business
for sale

Business Valuation Calculators: All You Need to Know

It's always important to know your worth! A business valuation is a process of estimating the economic value of a company; as this provides owners with an unbiased assessment of its worth. A business valuation is often performed when an owner wants to sell all or a portion of their business or franchise. A business valuation calculator assists buyers and sellers in determining an approximate estimate of the worth of their business. Two of the most typical business valuation methods start with either yearly sales or annual profits, which are then multiplied by an industry multiple.

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This article will discuss how to use a business valuation tool, as well as all the elements that go into the valuation.

How to Use a Business Valuation Tool

If you're looking to buy a company, a business valuation can tell you whether you can afford the purchase or if it's worth the price. If you're a seller, a business valuation tool is a wake-up call. Essentially, it estimates the amount you can charge to attract possible consumers.

There are several DIY business valuation calculators available on the internet, where you only have to fill in your business details to receive a business valuation. However, it's always advised to rather reach out to a professional for an accurate business valuation.

Here's a quick rundown on how to use a business valuation calculator correctly:

Business Valuation Calculator Inputs

The values one input into the calculator consist of information about your business. Some of the values used include:

- **Industry:** Select the industry the company you're purchasing or selling belongs to. This is a crucial step since the multiplier used by the calculator to calculate the final valuation will differ depending on the industry in which the firm operates.
- **Last 12 Month Sales:** Insert the company's sales during the previous 12 months. This can be gathered by reviewing the most recent financial statements. Sales are the money generated by the company before any expenditures are deducted.
- **Last 12 Months Profits and Owner's Salary:** Profit is your revenue, minus expenses. Insert that amount as well as the owner's salary.

Business Valuation Calculator Outputs

The outputs are the information gained after calculations are completed, and display the potential value of the business. These outputs include:

- **Business Value Based on Sales:** The valuation calculator will estimate the worth of your company by taking its annual sales and multiplying it by the relevant industry multiplier.
- **Business Value Based on Profits:** The valuation calculator will also provide you with an estimate of the worth of your company by taking the annual earnings and multiplying them by the relevant industry.

If the above valuation process seems a bit daunting, don't stress, because **Business for Sale** has your back! **Contact us** for a professional valuation of your business.