereas the other will have to rely on winning contracts or work on a weekly basis
- **Customer Loyalty** - One may have an easily identifiable customer database that is very loyal and the other may have a high turnover database

# What makes a business more attractive

- **Growth Market** - One of the companies may have developed a product that is positioned in a growth market and the other may not
- **Geography** - One may be in a better geographical segment
- **Brand** - One may have a brand that is more recognizable
- **Patent** - One of the companies may have developed a worldwide patent that locks the brand into immediate worldwide distribution
- **Dominant Niche** - One of the companies may be a dominant player in a niche whereas the other is a smaller player with a less of a competitive advantage in a wider marketplace
- **Strategic Fit** - One business may be a strategic fit to the other business and therefore the acquiring business may be able to generate more profit in the future as a result of this strategic fit

# What does a business need to do to get ready

- Tax returns
- Photocopies of all contracts
- Full company history including shareholder details
- Full disclosure of all liabilities
- Breakdown of assets
- Understanding of valuation
- And another 67 different items need to be covered by all owners wishing to sell

# How can we help?

- Prepare an Attractiveness & Readiness Index report
- Provide you with a “Business Worth” methodology report
- Provide you with hard copy templates (book)
- Provide you with electronic forms, questionnaires and calculators
- Work with you on a monthly basis to prepare your business for sale

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