



PUTTING A VALUE ON YOUR BUSINESS

If you are planning to sell your business one of the most fundamental things you will need to know is what your business is worth.

Ultimately, your business is worth what a buyer is prepared to pay for it and what you will agree to sell it for. But to make sure that you attract the right buyers, as well as achieving a price that represents a fair return for the work you have put into your business, it is imperative that you have a clear and accurate idea of what your business is worth and set a price based on this knowledge.

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1

WORK WITH PROFESSIONALS

To ensure you have the most accurate information about the value of your business this work should be carried out by a professional.

Under the Real Estate Agents Act 2008, agents are required to appraise a business for sale before entering into an agency agreement to sell it. To enable them to do this you will be required to provide a range of financial information about your company.

An appraisal is different from a valuation but uses similar methodologies. In preparing an appraisal, a business broker will use various methods to establish a value for the business and often the range at which offers are likely to be received from would-be purchasers. A range is relevant because every business buyer has a different motivation and it is important for sellers to understand this.

A potential buyer's assessment of the value of a business will be based on what they plan to do with it, whereas the role of a business broker acting on behalf of the vendor is to seek out the buyer who will be willing to acquire the business sometimes might not be highest value but best terms & value.

2

EXPERT CALCULATION

Business valuation is a mix of art and science. There are several approaches used in valuation methodologies by the New Zealand Institute of Valuers and there are many opinions on how a business should be valued.

These can include calculating a net value of your business assets plus a 'goodwill' payment for any intangibles such as loyal staff and customers, intellectual property, a good location and systems.

A market value approach would involve looking at recent sale prices for similar businesses; while firms in some industries can be valued by multiplying earnings by an industry-specific 'profit multiplier' to understand the expected cashflow and value of the business.

Bayleys business broking specialists will consider a range of approaches and methods – and related hybrids – to arrive at an assessment of what a business is worth and the range in values we think buyers will work within.

3

SELL WITH CONFIDENCE

We would then present the appraisal to you for consideration, discuss our findings and come to an agreement on the value of the business and the possible range within which it may sell. At this time we would also present a proposal on how we would take the business to market, including all aspects of marketing and promotion if appropriate.

We would also discuss any aspects regarding the readiness of the business for sale and when would be the best time to start marketing the business.

Having a professional on your side, to provide you with a clear idea of the value of your business, will give you the confidence that you are on track for a successful and profitable sale of the business you have worked so hard to build up.

Contact one of our specialist business brokers for an informed and timely take on the market and how we can achieve a great result for you.

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