

What Is My Business Really Worth?

A practical guide for NZ business owners. Understand how buyers, brokers and valuers think - so you can grow the number that matters.

Why value matters

Your business is probably your largest asset. Knowing its value helps you plan retirement, negotiate with buyers or partners, raise finance, and decide where to invest effort. Most small business owners overestimate value because they price in their own effort and emotion. Buyers pay for **future, transferable profit** - and they discount for risk.

Step 1: Find your real profit

Start with net profit before tax, then **normalise** it:

- Add back: owner's personal expenses, one-off costs, interest, depreciation, and above-market owner salary.
- Deduct: a fair market wage for the work the owner does, and any under-market rent paid to related parties.

The result is often called **EBITDA** or, for owner-operated businesses, **EBPITDA / Seller's Discretionary Earnings**.

Step 2: Choose a method

Method	How it works	Best for
Earnings multiple	Normalised profit x a multiple (often 1.5x-4x for NZ small businesses)	Most profitable SMEs
Asset-based	Net value of tangible assets plus stock	Asset-heavy or low-profit firms
Discounted cash flow	Present value of forecast future cash flows	Larger, growing businesses
Market comparison	Compare with recent sales of similar businesses	Common industries (cafes, trades)

Step 3: What moves the multiple

Value driver - do you have it?	Yes	No
1. Low owner dependence		
2. Recurring revenue and diverse customer base		
3. Consistent or growing profit over 3 years		
4. Secure lease and transferable contracts		
5. Strong team and documented systems		

Value driver - do you have it?	Yes	No
6. Growth opportunities a buyer can see		

Worked example

Net profit \$180,000 + owner's add-backs \$40,000 - market manager wage \$85,000 = **normalised profit \$135,000**. At a 2.5x multiple: **\$337,500** plus stock at value. Reduce owner dependence and secure contracts, and the multiple might move to 3.2x: **\$432,000** - nearly \$95,000 more for the same profit.

Your quick estimate

Normalised profit: \$_____ x multiple: _____ = \$_____ + stock \$_____ = **Estimated value**
\$_____

Next steps

Use this as a starting point. For a sale, finance or dispute, get a formal valuation from a registered valuer or experienced broker.

General guidance only - not legal, tax or financial advice. Talk to your accountant, lawyer or a business broker about your situation.