Episode 2 - How to Value your Business

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Transcript

Russell:
Welcome back to our Beyond Business Ownership series, where we explore key themes and questions to help you navigate the path to a successful business exit. We began our series with 'Is Timing Everything?' In this second episode, we explore 'How to Value your Business.'

Andra:
You can view the full episode or watch selected chapters of interest at a time that suits you. Just visit the Beyond Business Ownership page on the HSBC Global Private Banking website.

Russell:
Now let's kick off episode two, 'How to Value your Business.' A robust valuation is important when it comes to selling a business, and that's why business owners often turn to professional valuation experts for help. There are many factors and methods to consider, which is why we are joined by leading industry and HSBC sector specialists to guide you through this complex pre-sale step.

Chapter 1 - Exploring the fundamentals of business valuation

Russell:
In chapter one of 'How to Value your Business', our specialist panel explore the fundamentals of business valuations, including the key methodologies that are typically used to value a private business.

Andra:
So let's start from the top. What are the basics of business valuation, including the main methods used and how do they work in practice?

Paul:
So there are three key methodologies that are typically used to value a private business. The first is the one with mathematical integrity, and it's called a 'discounted cash flow', and it often results in a number called a net present value of all your cash flows in the future. The second methodology is using some 'comparable company analysis' where you look to benchmark your business against similar businesses that have either just been sold or are trading in the market. And the third methodology is called an 'asset based valuation', where crudely and in some cases quite depressingly, you look at your balance sheet and look at that as the valuation of your business. That often generates a great valuation for those with a very strong asset backing, but for businesses with lots of growth, it's not always the most appropriate route to take.

Russell:
Paul has helpfully outlined the three key methodologies typically used to value private businesses. The first one, 'discounted cash flow', looks to determine whether an investment is worthwhile based on future cash flows generated by the business. Now, much will depend on the assumptions that are made, and it appears to work best when there is a high degree of confidence about the future cash flows of the business.

Andra:
The second methodology, 'comparable company analysis', relies on finding data from businesses similar to yours. Now, it may not account for company specific non-financial factors and it is sensitive to the peers selected.

Russell:
And finally, the 'asset based valuation' method, which looks at the company asset value after deducting liabilities. Whilst it can be a relatively straightforward calculation, it doesn't consider a company's future earnings potential.

Andra:
So in practice, there isn't really one perfect method to value a business. Each has its pros and cons, which is why many business owners will review and possibly use a range of methods that yield a range of values.

Russell:
Having heard from Paul about the valuation methodologies in general, let's take a more specific look at how valuation methodologies are used in practice. Private Equity is one sector constantly looking at business valuations. So how do PE firms approach this topic?

Amar:
For performing businesses, the most relevant methodology is an earnings multiple based methodology. So you create a comparable measure of earnings, usually something called EBITDA, which is earnings before you deduct interest, tax, depreciation, and amortisation. And you multiply that by a multiple that is relevant for your industry to get to your enterprise value. Now, the multiple you can get by looking at similar companies that are either listed or similar transactions that have happened, and you take that multiple, you apply it to your EBITDA and you get your enterprise value.

Andra:
The EBITDA based valuation is clearly a very powerful and widely used tool to help forecast the value of a business. The calculation of EBITDA is mathematical whilst the multiple is arrived at through a combination of qualitative and quantitative factors. Based on Amar's experience, we asked: what are the notable valuation differences between industries? Does size or longevity make a difference?

Amar:
There's lots of factors that drive multiples, but fundamentally, it's how attractive the business is and the qualities of that business. So you know, how resilient are its earnings? How quickly do those earnings turn to cash? How reliable are those earnings through long periods of time? Is it insulated from macroeconomic factors? How did it trade during things like COVID or the last recession? Those are all key factors in how attractive the business is. And alongside that, people are keen to look at how attractive the market is. Is it in a big market? Is that market growing? Does the business itself have a competitive advantage in that market, which means it can keep winning in that market? And you can see that in the comparable multiples you look at, there'll be a range and that range will be driven by those specific business factors.

Russell:
So we've looked at some of the key valuation approaches. We heard earlier that no valuation method is flawless and that there are many factors that can influence the final figure or range. Given this, it might appear that it's worthwhile getting multiple valuations from a number of different advisors.

Paul:
So it's certainly advisable to ask a number of different people about the valuation of your business because valuation is an art, not a science, and people come up with different reasons. The one word of caution I would extend is not to necessarily go with those that give you the strongest picture and the strongest valuation. They may have an ulterior motive for that, and you want to make sure that the valuation you're getting is balanced and fair, and representative of what you genuinely think you'll achieve when you go into the market.

Andra:
Now, not all business owners are looking to sell their entire business. What if you only want to sell a minority share? What should you consider then?

Paul:
So selling a minority share in your business is different to selling a division of your business. It's quite often possible to sell a minority share in your business. It will depend whether you have a shareholders agreement with your fellow shareholders. And it'll depend on the appetite of the incoming buyer, whether they want a majority, they want a minority, or what they want to be doing with the shares that they own.

Andra:
Equally, some business owners are looking to sell a part of their business, so what needs to be considered when it comes to selling a division?

Paul:
Selling a division is often more complicated and it comes down to what's called operational separability. Will that division be able to survive outside of your organisation when it's owned by someone else without the resource that you are currently giving it? And as importantly, will your business be able to survive without the division you would've sold, absent the resource that you may be bringing in from the division that you're selling?

Russell:
It's clear then that there are a number of ways to approach business valuation, and it's certainly part art and definitely not all science. Different advisors will bring diverse perspectives and methodologies to the table, so it's worth seeking advice from multiple sources. We hope that our experts have given you plenty of actionable thoughts as you start thinking about the valuation of your business.

Chapter 2 - Why valuing your business pre-sale matters

Russell:
In chapter two, our industry and HSBC specialists take a more in depth look at the importance of understanding the value of your business. They discuss how this can help you to manage the information flow with potential buyers, how to handle unsolicited bids, as well as the sort of negotiation tactics that buyers may use to lower the price in a deal.

Andra:
So let's start chapter two by asking, why is it important for the seller to have a clear view of the value they expect to obtain from selling their business before going to market?

Paul:
It's really important for a seller to have a clear idea of what they're likely to achieve before they go to market. A sale exercise can consume a lot of resource, it can be an expensive exercise and it's certainly time-consuming. And on that basis, you don't want to be walking down that path if you know that the end result is unlikely to deliver what you need it to, or you thought it might.

Amar:
It's a bit like selling your house. You'll appoint an estate agent and you'll ask them what they think it's worth, but you probably won't take one at their word. You'll want to seek a second opinion. And there's a bit about looking at comparable houses until you have a view. And it's just like that. It's important for you to know what you think your business is worth before you go to market so you can benchmark the sorts of valuations you get. But I think the thing that's really important to note is, your business will be worth different valuations to different people. It could be really strategic - it could be your nearest competitor who's next door, who would be willing to pay a strategic premium. And knowing what some of those things are that could drive a different valuation is really important ahead of time so you can maximise those features during your sale process.

Paul:
So yes, get a very clear understanding of what you think that business might be worth before you start your exercise.

Russell:
Obtaining a valuation pre-sale provides a good benchmark to assess offers and manage your route to market. Setting your own expectations will impact how you influence those of your buyers. Now on that note, a business owner knows their business inside out as compared to the buyer who has a lot less information. So we ask our experts, can that information mismatch between the owner and the buyer lead to valuation gaps and what can be done to manage it?

Amar:
Bridging the information gap is the core part of the sale process, and often you need an advisor alongside you to help you do that. But usually it's focusing on what information a buyer needs at the start to build their investment case, i.e. understanding why they might want to buy your business, and then giving them the information to prove that. And then after that point, and you've set your valuation, giving them everything they need to finalise their due diligence. The way to think about it is when you are selling your house, you might write a brochure which has all the best features of the house or your business - to make people think - "I want to own that house or that business". And then they need to do a survey. Now you wouldn't put all the survey contents in your brochure because people don't need that, but you need to give it to them at the right time to make sure they're deliverable on the price they've put out in the first place.

Andra:
Now we move on to one of the most burning questions from business owners, and that's how to handle unsolicited bids. So how should a business owner react to receiving an unexpected bid?

Amar:
I think when receiving unsolicited bids, it's important to distinguish between opportunistic bids and strategic bids. Opportunistic bids are typically from people from the outside who may have admired your business and want to catch your attention. Often those valuations won't have enough information to be credible, but the interest could still be relevant. Alternatively, strategic bids are from people who already know your business, have a strategic reason to want to invest in or own your business, and have been thoughtful about what that business is worth to them. And so often their valuation may be more credible. The way to distinguish this is to read everything in the offer letter that's not the number - you know, how thoughtful have they been? Can they talk knowledgeably about your business and about the shareholders and what they might want to do? So reading around the number is really important to distinguish the credibility of a bid you may receive that's unsolicited.

Russell:
Agreeing a selling price is arguably the most difficult part of the sale, especially when buyers try to drive down the business's value. We asked what tactics might buyers use to lower the sale price and how should owners respond?

Amar:
I think the best thing a seller can do to protect value in their business is firstly, prepare - have a clear idea of what their selling messages are going to be in a sale process. And secondly, have the right data to support those selling messages. One of the biggest areas we see in value leakage is people not being able to support their selling messages with key pieces of data over a suitably long enough period of time.

Paul:
It's often the case that buyers will look to anything and everything to try and negotiate, renegotiate price as they move through a transaction. And there's certain things that you can do to stop that. Obviously, they'll be pointing to key things that have come out of due diligence, some current trading, or other areas that may relate to employment, tax, IP, or anything else. And the way to mitigate against this risk in particular is number one, to ensure there's some competitive tension and that the buyer gently knows that they're not the only person in the ring. And secondly, that you're not coming to the market at a point in time where you desperately need to sell because buyers will be able to sniff this.

Russell:
It's not a surprise to hear that some buyers are conditioned to try to lower your price, so it's good to hear experts' views on how to respond to this. Let's move on to the final question in this chapter, where we asked our experts, how should you respond if you get approached by different buyers with different ranges of values where the natural temptation is to go with the highest bidder?

Paul:
So it's often the case in the well-managed sale exercise that you will end up with a range of different offers for your business. Some will be higher, some will be lower, there'll be different terms, there'll be different chemistries. A whole range of things may be different between these offers. But if you said to me, what's the single most important thing to assess in advance of making a selection alongside pricing, it will be deliverability. It's the ability of that party to actually end up writing the cheque that they've promised and delivering it in a timely fashion. So deliverability is absolutely key.

Andra:
Listening to our experts, having a firm understanding of the value of your business before you get into a sale process is extremely helpful. Aside from managing your own expectations around what you might get in return for all your years of hard work, it sets the stage for negotiations and can help to speed up the sale process. Preparation is key - setting clear objectives, identifying your business's unique selling points and having the data to back them up, will strengthen your position, paving the way for a mutually agreeable outcome.

Russell:
In the following three chapters, our speakers explore tailoring the valuation approach for specific sectors. A number of sectors have unique characteristics that influence how a company's value is determined. We're now going to focus on three of these sectors in particular: real estate, technology, and franchising.

Chapter 3 - Tailoring your valuation approach: Real Estate

Andra:
In chapter three, we're going to look at tailoring your valuation approach for real estate businesses with Andrew McDonald, Head of Real Estate Finance at HSBC UK. So, what makes valuing a real estate business different from another industry?

Andrew:
So the difference between valuing real estate businesses and trading businesses can sometimes be the difference between an art and a science. For commercial investment portfolios, the valuation methodology is far more scientific. It'll be a capitalisation of the earnings potential of the portfolio or property against the yield. For trading businesses, it much more depends on whether the value of the underlying real estate is worth more as an investment or whether it's mission critical to the earnings potential of the business and therefore ascribes more value to the trading potential of that business.

Russell:
Is market liquidity a particular challenge for real estate businesses?

Andrew:
I think that's true. And in a market which is less liquid than others, timing is everything. It's particularly pertinent where you are holding investment assets that you can control the timing of disposal and the introduction of your asset to the market. I'd say one of the most important factors, however, is really establishing the buyer universe. Who's the buyer for the property? What is their interest in acquiring the underlying property? And what is it that they're looking to achieve in being the owner?

Andra:
We've explored the challenges of valuing real estate businesses in general, but how different are the valuation methodologies for commercial real estate and residential real estate businesses?

Andrew:
The valuation methodologies between commercial and residential properties can be vastly different, but I wouldn't look at it as to whether or not they're commercial or residential, rather, whether they're investment properties or owner occupied properties. If you look at these two markets, the commercial real estate market across the UK has declined by 20% and above in prime assets over the course of the last 12 months, while the residential market hasn't really moved at all*. The primary difference for that is the supply constraint in the residential market, but also one being an owner occupied market rather than an investment class.

Russell:
Another key thing with our business owners is that many businesses have freehold properties on their balance sheets, even though they may not be trading real estate businesses. So we asked Andrew, how does this impact the valuation?

Andrew:
So I think in maximising value, it's very important that business owners unpick the constituent parts of their balance sheet. What I mean by that is if you're selling a business on a 10 times multiple, but you have investment properties valued on a 5% yield, i.e. a 20 times multiple, it's important to ensure that you're able to maximise value and target specific buyer sets for each of the parts of your ownership.

Russell:
If you're looking at how to value your real estate business, Andrew has shared some really useful insights into the different areas to be mindful of in doing so. Next, we look at tailoring your valuation approach for technology businesses.

Chapter 4 - Tailoring your valuation approach: Technology

Russell:
In chapter four, we focus on tailoring your valuation approach for technology businesses. I'm delighted to introduce Roland Emmans, Head of Technology at HSBC UK. The term technology encompasses a wide array of businesses. What are the main categories of technology businesses for valuation purposes?

Roland:
In my view, there's two broad categories. There's software, which includes software as a service, and then there's sort of 'everything else'. And in the 'everything else' category is hardware, data centres, cloud, consulting businesses, managed services. There is an overlap between both because definitely there is a valuation premium for businesses with recurring revenue and higher margins, but the two sorts of businesses are looked at differently because they have fundamentally different models.

Andra:
So let's explore how valuing tech businesses may differ depending on which of these groups it falls under.

Roland:
So if I look at the two groups, I think the strength of the business is probably more important in many ways than what they do. To give you some data points, UK current valuations on forward-looking multiples for software is around 12 times. And for the 'everything else' category, it's about nine times*. Recurring revenues, definitely people pay for those. And then you've got the rule of 40, which is a software adage that's been used for a long time, your profit margin plus your sales growth. If that number is above 40, it's often considered to be in the top quartile. I think in many ways it's how good you are versus your peers that will determine what somebody is willing to pay for a business versus what the business actually does and the sector it operates in.

Russell:
Valuing tech firms is clearly not straightforward, which is why we asked Roland if there are any specific challenges when it comes to valuing a technology business and how owners can address them.

*As of May 2024

Roland:
Valuing a tech business can be an absolute nightmare because before you get anywhere near valuing it, you've got to understand what it does. Technology is rife with jargon and cutting through that jargon is really hard. The most important thing is being able to explain what your business does in an easy way so that somebody can receive it. Entrepreneurs live and breathe their businesses and sometimes they really struggle to be able to simply explain what their business does. If you can't do that, everything else thereafter is potentially going to be wrong.

My challenge to entrepreneurs would be, can you explain your business in three sentences? Why do people buy your product or services? Why do they value it? Who is the buyer? If you can't concisely explain it, it's going to be hard for any potential buyer to value your business as they've got conflicting and competing priorities. There is a real risk if you can't in three sentences or less explain your business that they may just pass over your opportunity. You could be the best business, just not being explained properly.

Andra:
Different types of businesses grow at different rates, but in the fast-moving technological space, a company's valuation can vary significantly. It's a complex process and we hope Roland's expertise in this sector has given you some insights into how it works and how to navigate some of the challenges you may come up against.

Chapter 5 - Tailoring your valuation approach: Franchise focus

Russell:
So far, our experts have explored the specifics of valuations for real estate and technology firms. And now, we focus on franchising. We're joined by Gillian Morris, the Head of Franchising at HSBC UK. So, what makes valuing a franchise business different from another industry?

Gillian:
Well, franchising valuations differ from other business models because the business has a defined operating model, which makes it more replicable and easier to sell. Most mature franchise brands have an established secondary resale market already, and often the franchisor will have a target list of potential acquirers already lined up. That said, unlike a standalone business, the franchisee cannot sell their business without the approval of the franchisor. So the sale process has an additional step, and if the pool of potential buyers is limited, then that could restrict the maximum value achieved for the business.

Russell:
So like the other industries we've looked at, there are various factors to consider. But unlike the technology industry, for example, franchises have a more replicable business model. We asked Gillian whether there are any particular business metrics that are used in the valuation model for a franchise.

Gillian:
As a general rule, franchise cash flows in B2C businesses are more highly valued. They're generally recognised as being underpinned by behavioural consumer trends linked to the strength of the brand, therefore thought to be recurrent and stable, ultimately leading to a higher valuation. Even within franchising though, the sector will guide the type of valuation methodology that's applied, and this can vary from a multiple of weekly sales, to a multiple of the business EBITDA**. As a general rule, the more complex a business is, the more likely it is to be valued by an EBITDA model rather than weekly sales, and more simpler business models tend to be valued on a weekly sales basis.

Russell:
It's good to understand the two main valuation methodologies. Within that, we're also keen to understand which is the most important, the value of the brand or the value of the individual franchise?

**EBITDA: earnings before interest, taxes, depreciation, and amortization

Gillian:
Within a franchise, there are two different values, the value of the brand and the value of the individual franchise. A good brand can underperform in the hands of the wrong franchisee, but it can still have an inherent positive value because of the brand and the footfall or customer recognition that it commands. This can also be an adverse factor as if the brand perception changes, then this can negatively impact the franchise value. Fundamentally, the reputation of the franchise brand in the marketplace is imperative to a sustainable business model. Any factor which has a significant impact on the reputation of the brand will affect the resale market and valuation.

Andra:
Is there a benefit for thinking about multiple outlets of a franchise?

Gillian:
As a general rule, having a single unit or a franchise outlet can cap potential growth. Therefore, growing organically or by acquiring neighbouring territories can really accelerate a franchise potential. This enables the franchise to leverage the economies of scale and the spans of control. Aspiring franchisees should understand the franchisor's growth ambition in their market and evaluate if the region or the territory can support the scale required without dismantling the underlying economics.

Andra:
Some interesting insights from Gillian. Franchise growth potential is definitely an important factor for aspiring franchisees to consider. But what other things should they focus on? What other factors can affect the valuation of a franchise owner's business?

Gillian:
A franchisee's main focus is their operational excellence. The key areas are those covering operational standards, customer satisfaction, and brand performance indicators. These will form an important assessment on valuations of the business and often where they're neglected, the sales valuation will be paired back during the negotiation to reflect negative trends or time and cost of repairing. A buyer will also seek reassurance that the franchisee exit will not be detrimental to the business and that key personnel and management will remain in place.

Russell:
Several factors can impact the value of a franchise, including the strength of the franchisee's brand, operational efficiency, and the franchisee's potential for expansion and growth into new markets. And they all collectively contribute to the overall valuation of a franchise business impacting its attractiveness to potential buyers or investors.

Chapter 6 - How to spotlight your business strengths

Andra:
In our final chapter, we asked our experts to consider how you can spotlight your business's strengths. We take a look at two areas in particular: firstly, the importance of your management team, and then secondly, what are some of the ways to gain higher bargaining power in a price negotiation? Let's start by asking our experts, what impact does a strong management team have on the value of your business?

Paul:
When you come to sell your business, having a strong management team is of critical importance. It may not be the thing that actually moves the pricing from a multiple of five to six, or six to seven, or seven to eight, but what it will do is it will ensure that the deliverability of the transaction is enhanced and it also gives you a much broader range of purchasers to approach because some people will want to rely on a team that's going to be in situ and able to carry the business forward. So for me, it's more about making sure the deal happens rather than making an enormous impact on pricing.

Amar:
I think having a strong management team that are incentivised to remain within the business is integral to every transaction process, particularly where a shareholder may be leaving. I think ensuring that you have the right people in the right roles and that they're incentivised to continue in those roles after a transaction is integral to successfully completing your transaction.

Russell:
Now let's go to each of our HSBC sector heads to ask how strong management can impact real estate, technology, and franchise valuations.

Andrew:
Strong management is key to any type of business and real estate is no different. Fundamentally at its core, real estate is a service sector. Landlords are selling space and being able to adapt to the changing needs of your clients is the same in real estate as it is to any business going through a period of change. Good managers will also know how to manage stakeholders and prepare their businesses for sale.

Roland:
I don't think you can ever separate people from business and I think it's even truer in technology when the people are so intrinsically important to the business. I think it's incredibly important to have a strong team because if you haven't got a strong team, no matter how good the business is, it's either going to have value implications or there won't just be a process. I think where I've seen it work really well, the entrepreneurs made themselves effectively dispensable, redundant, and their team was ready to take it on. It's more important if you're looking to go through some sort of financial buyer process, but it's also important if you're going to trade because they want to know that there's people there that are going to run the business that are competent and capable and know the business really, really well.

Gillian:
It's also important to ensure that the business management structure remains in place and that the franchisee exit is not deemed detrimental to the business. And that's the same with a non-franchise business as well. In many successful exits, the franchisee has stepped back ahead of time, to demonstrate that the management team are effectively running the business and it can be sold as a going concern. And this also provides the franchisor with the confidence that the business and their business will not be impacted by this sale.

Russell:
We've just discussed the importance of a strong management team, so now let's touch on what can give owners a higher bargaining power in price negotiations.

Paul:
So in terms of maximising your bargaining power when you're actually coming to sell, there's two key things that I would point you to be looking at. The first is competitive tension, making sure that the buyer with whom you're speaking is aware that there are other suitors out there that are also interested in the asset and they're not the only people in the ring. And secondly, it's about preparation. It's about preparation for due diligence to make sure that what you are presenting people is fully thought through, is comprehensive, and means that there's not going to be any surprises for that buyer as they move through the due diligence exercise.

Andra:
When you're looking to sell your business, creating competitive tension is key, and preparing well will help you ensure you engage the right buyers and keep them at the table throughout the negotiation. And now for our final question in this chapter and episode on 'How to Value your Business', we asked each of our experts for their top tip for business owners looking to sell in the next three to five years. Let's listen to what they had to say.

Amar:
Firstly, prepare. Make sure you're recording the right data to give your buyer the best possible information to make an informed decision. Secondly, the Finance function. Most people under invest in Finance functions and they are usually the parts of the business that get most strained through a transaction process. Thirdly, transition. Often great businesses are owned by great shareholders who are looking to sell the business and most of the value goes with that person. So think about if you need a transition plan for you if you are the major shareholder. And lastly, my biggest tip, don't feel like you have to sell your business. Often people think there are two options, keep owning the business or sell it completely. There is a middle ground, you can take on a minority investor, take some money off the table, but keep going and achieve that next phase of growth.

Paul:
It's a really great idea to start thinking about your exit early and three to five years is a perfect amount of time. My top tip would be developing an opportunity map that shows a purchaser how the business is going to grow in terms of new products, new services, new channels, new territories, new initiatives. Because when someone comes to apply a valuation to your business, it will all be about the future. So thinking early about what that future will look like at the point in time that you come to sell is of fundamental importance and a key thing to drive value.

Russell:
Not so much a singular top tip from our external experts, but clearly a lot of food for thought. Now let's turn to our internal sector specialists as to what tips they offer up.

Andrew:
My top tip for business owners looking to sell over the next three to five years - very simple - control the timing of your sale. I think that is particularly important, especially in this market as we sit here today*. Also, be very clear in identifying the type of purchaser for your business and their motivations for buying your business. Understand what you are leaving on the table for the buyer. Lastly, don't underestimate the importance of environmental compliance and energy performance to the buyer universe.

Roland:
So I've got two thoughts here. The first one is, what do you personally want to do after you've exited your business? So often, I work with entrepreneurs whose psyche is so intrinsically connected with their business that they often feel a feeling of grief after they've sold their business and they're a bit like a lost sheep. So that will determine who the buyer pool might be. Could it be you actually want to stay involved in some way? Do you want to sell to your management team? Or is it you want a clean exit and you're going to pass it on to somebody else? And the second piece would just be around easily explaining your business in such a way that the reader who doesn't know your business as well as you, can really easily understand and digest it.

If I reflect over the last 15 years where I've purely been working with tech firms, where I've seen processes go really well, management teams have hired good corporate finance advisors. Where I've seen it gone badly, they've tried to do it themselves. The advantage of having a good corporate finance advisor alongside you is they make your life easier, they help explain your business and they will also warm up the potential buyers and they'll have them salivating before there's even a process.

Gillian:
Well, the key to success is to be prepared, start planning ahead of time. A future buyer and their funding partner will be reviewing both the financial and non-financial performance of the business. So think about any potential gaps you may have. And as a business owner approaches their exit, it's really important that the remaining management team are equipped to run the business efficiently without relying on them. And finally, don't forget to engage with the franchisor. Seek their support for your exit strategy and timeline. This will enable them to plan and potentially help you to source your buyer.

Andra:
There's a common theme shining through our experts' answers, and that's preparation. And when it comes to the value of your business, the future is critical. It's less about what you've done in the past and much more about what you will likely do in the future. So growth potential is an important factor to consider.

Russell:
We hope you've enjoyed listening to our experts' insights on the challenges and practicalities of how to value a business. We've learned that business valuation is both an art and a science with multiple methodologies and industry specifics to consider.

Andra:
We've also seen that there are a range of other factors to be considered, like the strength of your management team and building competitive tension to improve your negotiating position and drive favourable terms. And don't forget to look to the future. Your business needs a strategic vision for creating value and maximising returns because that's what buyers will be mostly interested in.

Russell:
We've reached the end of our second episode, 'How to Value your Business'. Keep an eye on our social channels for our next episode in the series, 'The Buyer Universe', where our experts will explore the key steps for securing the buyer that is right for you.

*As of May 2024