sell ready course

NORTH KENDRICK

FREE LIVE TRAINING

# Know your number

*How buyers value a business, and where yours lands*

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YOUR HOST

## Briana Berg

Founder of North Kendrick, Certified Exit Planning Advisor (CEPA) and Certified Valuation Analyst (CVA), helping owners sell confidently on their terms.

A serial entrepreneur with several exits of her own.

NORTH KENDRICK

Business valuation, market assessment and exit planning for owners preparing to sell.



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TODAY

## What you'll walk away knowing

| | | |
|---|---|---|
| 01 | **How buyers put a number on a business** | The three valuation approaches, which one fits you, and how to calculate your SDE |
| 02 | **Why the same profit can sell for different dollar amounts** | What makes a business transferable, and why buyers pay more for it |
| 03 | **Where your business lands today** | Your estimated value, your value opportunity, and the gap to the number you need |
| Q&A | **Your questions and a free tool** | Scan the QR code to get your own value estimate |



DROP IT IN THE CHAT

# Do you have any idea what your business is worth today?

*And how do you know?*

Type your number and where it came from: a gut feeling, a rule of thumb, a friend's sale, an appraisal. Or just "no idea."

PART 01 · HOW A BUSINESS IS VALUED

# Your business is worth what a buyer will pay. *There are three ways to get there.*

Every valuation starts with the same three questions.



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THE THREE APPROACHES

## Three questions a valuation answers

01

### Income

**What will it earn?**

Turns the cash flow a buyer expects into a value today, adjusted for how risky those earnings are.

02

### Market

**What have similar businesses sold for?**

Applies multiples from comparable sales in your industry to your profit or revenue.

03

### Asset

**What does it own?**

The fair market value of what the business owns, minus what it owes. Often the floor on value.



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WHICH APPROACH FITS WHICH BUSINESS

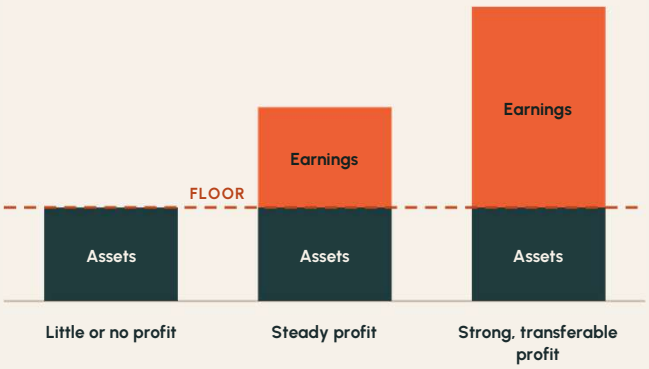
# The type of business decides the method

| APPROACH | USUALLY WEIGHTED MOST WHEN… | EXAMPLES |
|---|---|---|
| **Income** | A buyer is paying for future cash flow, or buying you unlocks strategic value | Service firms, recurring-revenue businesses, manufacturers with contracts, businesses that recently expanded or added a product line |
| **Market** | Plenty of similar businesses have sold, so there is good comparable data | Main Street businesses: trades and HVAC, dental and vet practices, agencies, restaurants, franchises |
| **Asset** | The business owns a lot, earns little, or is winding down | Holding and real estate companies, equipment-heavy construction or trucking, businesses with weak earnings |



HOW THE THREE APPROACHES FIT TOGETHER

# Assets set the floor. Earnings build what's above it.




**Asset approach: the floor**
What the business owns, minus what it owes.

**Income and market: everything above**
What a buyer pays for profit they expect to keep earning.

NO PROFIT, NO PREMIUM
Without earnings, a buyer pays for the assets and nothing more.

HOW MOST OWNER-RUN BUSINESSES ARE PRICED

# Earnings × a multiple

**PROFIT MULTIPLE**

## 2.6× – 6.3×

Applied to normalized profit (SDE for smaller owner-run companies, EBITDA for larger ones). The most common way businesses trade.

**REVENUE MULTIPLE**

## 0.6× – 1.6×

Applied to sales. Can fit a fast-growing business that is spending to grow, if you can show where the money went.

*Notice the spread. Where you land in it is the whole game.*

Example: Business & Professional Services, low to high. CapitalIQ and ValuSource market comps, U.S. deals 2012–2022.



THE EARNINGS IN "EARNINGS × A MULTIPLE"

# How to calculate your SDE

| | |
|---|---|
| **Net profit** | The bottom line of your P&L |
| **+ Interest** | On business loans and lines of credit |
| **+ Taxes** | Income taxes paid by the business |
| **+ Depreciation & amortization** | Non-cash expenses on your P&L |
| **= EBITDA** | How larger companies are measured |
| **+ Owner's pay and benefits** | One owner's salary, payroll taxes, health insurance, retirement |
| **= SDE** | Seller's discretionary earnings |

SDE is the total cash the business produces for one owner-operator.

**FOR THE ASSESSMENT**
**Enter your SDE as your profit.**

PART 02 · TRANSFERABLE AND SELLABLE

# Two businesses with the same profit can sell for *very different prices.*

The difference is how easily the business moves to a new owner.



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SAME PROFIT, DIFFERENT PRICE

## Two firms, each earning $150,000

OWNER-DEPENDENT

$150,000 × 2.59

**$388,500**

Low end of the range

TRANSFERABLE

$150,000 × 6.31

**$946,500**

High end of the range

*A $558,000 difference, on identical profit.*

Illustration using the Business & Professional Services profit multiples: 2.59× low, 6.31× high.

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WHAT MAKES A BUSINESS TRANSFERABLE

# Can it run, and grow, without you?

### Financials
**The lifeline of your business**

Clean books, known margins, a cash flow forecast

### Sales
**Your ability to control revenue**

Recurring or contracted revenue, not just your relationships

### Marketing
**Your predictable growth engine**

Leads that keep coming whether or not you are in the room

### Leadership
**The heart of your business**

A team that makes decisions without you

### Recruiting
**The quality of talent you keep**

Good people who stay, and a way to bring on more

### Productivity
**Your guardrails for scale**

Documented or designated systems; nothing lives only in your head



PART 03 · YOUR RANGE AND YOUR GAP

# Every business sits somewhere on a range. *Your health decides where.*

Here is how we turn that into a number.

THE VALUE EQUATION

## How the assessment estimates your value

| PROFIT | | HIGH MULTIPLE | | HEALTH SCORE | | ESTIMATED VALUE |
|---|---|---|---|---|---|---|
| $150,000 | × | 6.31 | × | 37.5% | = | $354,938 |

**The multiple**

The top of your industry's range: what the best-run businesses like yours sell for.

**The health score**

How you score across the six areas. This example earned 45 of 120 points.



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YOUR PLACE ON THE RANGE

## The value already sitting in your business

TODAY · 37.5% HEALTH
**$354,938**

AT 100% HEALTH
**$946,500**



**$591,563 value opportunity**

without growing another dollar of revenue



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KNOW YOUR GAP

# Your freedom point vs. what it's worth today

VALUE OPPORTUNITY What your **business** could be worth

FREEDOM POINT What **you** need it to be worth

| WHAT YOU NEED | | WHAT IT'S WORTH TODAY | | YOUR FREEDOM GAP |
|---|---|---|---|---|
| $ _____ | – | $ _____ | = | $ _____ |
| Your freedom point | | Your estimated value | | What you need to build |

**Your freedom point**

When you can sell for enough to fully fund what's next, after taxes, fees, debts and other expenses.

**Don't forget**

Debt is usually yours to pay off at the sale, and you typically keep the operating cash on hand.



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DROP IT IN THE CHAT

# Which area is your biggest gap?

Financials, Sales, Marketing, Leadership, Recruiting or Productivity.

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FREE BUSINESS ASSESSMENT

# Get your number, *and see your gap.*

- An estimate of what your business is worth
- Your value multiplier for your industry
- Your health score across the six key areas
- Your value opportunity: what closing the gaps could be worth

TAKE IT FREE

## Business Health & Value Assessment

Scan with your phone camera

An estimate for planning, not a formal valuation.

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DROP YOUR QUESTIONS IN THE CHAT

# Questions?

www.northkendrick.com

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