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- **SELECTED SOLD**
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- **OPINIONS COUNT WHEN ESTABLISHING BUSINESS VALUE**

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OPINIONS COUNT WHEN ESTABLISHING BUSINESS VALUE



by Brad Bottoset
BTI Group



Every business owner has one question they want answered when meeting a Business Broker for the first time. After barely exchanging handshakes, the first thing asked is, "What is my business worth?" The short answer is, "Your business is only worth what someone is willing to pay you and what you're willing to accept." The long answer is a lot more complicated.

One of the most interesting valuation methods I've seen was proposed by "John", a well-known local restaurant operator who, wanting to retire, was interested in selling the eatery that had been in his family for two generations.

John was absolutely convinced that his business was worth a certain amount because of the days of the week and the hours he was open. John felt that the value of his business was linked to his being open 12 hours a day, six days a week. He felt that his business was worth more by not being open a seventh day. Unfortunately, no consideration was given to the revenues and profitability that could have been generated on the extra day.

Entire books have been written about valuation, and so many variables are involved (and many of them subjective) that different "experts" looking at the same company could formulate different recommendations.

Since the value ultimately will depend on both the buyer and seller agreeing on a price, one of the most effective methods is known as "cash flow." Start by allowing the seller to paint a picture of his business' true profitability. Buyers typically are comfortable with this method because, at the end of the day, although they are buying a company, what they really are buying is its cash flow.

With an understanding of a business' actual cash flow, different multipliers can be applied to determine a fair market range of value for the business. Multipliers vary depending upon the type of business. For example, a manufacturing facility likely would have a higher multiplier than a service business. Of course, many other factors can affect the multiplier. For example, new products in the pipeline, strong market share and a diversified customer base (i.e., no one customer represents more than 10 percent of sales) can positively affect the multiplier. Conversely, outdated inventory, declining market share and the risk that key personnel could leave the business and disrupt operations could have a negative impact.

You'll notice that this method contains no mention of assets -- furniture, fixtures, equipment and inventory -- having a role in the valuation of a business. That's because while those items contribute to establishing cash flow, they -- by themselves -- have limited value.

That is a concept that is quite troubling for many business owners and one we'll discuss in greater detail in a future column. Assets *are* considered when a business is being sold under less-than-ideal conditions, such as when the company has no profits or cash flow. In those cases, assets would be used to determine the value of the business.

Problems then arise in establishing the worth of those items. Typically, buyers usually aren't interested in buying these businesses because the seller already has proven that the company hasn't made a profit.

About Brad Bottoset

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Professional Affiliations:

Background/Experience:

Brad is a graduate from the University of Windsor and his 25 year career has included management positions in manufacturing, sales and marketing in both the United States and Canada. He has successfully brokered business transactions ranging from daycares to trucking companies, contractors to nationally recognized franchises. Brad is certified to provide ExiTrak services, an innovative method that prepares companies for a Strategic sale. He has worked directly with the State of Nevada Real Estate Division to develop the guidelines and tests to be accredited as a Licensed Business Broker in Nevada and is a founding Director of the Nevada Business Brokers Association whose

fundamental goal is to raise the professionalism of Business Brokers in the State. Brad is a licensed Business and Real Estate Broker in Nevada.

[For more selected opportunities, click here](#)

Selected Available Opportunities

230 Businesses Available



[MEAT WHOLESALER - SALES 25MM+](#)

Listing #:8338
Category:Wholesale & Distribution
Location:Northern California

Gross Sales:
\$29,512,250

Adjusted Earnings:
\$1,842,812

Asking Price:
N/A

 [Details](#)



[Profitable, Landmark Power Sport Dealership](#)

Listing #:NV2536
Category:Miscellaneous
Location:Reno

Gross Sales:
\$15,141,905

Adjusted Earnings:
\$1,275,360

Asking Price:
\$5,475,000

 [Details](#)



[Growing Pawn Business \\$1.80MM Inv. Included!](#)

Listing #:7882
Category:Miscellaneous
Location:San Francisco

Gross Sales:
\$4,390,766

Adjusted Earnings:
\$467,000

Asking Price:
\$2,000,000

 [Details](#)



[Established Window Covering Business](#)

Listing #:SF1081
Category:Business (or Biz to Biz)
Location:Northern California

Gross Sales:
\$4,268,373

Adjusted Earnings:
\$855,614

Asking Price:
\$2,395,000

 [Details](#)



[Expanding Commercial Truck Body & Paint](#)

Listing #:SF1028
Category:Unspecified
Location:Northern California

Gross Sales:
\$4,262,605

Adjusted Earnings:
\$654,977

Asking Price:
\$2,500,000

 [Details](#)



**Ceramic Parts Mfg.-
Nets \$1.2million**

Listing #:SA3949
 Category:Manufacturing
 Location:Northern California

Gross Sales:
\$3,767,670

Adjusted
Earnings:
\$1,156,382

Asking Price:
N/A

[Details](#)



**POPULAR ASIAN
SUPERMARKET IN EAST
BAY**

Listing #:8555
 Category:Markets & C-Stores
 Location:East Bay

Gross Sales:
\$3,010,208

Adjusted
Earnings:
\$244,911

Asking Price:
\$875,000

[Details](#)



**Established Mental
Health Treatment
Center**

Listing #:SA3990
 Category:Health and Medical
 Location:Northern California

Gross Sales:
\$2,919,332

Adjusted
Earnings:
\$977,684

Asking Price:
\$2,495,000

[Details](#)



**Industrial Painting
company, \$760K cash
flow!**

Listing #:8567
 Category:Business (or Biz to Biz)
 Location:South Bay

Gross Sales:
\$2,735,696

Adjusted
Earnings:
\$765,300

Asking Price:
\$2,700,000

[Details](#)



Retail Tires & Service

Listing #:8570
 Category:Tire Stores
 Location:Sacramento

Gross Sales:
\$2,728,569

Adjusted
Earnings:
\$415,139

Asking Price:
\$1,250,000

[Details](#)



**Exceptional Building
Products Supplier**

Listing #:SF9956
 Category:Building and Construction
 Location:East Bay

Gross Sales:
\$2,652,948

Adjusted
Earnings:
\$602,574

Asking Price:
\$1,250,000

[Details](#)



**TIRES & SERVICE
FRANCHISE**

Listing #:8569
 Category:Tire Stores
 Location:Peninsula

Gross Sales:
\$2,586,505

Adjusted
Earnings:
\$384,483

Asking Price:
\$1,500,000

[Details](#)



**Profitable Silicon
Wafer Production**

Listing #:8579
 Category:High Tech
 Location:East Bay

Gross Sales:
\$2,485,172

Adjusted
Earnings:
\$279,597

Asking Price:
\$1,500,000

[Details](#)



[Tile & Stone Importer, Retailer & Wholesaler](#)

Listing #:8593
 Category:Wholesale & Distribution
 Location:Northern California

Gross Sales:
\$2,348,997

Adjusted Earnings:
\$671,701

Asking Price:
\$1,750,000

[Details](#)



[Busy Garden Maintenance & Installation Service](#)

Listing #:8524
 Category:Professional
 Location:South Bay

Gross Sales:
\$2,235,656

Adjusted Earnings:
\$424,130

Asking Price:
\$800,000

[Details](#)



[School for Mentally Disabled - Highly Profitable](#)

Listing #:SA3961
 Category:Education and Day Care
 Location:Northern California

Gross Sales:
\$2,137,600

Adjusted Earnings:
\$349,308

Asking Price:
\$1,250,000

[Details](#)



[POPULAR EAST BAY SPORTS BAR](#)

Listing #:8522
 Category:Food and Beverage
 Location:East Bay

Gross Sales:
\$2,038,078

Adjusted Earnings:
\$151,997

Asking Price:
\$1,925,000

[Details](#)



[High Growth Caterer in Northern California](#)

Listing #:SF1092
 Category:Catering
 Location:Northern California

Gross Sales:
\$1,816,963

Adjusted Earnings:
\$428,958

Asking Price:
\$1,900,000

[Details](#)



[Tree Service Business with increasing cash flow!](#)

Listing #:8587
 Category:Building and Construction
 Location:Northern California

Gross Sales:
\$1,887,856

Adjusted Earnings:
\$1,239,995

Asking Price:
\$2,300,000

[Details](#)



[Luxury Home Construction/Remodeling](#)

Listing #:8568
 Category:Building and Construction
 Location:Peninsula

Gross Sales:
\$1,999,799

Adjusted Earnings:
\$598,839

Asking Price:
\$375,000

[Details](#)



[Best-of-Breed Bay Area Electrical Contractor](#)

Listing #:SF1079
 Category:Building and Construction
 Location:East Bay

Gross Sales:
\$1,809,408

Adjusted Earnings:
\$99,302

Asking Price:
N/A

[Details](#)



Gas Station, 3000 Sq. Ft Market with Real Estate

Listing #:8550
 Category:Gas stations
 Location:Northern California

Gross Sales:
 \$1,760,877

Adjusted Earnings:
 \$0

Asking Price:
 \$2,000,000

[Details](#)



Tire Store Franchise

Listing #:8564
 Category:Tire Stores
 Location:Central Valley

Gross Sales:
 \$1,759,359

Adjusted Earnings:
 \$224,054

Asking Price:
 \$475,000

[Details](#)



TIRE STORE FRANCHISE

Listing #:8584
 Category:Tire Stores
 Location:Sacramento

Gross Sales:
 \$1,625,530

Adjusted Earnings:
 \$222,027

Asking Price:
 \$595,000

[Details](#)



Price Reduced: Food Manufacturing - \$1.5 Revenue

Listing #:8517
 Category:Miscellaneous
 Location:Central Valley

Gross Sales:
 \$1,540,221

Adjusted Earnings:
 \$0

Asking Price:
 \$750,000

[Details](#)



Surplus Store

Listing #:NV2533
 Category:Retail
 Location:Nevada

Gross Sales:
 \$1,510,017

Adjusted Earnings:
 \$134,699

Asking Price:
 \$90,000

[Details](#)



Leader in 3rd Party Logistics - \$1.4M Revenue!

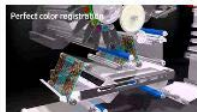
Listing #:SF1091
 Category:Wholesale & Distribution
 Location:East Bay

Gross Sales:
 \$1,452,299

Adjusted Earnings:
 \$127,401

Asking Price:
 \$250,000

[Details](#)



\$437K SDE - SBA Approved Real Prop. Available

Listing #:PH3911
 Category:Publishing, Printing and Graphic Arts
 Location:East Bay

Gross Sales:
 \$1,391,808

Adjusted Earnings:
 \$437,482

Asking Price:
 \$1,395,000

[Details](#)

Recently Sold

[Contact us for details](#)

Industry	Purchase Price	Industry	Purchase Price
Online Retailer	\$8,000,000	E-Commerce Fashion	\$4,100,00

		Boutique	
Manufacturing Company	\$2,325,000	Marble and Tile Retail	\$1,439,869
		Building Maintenance	\$2,350,000
Catering	\$2,350,000	Collection Agency	\$2,250,000
Manufacturing of Proprietary Metal Products	\$2,325,000	Brewery	\$2,152,500
Collection Agency	\$2,250,000	Farm produce wholesale distribution	\$1,830,000
Manufacturing of Proprietary Metal Products	\$2,250,000	Mexican Restaurant	\$1,337,500
Machine Shop	\$1,900,000	Preschool	\$1,300,000
Market	\$1,850,000	Cell Tower Construction	\$1,250,000
E-Waste Recycling	\$1,300,000	Restaurant	\$1,136,000
Electronic Manufacturing Service	\$1,830,000	Landscape Material Manufacturer	\$895,000
Preschool	\$1,140,000	Staffing Agency	\$800,000
Engineering Consultants	\$900,000	Printing Service	\$800,000
Glass & Screen Center	\$860,000	Laundry Service	\$630,000
Glass & Shower Door Retail and Installation	\$800,000	Physical Therapy	\$590,000
		Air Compressor, Sales	\$756,000
Gas Station	\$795,000	Wholesaler of Promotional Product	\$523,541
Retail Tires and Service	\$600,000	Oil Change Service	\$500,000
Limousine Service	\$575,000	Baking Company	\$490,000
Wholesaler of Promotional Product	\$523,541	Retail Tires and Service	\$475,000
Steel Fabricators	\$500,000	Laboratory	\$450,000
Direct Mail Advertising	\$475,000	Printing Service	\$450,000
Property Management	\$462,000	Market & Cafe	\$410,000
Moving and Storage Company	\$450,000	Flooring Installation and Retail	\$380,000
Environmental Laboratories	\$440,000	Restaurant	\$335,000
Vitamin & Nutrition Store	\$405,000	Restaurant & Lounge	\$325,000
On-Line Music Retail	\$340,000	Computer Service	\$325,000
Flowers Retail	\$325,000	Cabinets and Construction	\$320,000
After School Education	\$325,000	Music School	\$315,000
Pet Store	\$325,000	Auto Service Franchise	\$295,000
Brewery	\$315,000	Mortgage Loans	\$275,000
Motorsports Dealership	\$311,075	Copy, Print, and Ship Center	\$246,500
Real Estate Agency	\$275,000	Cocktail Lounge	\$235,000
Bike Shop	\$263,000	Edible Arrangements	\$225,000
Tire Company	\$245,000	Coffeehouse	\$210,000
Hearing Aid Center	\$225,000	E-Waste Recycling	\$200,000
Closet Installation & Retail	\$213,000	Café	\$190,000
Auto Center	\$201,600	Deli Franchise	\$175,000

Night Club	\$195,000	Gently Used Designer Clothing	\$170,000
Italian Restaurant	\$180,000	Restaurant	\$150,000
American Sports Pub	\$173,000	Precision Machine Shop	\$150,000
Health Foods	\$153,000	Bar & Eatery	\$147,500
Home Care	\$150,000	Greenery	\$140,000
Massage & Bodywork	\$150,000	Benjamin Moore Paint Store	\$140,000
Cabinet & Door Hardware, Fixtures	\$140,000	Cafe	\$129,000
Motorsports Dealership	\$140,000	Fitness Studio	\$125,000
Mexican Grill	\$130,000	Pet Resort	\$120,000
Cafe	\$129,000	Bakery	\$120,000
Restaurant	\$125,000	Breakfast Restaurant	\$119,000
Cafe	\$120,000	Burger Restaurant	\$110,500
Home Cleaning Service	\$120,000	Cafe	\$105,000
Restaurant	\$115,000	Cafe	\$99,000
Sandwich Shop	\$75,000	Lube & Auto Repair	\$30,000

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