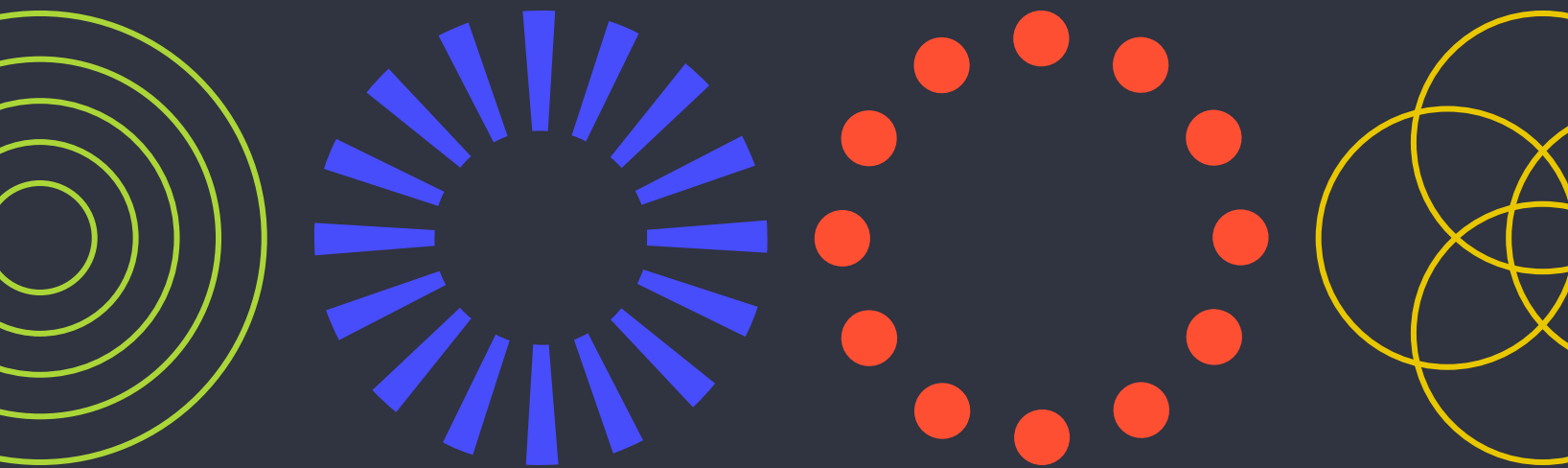


How to Value an SME—Part 1

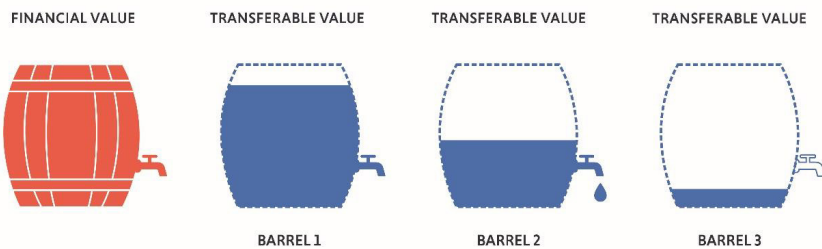


How to Value an SME—Part 1

There Are Two Elements to Consider When Valuing an SME:

- Transferable Value
- Financial Value

Transferable Value



Transferable value is what a business is worth to a buyer without its previous owner. In other words, it is determined by how well the business runs without that owner. If the owner is responsible for 90% of the sales, what will happen when they leave? In this article we'll look at some key areas that buyers will look for to determine how attractive your business really is to potential buyers.

Transferable value should also not be confused with profit. Irrespective if a business generates millions of pounds of profit each year, it does not necessarily mean it has transferable value.

Unfortunately, business owners aren't always aware that transferable value is more than a formula involving multiples of earnings, revenue, or about discounted future cash flows. To work out how much transferable value is in your business, imagine you go on holiday for three to six months, leaving your mobile phone and laptop in the office. What would happen?

- How would your business perform without you?
- Would your business be able to continue with minimal disruption to its cash flow?
- Who would be responsible for running the business?
- Would the business improve?
- What weaknesses in the business would start to show?

To find out more about how to exit your business successfully please visit www.businessbydesign.co.uk.



In the hustle and bustle of running a business it is very easy to take your eye off the ultimate end goal – successfully exiting your business. Keep focused and do not be afraid to ask for help.

Would you like to make sure your business is ready for sale? Learn more about how we can assist you. Please contact Cliff at Business By Design for a free confidential phone call to see how we can assist you.



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