

As I go on listing appointments, I caution sellers that there are two ways in which one can normally value small businesses (notice the word “normally” and “small”). One way values **Tangible Assets**

, such as inventories, receivables, furniture, fixtures and equipment. The other uses a multiple of

**Owners Benefit**

(Operating Profit plus owner’s salaries, depreciation, amortization, interest and personal benefits charged to the business). In other words, if your business generates minimal or no Owner’s Benefit, what you are really selling are the business’ tangible assets—what we business brokers call an

**Asset Sale or Sale of Assets--depending on which broker you talk to.**

Having said that

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ordinarily, you would not be able to sell your business for an amount greater than the market value of those assets—market value is in the “eye of the beholder.” However, buyers normally define Market Value at 20-30% of the assets’ original value--please notice I said “buyers.”

Now, there are cases in which sellers pay more than the value of the net tangible assets—creating Goodwill in the seller’s balance sheet equal to the amount in which the purchase price exceeds the net tangible assets of the acquired company. Goodwill, however, normally has a value—such as competitive advantage, brand, employees, customer base, etc. In summary, if your business is not generating profits, what you have is an

**Asset Sale**

(Sale of Assets) and those assets need to have a realistic value assigned to them for buyers to want to buy. In my opinion, you cannot sell anything that does not have a value attached to it that is equal to or better than the buyer’s expectations. So, if you are selling, take a hard look at what you are REALLY selling and consult with your broker on pricing your business properly.

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

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