

# IDENTIFY YOUR BUYER & WHAT THEY VALUE

## Sell Your Business 101 #VRVALUE

Buyers of businesses often use different levels of company earnings to define what price they are willing to pay for a company and what parts of the company balance sheet they are buying.

Who is your buyer? What type of earnings do they use to assess value? What multiples are applied? What are they buying?

### 01 Company Earnings

Less than or equal to  
\$1,000,000



Buyer is usually an individual.

VS

Greater than  
\$1,000,000



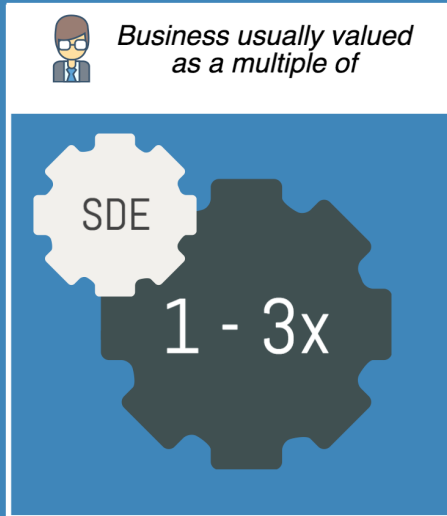
Buyer is usually a company, private investor, or private equity group.



**TOO CLOSE TO CALL? PICK THE BUYER YOU WANT TO SELL TO.**

Read on to learn what each type of buyer values.

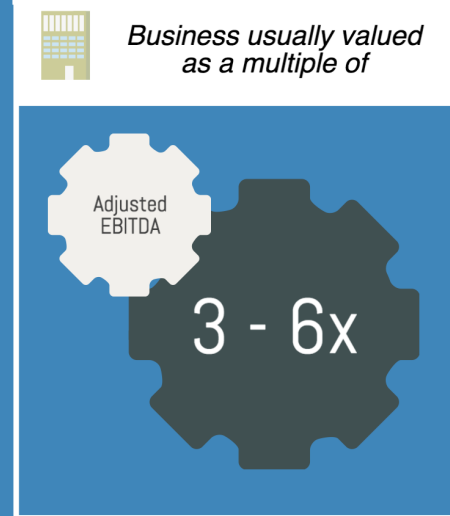
## 02 Assessment of Value



**SDE: Seller's Discretionary Earnings**

Seller's Discretionary Earnings is EBITDA plus all owner compensation and benefits.

**VS**



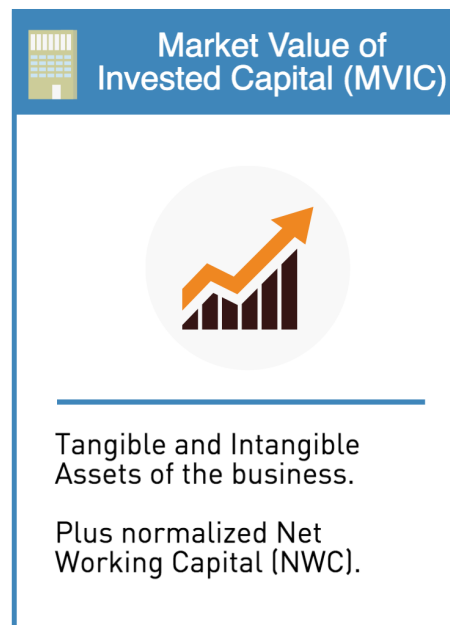
**Adjusted EBITDA**

Earnings Before Interest, Taxes, Depreciation and Amortization where the EBITDA is adjusted for unusual expenses and compensation, then normalized to align with market based benefits and compensation required to operate the business.

## 03 What is Valued?



**VS**



**NWC: Net Working Capital**

Net Working Capital is defined as current assets (accounts receivable and finished goods inventory) minus current liabilities (accounts payables, accrued expenses and other short term liabilities).