

More often than not, as I go on a listing appointment, the seller looks at me with concerned eyes and makes the following/or similar statement: “My business does not generate enough profit for me to sell it; I really cannot afford to sell for the price that I may get.”

This may be a wrong assumption solely based on the profitability of the business.

First of all, the value of your assets, such furniture, fixtures and equipment (ff&e) may be enough to warrant a reasonable price and secondly, and most importantly, profit does not equal benefit. Although your Net Income may be in the red, the (Owners) benefit generated by your business may be in the thousands of dollars. I recently dealt with a seller whose profit and loss statement showed \$50K worth of net losses, only to discover after analyzing the result of operations, that the real cash flow generated by the business was better than \$150K.

There were the usual add backs, but one very unusual--\$170K write off of bad debts—a significant amount of which was nonrecurring.

So what truly represents Owners Benefit?

Well, we take your net income and add back to it:

1. Owners Salaries. Although a P&L expense, this is definitely a benefit to the buyer.
2. Personal Car Expenses. Normally, owners write off all expenses associated with their car—including, but not limited to car insurance.
3. Other Benefits. Health Insurance, Life Insurance charged to the business becomes a benefit to the buyer.

4. Depreciation and Amortization of costs. These expenses are not cash expenses nor will they belong to the new owner. A  
As such, we add them back as a benefit.

5. Interest Expense. The interest is normally associated with a seller's loan. Therefore, not an expense to the new owner.

6. Major Legal Fees. Normally apply only to the seller are commonly non-recurring expenses.

So, if you are thinking about selling your business, you may have a lot more value than you think. A simple analysis may determine that your contribution to the bottom line may be greater than you expect. Remember, the owners benefit times a multiplier (normally 2-3 times) may become a reasonable sales price/value for your business.

Should you want to know more about buying or selling a business in Central Florida, please contact Fernando Simo at 407-361-8886, email me at [fsimo@tworld.com](mailto:fsimo@tworld.com) or please visit my webpage at [www.bizbuyorsellflorida.com](http://www.bizbuyorsellflorida.com)