Cranleys
CHARTERED ACCOUNTANTS



CRANLEYS' CUNNING PLANS · No. 20 · SELLING AND EXIT

Valuing Your Business: What Buyers Actually Pay For

Tick it, print it, pin it up. Every box you cannot tick is a conversation worth having.



By Colin Davison FCA, Managing Partner, Cranleys Chartered Accountants. In practice since 1998. Reviewed 15 November 2026 against the 2026/27 rules.

THE QUICK ANSWER

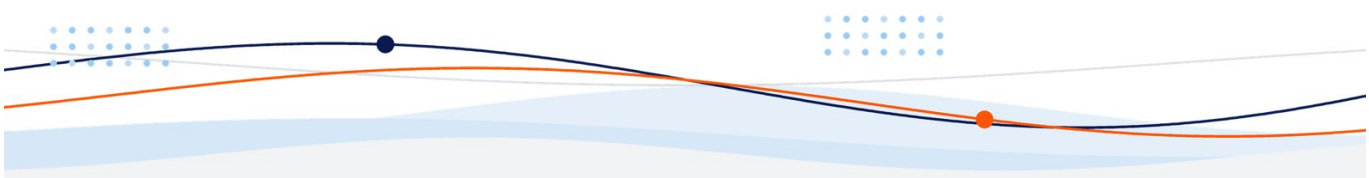
Buyers pay for sustainable profit, adjusted for one-offs and for what the owner is paid. Multiples vary by size, sector and risk. Enterprise value less debt plus cash gives the price for the shares. Reducing risk and owner dependence raises the multiple.

THE KEY FIGURES

The key facts	What to know
Normalised profit	profit after adjusting owner pay and one-offs
Enterprise value	profit times a multiple
Equity value	enterprise value less debt plus cash
Multiples	vary by sector, size and risk

The checklist, box by box

	The check	What to do	Keep as evidence
☐	**Is profit normalised?**	Adjust for owner pay, one-off costs and personal expenses.	Adjustment schedule
☐	**Which multiple is realistic?**	It depends on sector, size, growth and risk. Do not guess.	Valuer view
☐	**Do you know debt and cash?**	Equity value depends on net debt.	Balance sheet
☐	**Are assets and property treated right?**	Surplus property or cash may be valued separately.	Asset list
☐	**What risks hold the price down?**	Customer concentration, key people and weak contracts.	Risk list
☐	**What would lift value?**	Recurring income, strong team, documented systems.	Improvement plan



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MY PRO TIP

a buyer pays for profit that will repeat, not profit that happened.

A worked example

This is an illustration. Adjusted profit is £400,000 and a multiple of 4 gives an enterprise value of £1.6m. The business has £300,000 of debt and £100,000 of cash, so equity value is £1.4m. A different multiple would change this, which is why valuation is advice, not arithmetic.

The trap to avoid

Using a rule of thumb from a friend's sale. Every business has different risks and a different buyer.

The Rufus test

One question that tells you if you have the right adviser:

Which three things would make a buyer pay a higher multiple for my business, and am I working on them?

What has changed recently

- Prepare for scrutiny. See the sale-ready checklist.
- Timing and reliefs. See the tax on exit checklist.
- Plan years ahead. See the exit planning checklist.

Questions I get asked

How do I value my business?

Adjust profit for one-offs and owner pay, apply a multiple suitable to your sector and risk, then adjust for debt and cash.

What is EBITDA?

Earnings before interest, tax, depreciation and amortisation, a common profit measure in valuations.

What is the difference between enterprise value and equity value?

Enterprise value is the business value. Equity value is what the shareholders receive after debt and cash.

Can a business with no profit be valued?

Yes, on assets or potential, but buyers will pay less for uncertainty.

The 9 CAD Keys link: Analysis & Positioning

Analysis & Positioning is understanding your value drivers and improving them deliberately.

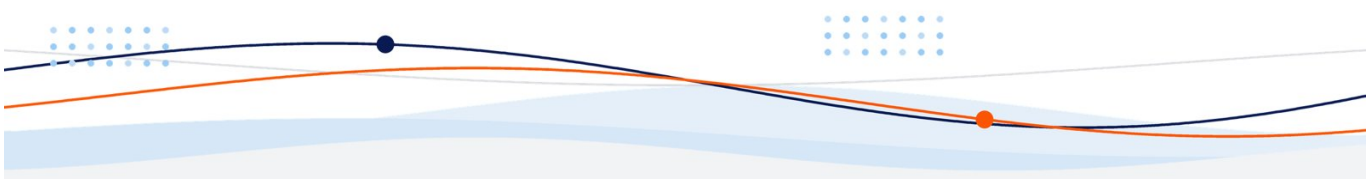
Colin's 9 CAD Keys. CORE: Clarity, Capability, Consistency. ADVANCED: Analysis & Positioning, Alignment, Acceleration. DYNAMIC: Differentiation, Dexterity, Development. Score each key 1 to 5 in the free Business Value Assessment Scorecard, total out of 45. *Freedom is built. One CAD Key at a time.*

Tick these next

Business checklist 19
Exit Planning Checklist: Three Years Before You Sell

Business checklist 21
Getting Sale-Ready: Clean Accounts, Contracts and Team Checklist

Business checklist 22
Share Sale vs Asset Sale: Tax and Legal Checklist



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Go deeper: my books

For this topic, start with **Business Exit Secrets**, part of The Cranleys Business and Tax Secrets Series: Property Tax Secrets, Inheritance Tax Secrets, Business Tax Secrets, Starting Up Secrets, Business Growth Secrets and Business Exit Secrets. The books are launching soon. Join the launch list at cranleys.online/books and I will tell you the moment each one is released.

YOUR NEXT STEP

Ring me. Free draft plan, no hard sell.

I will build you a free draft tax plan or business plan on my 9 CAD Keys: a scorecard, a 12-month cashflow forecast, a 90-day action plan and a review with me. **1** Get in touch. **2** Short intro call. **3** Your free draft plan in plain English. You decide what happens next.

Value it, then polish it.

WhatsApp 07999 900000 | **Office** 01256 830000
Email colin.davison@cranleys.co.uk
Web cranleys.online

Scan to read online, tick it on screen and take the Scorecard



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