Selling Your Business

What Every Seller Needs To Know

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What Determines Your Business's Value?

Value is not an opinion–it's a function of 3 measurable factors.

01

Cash Flow

How much money the business actually puts in an owner's pocket each year — before debt and taxes.

02

Asset Value

The fair market value of equipment, inventory, and other tangible items included in the sale.

03

Risk

Lower risk = higher value. Factors include customer concentration, industry trends, and transferability.

The Numbers Buyers Consider First

SDE

Seller's Discretionary Earnings

The total financial benefit an owner receives from the business each year — including salary, perks, and profit.

SDE x Market Multiple
= Asking Price

What Gets Added Into SDE:

- ✓ Owner's salary & payroll taxes
- ✓ Personal perks (car, phone, travel)
- ✓ Depreciation & amortization
- ✓ Interest expense on business debt
- ✓ One-time or non-recurring expenses
- ✓ Net income before taxes

How Your Business Is Valued

Brokers use two methods together to arrive at a Most Probable Selling Price:



Income Approach

SDE x Multiple=Value

Typical SDE multiples for small businesses range from 1.5× to 3.5× depending on revenue size, industry, and risk factors.

A business generating $200K in SDE might sell for $400K–$600K.



Market Approach

Comparable Sales “Comps”

Similar businesses that have actually sold are used to benchmark your asking price.

Brokers access national databases of done deals to validate the price — the same way real estate comps work for home sales.

What Are You Actually Selling?

Most business sales are structured as asset sales. Here's what that typically means:

 Tangible Assets	• Equipment & Machinery — Valued at fair market value, not book value. • Vehicles — Valued using Kelley Blue Book or fair market appraisal. • Inventory — Valued at cost; physical count near closing. • Leasehed Improvements — Generally no value; they stay with the building.
 Intangible Assets	• Customer List & Goodwill — The most valuable intangible, reflected in your asking price. • Contracts & Licenses — Transferable agreements can significantly boost value.
 Financial Items	• Accounts Receivable — Sometimes included, especially when financing is involved. • Cash — Typically retained by the seller in an asset sale.

Your Hidden Value – Phantom Assets

These intangibles don't appear on your balance sheet — but they directly drive your asking price.

Relationships

- Loyal customer base
- Long-term supplier relationships

Reputation

- Strong reputation
- Name recognition in the market

Market Position

- Prime location
- Recession-resistant industry

Operations

- Contracts & recurring revenue
- Backlog of orders
- Proprietary systems & processes

Team

- Skilled & stable employees
- Low employee turnover

Stability

- Licenses & permits

IMPORTANT CONSIDERATION

If You Have an EIDL Loan

COVID Economic Injury Disaster Loans (EIDLs) are 30-year SBA loans at 3.75% — and they come with strings attached when selling.

SBA liens must be cleared before you can sell

Loans over $20,000 placed a UCC lien on business assets. These must be released at or before closing.

SBA must approve the change of ownership

The SBA has a formal process — plan ahead, as approvals can take significant time.

Response times are very slow right now

The SBA recently reduced EIDL staffing. Expect delays getting payoff statements and approvals.

Pro Tip: Download your payoff statement monthly

Log into your EIDL Loan Portal regularly and save your payoff statement — your escrow officer will need it.

Your Roadmap To A Successful Sale

01 Gather Financials

3 years of P&Ls, tax returns, and balance sheets. The more organized, the faster the process.

02 Broker Opinion of Value

Your broker recasts the financials and runs comps to determine a most probable selling price.

03 List & Market

Your business is confidentially marketed to qualified buyers through broker networks and databases.

04 Buyer Due Diligence

Qualified buyers review your financials under NDA. Expect questions—full transparency speeds this up.

05 Open Escrow & Close

Once terms are agreed, escrow opens. Liens are cleared, SBA approvals obtained, and funds transfer.



What Could Your Business Be Worth?

We provide a confidential, no-obligation Business Opinion of Value to help you understand what your business could sell for — and when to make your move.



Let's discuss your next chapter.



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