BROADSTONE ADVISORS

Succession & Continuity Planning

Do You Know What Your Business Is Worth?

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If you own a successful business, chances are you've received the call.

A business broker, private equity firm, or strategic buyer reaches out with interest in your company. Maybe it's a phone call or email. Sometimes the conversation progresses quickly enough that an initial indication of value—or even a letter of intent—is put in front of you.

The number can get your attention.

But before reacting to someone else's number, there is a more important question:

Do you know what your business is actually worth?

Most owners know their revenue, profitability, backlog, equipment values, and what they expect the business to produce this year. But many don't actually know what their business is worth, what is driving that value, or whether the business will ultimately provide what they need and want personally.

For many successful owners, the business represents their largest financial asset and decades of their life's work.

Understanding its value shouldn't begin when someone else offers to buy it.

Know Your Number Before Someone Gives You Theirs

A prospective buyer has a process.

They will evaluate your financial performance, normalize earnings, examine customer concentration, assess your management team, evaluate how dependent the company is on you, and conduct extensive due diligence.

If the process moves forward, a Quality of Earnings analysis may take a deeper look at the sustainability of the company's earnings and the assumptions underlying the initial offer.

That doesn't mean the buyer is doing anything wrong. **They are doing their homework.**

The owner should have a process too.

An initial offer or letter of intent is not the same thing as knowing what your business is worth. It is the beginning of a negotiation.

Before entering that negotiation, you should understand your company's value, what is driving it, where vulnerabilities exist, and what would need to be true for a transaction to make sense for you.

When the time comes to negotiate the value of your life's work, confidence shouldn't come from hoping the buyer's number is fair.

It should come from having done your homework first.

What Is Driving—or Constraining—Your Value?

Revenue and profitability matter, but they only tell part of the story.

Two companies with similar revenue and earnings can have very different values based on the quality and sustainability of those earnings.

Customer concentration, recurring revenue, margins, competitive position, growth prospects, financial reporting, systems and processes, management depth, and other operational factors can all influence enterprise value.

Understanding your current value establishes a baseline.

Understanding why the business is worth what it is gives you something you can act on.

It allows you to begin identifying the gap between what your business may be worth today and what it could potentially be worth if key value drivers were strengthened.

How Dependent Is the Business on You?

For many owners, one of the biggest constraints on value is also one of the reasons the company became successful in the first place:

The owner.

You built the relationships. You know the customers. You make the important decisions. You solve the difficult problems. You understand the financials. You know which jobs to pursue and which ones to walk away from.

That involvement can be an enormous strength—until the business cannot function at the same level without it.

Consider a simple question:

What would happen if you stepped away from the business for six months?

Who maintains your most important customer relationships? Who drives new business? Who makes major operational decisions? Who develops the next generation of leaders?

If too many of those answers point back to you, the company may generate significant income while still being heavily dependent on its owner.

Reducing that dependency isn't just about preparing for a sale. It can create a stronger business today and greater flexibility for the owner tomorrow.

Is Your Team Aligned Around Where You're Going?

A strong business also requires a capable and aligned team.

As companies grow, responsibility increasingly shifts to other owners, executives, and key employees. Those individuals don't need to agree on everything, but they should share an understanding of where the company is going and what matters most.

Are the owners aligned on the future of the business? Does leadership understand the priorities? Is everyone working toward the same definition of success?

Differences around growth, reinvestment, distributions, leadership, succession, and risk may not seem significant when business is good. Over time, however, misalignment can constrain growth, create dependency, and ultimately affect value.

What Do You Need the Business to Do for You?

This may be the most important question of all.

Owners spend decades thinking about what the business needs from them.

Far fewer stop to define *what they eventually need and want from the business.*

Maybe you want to sell someday. Maybe you want to transition ownership to your children or key employees. Maybe you want to retain ownership but step away from daily operations. Or maybe you have no intention of going anywhere for another 20 years.

There is no single right answer.

The goal isn't necessarily to have an exit plan. The goal is to have options.

Once you define what you want personally, the value of the business takes on greater meaning.

If your business is worth $10 million today, is $10 million enough to accomplish what you want?

If you want to step away from daily operations in ten years, are you developing the leadership team today that will allow you to do it?

If your children are expected to become the next generation of owners, are they prepared—and do they want that responsibility?

If you never sell the company, are you intentionally building enough wealth outside of it?

These questions begin to define the gap between *where your business is today and where it needs to be.*

Know Your Value. Understand Your Opportunity.

Knowing what your business is worth isn't about putting a "For Sale" sign on the company.

It's about understanding what you've built, what is driving its value, what may be holding it back, and whether the business you're building is capable of ultimately providing what you want from it.

And if an unexpected opportunity does arrive, you'll be approaching the conversation from a position of knowledge rather than reacting to someone else's number.

The value of knowing what your business is worth isn't simply knowing the number. It's knowing what to do next.

What Could Your Business Be Worth?

Broadstone Advisors is offering business owners a **complimentary Business Value Assessment** designed to help estimate your company's current enterprise value, identify its potential value, and better understand the gap between the two.

The assessment also evaluates the operational and market factors influencing value—including areas such as owner dependency and organizational alignment—to help identify opportunities to strengthen the business and create greater flexibility for the future.

You don't need to be considering a sale or transition. The objective is to better understand what you've built, what it could become, and whether the business is positioned to ultimately provide what you need and want from it.

Interested in learning more?

Scan the QR code or visit broadstoneadvisors.com/request-your-complimentary-business-value-assessment/ to submit your contact information. A member of the Broadstone Advisors team will reach out to discuss your complimentary Business Value Assessment.

Request Your Complimentary Business Value Assessment

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