

# Valuing is vital

Knowing how much your company is worth is crucial if you want to sell.

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It can also strengthen your negotiating position with potential buyers.

We share our approach below.

Every buyer wants a bargain, and sellers want to achieve maximum value, so finding common ground which satisfies both parties is important. An independent business valuation will help you accomplish that.

While your historical profitability should be easy to establish, it will need to be adjusted to determine a maintainable which can be sustained going forwards.

Subjective elements will also come into play, including:

- Your company's reputation
- The strength of your management team
- Good customer and supplier relationships

Value will also be affected by:

- The robustness of forecast growth
- Recent deals in the sector
- Market and economic conditions

Usually, an earnings-based valuation approach, which assumes that the business value lies in its ability to generate returns in the future, is undertaken.

By removing non-recurring costs, the profitability of the business as a going concern can be calculated. Simplistically, an earnings before interest, tax, depreciation and amortisation (EBITDA) figure would be calculated and then multiplied to give a company valuation.

Multiples reflect the market's view on risk and future growth prospects; typically varying from 3x for a small business with low barriers to entry to in excess of 10x for fast growing business with intellectual property. Multiples are maximised where a buyer sees strong strategic fit.

If you would like support regarding the valuation of your business, or any other stage of the sale process, get in touch with our Corporate Finance experts.



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