

What's My Business Worth? Understanding Valuation Basics

Selling your business is one of the most significant financial decisions you'll ever make. Whether you're ready to exit now or planning for the future, understanding the true value of your business is a critical first step.

1. Why Business Valuation Matters

A business valuation provides a clear picture of your company's worth in the current market. It helps: - Set a realistic asking price - Identify strengths and areas for improvement - Justify the price to potential buyers - Plan for retirement, succession, or reinvestment

2. Common Valuation Methods

Different industries and business types require different valuation approaches. Here are the most common methods:

a. Seller's Discretionary Earnings (SDE) Multiple

Often used for small to mid-sized businesses. SDE is the company's profit before interest, taxes, depreciation, and amortization, plus the owner's salary and discretionary expenses.

b. EBITDA Multiple

Used for larger businesses. EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) gives a clearer picture of profitability and is favored by institutional buyers.

c. Asset-Based Valuation

This method values your business based on the net value of its assets minus liabilities. Often used when a business has significant physical assets or in liquidation scenarios.

d. Revenue Multiples

This approach applies a multiple to your annual revenue, depending on the industry and growth potential. Often used for tech, SaaS, and service-based businesses.

3. Factors That Influence Your Business Value

Buyers don't just look at numbers. These non-financial factors can also raise or lower your valuation:

- **Years in operation** and business reputation
- **Client concentration** (diversified client base is better)
- **Owner involvement** (less reliance on owner increases value)
- **Recurring revenue** and growth trends
- **Industry health** and competition

- **Licensing, trademarks**, or proprietary technology
 - **Quality of financial records**
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4. Ways to Increase Your Business Value Before Selling

- Organize clean, up-to-date financials
 - Minimize owner dependency
 - Strengthen your management team
 - Diversify your client base and revenue streams
 - Reduce debt and unnecessary expenses
 - Build recurring revenue where possible
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5. Getting a Professional Valuation

A certified business broker or appraiser can provide a formal valuation report. This adds credibility when listing your business and negotiating with buyers. At *Eric Sell My Business*, we offer complimentary valuation consultations to help you get started with confidence.

Conclusion

Your business is more than just numbers on a balance sheet — it's the result of your hard work and vision. Knowing its value empowers you to make smarter decisions about your future.

Ready to find out what your business is worth? Schedule a no-obligation consultation with our team today.

Eric Sell My Business
Expert Brokerage for Owner-Focused Success