
Saleability Test –

Building
Businesses
Buyers Love To
Buy

Ian Smith

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Here is the big picture. In the US there are 27.3m enterprises of which 634,000 employ 20 people or more. 5568 or 0.9% sold out last year for \$10m or more.

Source, US Census Data and public M&A tables.

Here is a test to help you work out if you are saleable at a premium valuation. I've used this test as a predictor of success of "selling out" at attractive prices. Those companies scoring 60 or above were almost always sold at a premium valuation.

Give yourself a maximum score of 5 if you strongly agree with the assertion and zero if you totally disagree.

Saleability Test (15 Big Factors Driving Value)		
1	Your Compelling Story and results you achieve for customers are clear	
2	Industry Peers see you as top 5 in the industry	
3	Sales & Profits Growing at 25%	
4	3 Year Horizon Shows Strong & High Growth Market	
5	Current year trading and full year forecast > previous years	
6	Legacy Products Don't Dominate Sales & Profits	
7	Significant annual profits, EBITDA \$10m scores 5	
8	No One Customer Accounts for more than 5% of Sales	
9	Top Ten Managers Regarded As World Class	
10	Business is NOT dependant on owner	
11	Highest Margins In Your Industry	
12	Business Model Produces a Sustainable Annuity Stream Of Income	
13	Accounts Audited Annually By Recognized Accounting Firm	
14	Staff Moral and Engagememt Are High	
15	Legal Contracts and Filings Are in Good Order	

Conclusions

A score of 60 or above implies you own a highly saleable business.

A score below 60 but above 46 implies a quality business with a few grooming issues worth addressing.

A score below 46 but above 30 implies a good business but which contains problems that need to be addressed to ensure the maximum proceeds are realized from a sale.

A score of 30 or below implies a business that needs to address some fundamental issues to ensure that shareholder value is not eroded in the short to medium term.

Addressing some of these issues can take years to fix but the prize is a more predictable, successful business even if you hang on to it!

The Portfolio Partnership works with CEOs to fix these issues, working in the business, following signed off 100 day plans to get stuff done. Working on the right agenda delivers a more predictable, fun and successful business.

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www.portfoliopartnership.com

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