



PLÉSONA

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How much is my business worth?

Understanding the value of your business is important especially when you have a new investor or you want to sell your business. But assessing the value of a business is not always an easy task. In theory, you can look at the net assets (assets less liabilities) of your business at any point in time to determine what the business is worth. But this probably won't take into account the goodwill that has been built over the life of the business. Unfortunately, goodwill is an intangible asset that can be very difficult to value. Things that can contribute to goodwill could be your brand identity, product innovations, unique methodologies, the quality of your products and services or the quality of your customer base. These are generally things that a new owner or investor could rely on to recoup the value of their investment or use as a credible base to grow the business. One thing that can bring down the value of your business is an over-reliance on the business owners. For example, solo consultant businesses are often completely worthless to an investor, since when the owner is gone all the commercial relationships that made the business succeed will need to be replaced by the new owners. As a result of factors like this, it may be that many business owners vastly over-estimate the value of their business to someone else. But for those who do seek investors or someone to purchase their business, there are clear steps that can be taken to make your business more attractive to an outsider. There should be something unique and positive about your business. That could be its location, a trademark, a great management team or your business model. And it is important to understand what those elements are since you will need to enhance and promote those points to get the right investor interested. That is where a strategic business review can help the business owner to get a proper perspective and start taking the right steps to shape the business for investment. Without taking these steps, well in advance of any sale or investment, there is a huge risk of financial disappointment.



