10 Tips to Improve Your Business Valuation

Reduce Costs: While there are multiple factors to valuation, the multiplier on earnings is an important one. Focus on streamlining and reducing unnecessary expenses. Take care not to cut costs that are ultimately driving revenue.

Strengthen IP: Protect and leverage your intellectual property assets, such as patents, trademarks. Document and define your differentiators.

Strong Management Team: Invest in recruiting top talent, and build a leadership team that can run day-to-day without the owners. If required - hire a coach or consultant if you're having trouble 'letting go' and empowering this team.

Increase Recurring Revenue: Develop subscription-based offers or long-term contracts to create predictable revenue streams. Track the lifetime value of your customer, repeat customer stats, and customer turnover rates for constant improvement.

Fail to Plan, Plan to Fail: Have a live business plan setting growth strategies, targets, and goals. Critical to communicate these goals to every employee. During due diligence, buyers often ask for current and previous business plans.

Enhance Financial Reporting: Implement transparent financial reporting practices, and minimize personal expenses running through your business. Not sure what to do? Get help from a fractional CFO, your CPA, or other professional.

Risk Reduction: Customer concentration, legal or regulatory risks, cybersecurity, competitive threat, or market fluctuations. While some risks to your business are out of your control, what is in your control is to identify, plan, and prepare for minimizing the impacts on your business.

Technology: Investing in modernizing your technology systems, especially with demonstrable gains in productivity and scalability can help to illustrate future growth and opportunity.

Brand Equity: Building your brand voice, story, and image. Measuring and understanding your customer satisfaction scores, reviews, and engagement can be helpful to boost value to a buyer, especially in competitive or commoditized industries.

Revenue: Scalable revenue growth. Growing revenue and your opex/capex at an equal pace can harm your value, but if you can illustrate the ability to add incremental revenues on top of your existing operational cost basis - that can maximize your valuation.

BONUS: Tax Planning for Exit

This doesn't increase your business valuation, but proactive tax structuring and planning can make a HUGE difference to your bottom line on exit. This can take 1-3 years, so get started early!

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