



Looking at Your Business Numbers Like a Buyer

1. Decide and describe what is for sale.
2. How much income would a buyer have after paying debt on your business?
Some of that debt may be short term and some may be long term. Business loans are usually more expensive due to risk.
3. How certain is that income for how far into the future? (Risk)
4. Your balance sheet shows book equity. What is your equity based on market (liquidation) values?
Generally, over time: Real Estate goes up in value, Inventory goes down, and Equipment and vehicle values can go up or down. Accounts receivable goes down.
5. What is the potential value of your business above liquidation value, based on its future income stream and risk?
6. Less risk creates more value.
Risk factors include: Customer Concentration, Team, Capital Investment Required, Controls, Non-Competes, Lease, Contracts, Insurance, Operations, Competitive Advantage, Procedures and Systems, ...
7. More cash flow creates more value.
8. Examples:

	Lower	Better
Annual Net Future Cash Flow to Owner:	\$100,000	\$200,000
Capitalization or ROI Rate (Risk)	25%	15%
Valuation	\$400,000	\$1,333,333
9. Can better be obtained by increasing business revenue and/or decreasing expenses?
10. Seller Financing at reasonable terms creates value.

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ISBDC@LCSC.edu 208-792-2465 IdahoSBDC.org