HIGSON & CO.

How to maximise your business valuation

It's about more than profit.

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Profit ≠ value

Net Profit is a good starting point, after all no profit = no business.

However, it is only the starting point, and the actual valuation will go a lot deeper than the headline numbers on your P&L.

So what else affects the valuation of your business?

EBITDA

EBITDA stands for Earnings Before Interest, Tax, Depreciation and Amortisation, and is the most commonly used metric for many business valuations.

If you strip back the jargon, it is a calculation that strips away accounting adjustments to focus on core trading performance.

Put simply - how much money is the business actually earning?

Customer Concentration

Buying a business is a risky transaction, and a profitable business can still carry significant risk.

If £98k of a £100k profit depends on one customer, losing that customer can change everything.

Recurring Revenue

One good year doesn't create long-term value if customers aren't expected to come back.

A new owner won't benefit from your one-off sales. Buyers value predictability.

Owner Dependency

If the business can't operate without you, buyers see risk. Strong valuations come from businesses that are transferable - not businesses that rely on one person knowing everything.

Ask yourself:
Could the business run for six months without you?

Growth Potential

Buyers don't just pay for what your business is today.

They pay for what it could become.

Potential new markets, products and scalable systems can all increase value.

Systems and Processes

If you’re running the business from your head (or your notes app) - expect buyers to see risk.

Systems and processes should be documented, transferable, repeatable and, most importantly, reliable.

Thinking about selling in the next 3-5 years?

The best time to increase value is long before you go to market.

Follow for more practical advice on building a more valuable, scalable and sale-ready business.