

## 8 Fundamentals for Increasing the Value of Your Client's Business

Try considering the value of your client's business from an investment standpoint. Eventually, your client will either pass the business on to a family member or sell it to key employees or a third party. Either way, your client's future is invested in the value of their business. By developing their business as an investment your client can expect a higher ROI when they eventually exit. Improve the value of your client's business by cultivating these eight fundamentals:

**Financial Performance:** Want to woo a prospective buyer? Consider the business's financial performance as one of the key pieces of information factoring into their decision. The more consistent financial performance has been in the past, the better it looks to a prospective buyer.

**Growth Potential:** Financial performance gives the buyer a glimpse into the past. Growth potential, on the other hand, will paint a picture of the company's future. Since buyers are investing in the future of the company, its potential for growth is essential.

**Risk mitigation:** The business should not be dependent on any one customer, employee or supplier – it's too risky and will be a big red flag to a buyer.

**Equipment:** Has it been more than a few years since the company's equipment was updated? Then it may be time for an upgrade. If a buyer has to allocate more of their money to equipment costs, they are less likely to pay a higher asking price for the company as a whole.

**Recurring revenue:** If a business can provide the buyer with a dependable and consistent revenue stream, then it will look much more attractive to the buyer – particularly if that revenue stream is secured by a contract.

**Market Control:** Future cash flow is important, and the higher the barriers to entry, the harder it is for a competitor to take away market share. What differentiates this specific company?

**Customer Satisfaction:** High customer turnover likely means there is a problem with the business, and, if the company does nothing, it may impact the way the business is perceived in the marketplace. A buyer might hesitate to take over a company with a bad reputation.

**Owner Independence:** If the business is dependent on one person's leadership, it's going to be difficult to make the sale. In fact, the buyer may try to retain the owner's presence in the company for a period to ensure a smooth transition – which could defeat the purpose of selling in the first place. Instead, start building a solid management team to ensure that your business will continue prospering long after you are gone.

### About Sageworks Valuation Solution

[Sageworks Valuation Solution](#) is a web-based platform that enables business valuation professionals to streamline workflow, increase realization rates and offer advisory services. Generate an accurate and defensible value using the income, market and asset approaches.

To learn more or request a live demo, please contact:

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