

DO YOU KNOW THE MARKET VALUE OF YOUR BUSINESS?

A potential seller client called in frustration last month. He had a party interested in buying his business, and every time he raised his price the buyer said OK.

He painted himself in a corner by pricing his business too low.

This seller was like most sellers: He didn't know the market value of his business. He could have voided a lot of anxiety by finding the market value *before* discussing price with the buyer.

The typical seller may know the current value of equipment and working capital, but these tangible assets are likely to be a fraction of the total value of a successful business.

If you, as a seller, don't know the market value of your business, chances are that you will price it too high or too low. Either one has bad results for you. Too low, you leave money on the table. Too

high, it doesn't sell, or it becomes shopworn, and you end up selling it much later at a bargain price.

How do you find out the market value of your business? You get an appraisal from a qualified appraiser. Or, you get an evaluation from your intermediary.

In selecting an appraiser, don't be concerned about format and formulas as probate courts and the IRS are. Be concerned about, "How does a buyer evaluate a business?" and "What price is a buyer likely to pay for my particular business?"

When you get your appraisal report, challenge the assumptions in it. Make sure the evaluator developed it from the buyer's prospective.

If you are thinking of selling, the first step is to find out the market value of your business. Do this *before* you commit to beginning the selling process.

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