

PRICING THE DEAL: WHAT A BUSINESS IS REALLY WORTH

By: JoAnn Lombardi, President VR Business Sales / Mergers & Acquisitions

Every transaction begins and ends with the same question: what is this business actually worth? Sellers tend to price in years of hard work and sacrifice. Buyers tend to price in every risk they can imagine. The market sits somewhere in between, and the parties who understand how value is really determined are the ones who negotiate from strength.

THERE IS NO SINGLE NUMBER

A business does not have one value. It has a range, and where a specific deal lands within that range depends on the buyer, the structure, and the moment in the market. Professional valuations typically draw on three complementary approaches:

- The asset approach, which totals the fair market value of what the business owns, less what it owes, and sets a practical floor for the price.
- The income approach, which converts expected future earnings into present value based on the risk of achieving them.
- The market approach, which looks at what comparable businesses have actually sold for.

Each approach tells part of the story. A credible valuation weighs all three and explains why one deserves more emphasis than the others.

WHAT DRIVES THE MULTIPLE

Two companies with identical earnings can sell for very different prices. Buyers pay premium multiples for businesses that reduce their risk and hand them a future. The factors that consistently move the multiple include:

- Recurring revenue under contract, which a buyer can count on from the first day of ownership.
- A diversified customer base, where no single account can materially damage the business by leaving.
- Management depth, so the company runs on systems and people rather than on the owner personally.
- Clean, professionally prepared financial records that survive scrutiny during due diligence.

Sellers who strengthen these factors in the years before going to market are not just improving their business. They are directly raising its price.

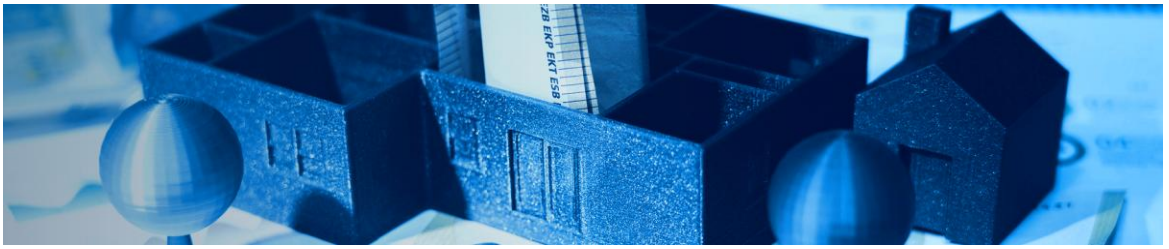


JOANN LOMBARDI
PRESIDENT

VR Business Sales
Mergers & Acquisitions

jlombardi@vrbusinessbrokers.com
954-565-1555 ext. 24

VALUED REPRESENTATION



PRICE VERSUS TERMS

Experienced dealmakers know that the headline number is only half of the equation. How and when the money is paid can matter as much as how much is paid. Structure is where valuation gaps get bridged:

- Earnouts tie part of the price to future performance, letting an optimistic seller prove the forecast rather than argue about it.
- Seller financing signals confidence in the business and can broaden the pool of qualified buyers.
- The choice between an asset sale and a stock sale can shift the tax burden significantly, changing what each side actually keeps.

The right question is never simply what the price is. It is what the seller will keep after taxes and time, and what the buyer will truly pay once every contingency is counted.

PREPARE BEFORE YOU PRICE

The most expensive valuation mistake is going to market unprepared. Overpricing drives away serious buyers and leaves a listing stale, while underpricing gives away value that took a career to build. Before setting a number, assemble at least three years of clean financial statements, document the adjustments that show the business's true earning power, and obtain a professional valuation from an advisor who works with transactions in your industry and size range.

MAKING IT WORK

Realistic pricing, thoughtful structure, and thorough preparation are the foundation of a successful sale. When both sides understand how the value was built, the negotiation becomes a discussion about facts rather than a contest of opinions, and trust develops from the beginning.

Sellers who take these steps consistently attract stronger buyers, defend their price through due diligence, and close on terms that reward the years of work behind the business.

VALUED REPRESENTATION