



Quick Tips to Increase the Value of Your Business

Highlights



Key Considerations in Business Valuation

- There are many reasons to conduct a business valuation—to prepare for a sale and to direct a strategy.
- Three main methods of valuation are based on business assets, income or the market. The best method to use depends on the need.
- The business valuation process begins with selecting an appraiser and understanding their costs. An appraiser will require a number of documents and pieces of information to create their valuation.
- Online business valuation calculators are available to provide an estimated value.
- Business valuation can be improved by focusing on the right elements for growth.

Do you know what your business is worth? It's not unusual for business owners to wait until they are considering the sale of their business before trying to put a price on it. It shouldn't be surprising then that business owners are often disappointed when they eventually have their business appraised. However, if a valuation is done well in advance of the sale of a business, there is ample time to take steps to increase its value.



The Science of Business Valuation

While there are several methods that can be used to value a business, business valuation professionals, also referred to as certified valuation analysts, typically apply one of two methods as a starting point.

Income approach. This utilizes such factors as past, current, and projected cash flow, earnings, and revenues and applies a multiplier to determine a base value. The multiplier varies depending on the type of business and the industry.

Asset approach. This approach focuses solely on the fair market value of the assets owned by the business less its liabilities.

The Art of Business Valuation

While the science of business valuation is fairly straightforward, there are typically

unique variables and intangibles that must be considered. That's where the art of business valuation comes in, which is often a subjective analysis of many factors, including the business' employees, customer base, contractual arrangements, industry trends, market position, and environmental or regulatory issues. These are factors that, at any given time, can be perceived differently by different potential buyers.

Depending on the type of business or its circumstances, some combination of methods may be applied. However, in many cases, the sale price or deal structure may be determined based on who is buying the business. For example, you are more likely to receive a higher price for your business if you sell it to a third party buyer rather than a family member.

Quick Tips to Increase the Value of Your Business

Don't Wait to Value Your Business

Even if you're not considering the sale of your business, there are several reasons why you should have your business valued sooner rather than later. For example, you can't properly fund an estate or business continuation plan if you don't know the value of your business. Also, if you seek capital from a lender or investor you will need a business valuation. Valuations can also be helpful in procuring insurance. You will also have a better idea of the specific aspects of your business you need to improve to increase its value. At the very least, it gives you a key benchmark that allows you to measure your progress as you manage and grow your business.

Steps to increase the value of your business

By understanding the key factors that go into valuing your business, you can concentrate your efforts on improving the things that will have the most immediate and visible impact on its value.

Increase Cash Flow

Cash flow is the most heavily weighted factor in determining the value of a business. Some quick ways to increase cash flow include:

- Work with a CPA or part-time CFO to review your books and operations for inefficiencies
- Partner with your bank's cash management specialist to find ways to automate your payables and receivables
- Reduce staffing costs by outsourcing non-essential functions
- Evaluate pricing and discounting approaches and invoice immediately

Approach	Method	Value is based upon...
Income	Discounted Cash Flow or Capitalized Earnings	Estimated future earnings Historical earnings
Asset	Adjusted Net Assets	Appraised value of assets and liabilities
Market	Comparable Sales or Guideline Company	Private company transactions involving similar businesses Public company stock prices

Source: The DVS Group

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Highlights (cont'd)



Top Reasons to Value Your Business

- Tax, gifts and estates
- Family/Matrimonial/Divorce
- Shareholder/corporate (buy-sell agreements, shareholder disputes, etc.)
- Economic damages/lost profits
- Exit planning/sale
- Fair value for financial reporting (FASB/ASC, compliance, etc.)
- ESOP
- Fairness Opinions
- Bankruptcy and restructuring
- Insurance coverage

Increase Revenue

Businesses with growing revenues have more value than businesses with flat revenues. Ways to increase revenue include:

- Increase customer incentives
- Update sales campaigns
- Implement an automated inbound marketing system
- Hire a business development specialist

Add Value to Your Customer Relationships

The way successful businesses increase their value is by adding value to everything they do for their customers by

- Exceeding expectations
- Offering better quality
- Increasing convenience
- Providing superior customer service
- Rewarding customer loyalty

Improve Efficiency

Businesses that have strong systems and repeatable processes typically have more efficient operations, which leads to stronger cash flows and higher profit margins.

Tapping into the Financial Expertise of Your Trusted Advisors

There are many factors to consider in determining the value of your business.

In addition to business valuation firms, your local Business Banker can also provide insight and offer advice for improving the value of your business. Contact your local financial institution to access a range of resources to help you create enduring value for your business.

Click on the links below for additional insights and resources on Business Valuation.

Five steps to establish your business worth
What Information is Needed for a Business Valuation
More to Business Valuation than Meets the Eye

Know-how makes your business a success story.

For over 175 years, People's United Bank has begun every business banking relationship by taking the time to listen and learn about each individual business. That's how we're able to craft superior solutions that specifically address our customers' needs.

We recognize that successful businesses require a variety of financial services, and we deliver these services locally. Our business banking experts serve as your key point of contact. All of which sets the stage for a relationship based on trust and expertise.

Business Deposit Products

- Business Advantage Checking
- Premier Business Checking
- Business Money Market, Savings and Certificates of Deposit (CDs)
- Treasury Management
- E-Treasury+ Online Banking
- Remote Deposit Capture
- Business Mobile Banking

Business Credit Products*

- Business Credit Lines and Term Loans
- Commercial Mortgages
- Equipment Financing
- Asset-Based Lending
- Business Credit Cards with Rewards

Business Financial Services

- Merchant Card Processing¹
- Business Insurance²
- Retirement/401(k) Plan Services
- Business Succession Planning
- Workplace Banking

*Application and credit approval required.

¹People's United Merchant Services, LLC (PUMS) is a joint venture of People's United Bank, N.A. and Worldpay, LLC. PUMS is an indirect subsidiary of People's United Bank, N.A. Worldpay and People's United Bank, N.A. are not affiliated companies. All merchants are subject to credit approval.

²Insurance available through People's United Insurance Agency, a subsidiary of People's United Bank. All accounts are subject to underwriting approval.

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