Understanding the value of your business

The valuation of a business can be a complex - and sometimes stressful - experience. Many business owners have an inflated idea of the value of their company – which is often a different value than potential successors or buyers expect.

To better determine a company’s value, numerous factors must be considered, including the diversity of company, industry and individual business performance. While valuation is not an exact science, it can be helpful to use an unbiased, licensed exit planning professional to help owners reach a realistic number.

**Valuation Decision Factors**

If inquiring into the valuation of your business is a step in the right direction, there are some typical factors that have direct bearing on the outcome. These factors include:

1. The degree that business appears to rely on the directors and owners

2. The level of investment on R&D (Research and Development) that may lift future profits

3. The existence of long-term customer contracts

4. The quality and loyalty of the customer database

5. The prospects for growth of the product range

6. The level of brand recognition in the current marketplace

7. The extent that the business retains an identifiable competitive advantage

8. The sophistication of its internal systems

9. The historical trend of sales and profits

10. Competitive or industry trends that may impact future profitability

Predicting and understanding the possibility for future profits is the most important factor for a buyer. As a seller, it is more likely that you will obtain the right price if you can demonstrate the potential for future profitability by having a well-developed business strategy and financial performance showing strong and steady growth.

To understand the inherent value of a business, a proper assessment of these and other factors will be necessary. While it may be surprising when a business is valued lower than expected, learning this information early enough will offer important tools and opportunities to make important changes to create the business value you desire.

Ascend Business Partners helps business owners understand the value of their business today, and to identify the “value gap” which represents the difference between what their business is actually worth and what they need it to be worth.

For insights into the factors affecting the value of your business, use our free online business value attractiveness assessment tool which you can find at [here](http://ascendpartners.com.au/#syb), or [Contact us](http://ascendpartners.com.au/contact/) today to help us help you get the best value for your business!