**TBP 225 Edited v2\_Transcription**

[Daniel Hill] (0:05 - 19:52)

Welcome to the Blueprint Podcast. In these episodes, I'm going to share with you my life's work boiled down into simple blueprints that I used to build a 10 million pound portfolio and retire with financial independence at the age of 35. You can listen to these podcasts in any order, and I guarantee you that when you execute them in practice, you will see that success and failure are both very predictable.

Let's get into the next blueprint. How much money is my business worth? Now, this is a question I get asked all the time.

Busy business owners who are thinking about selling want to know how much is my company actually worth? If I sold it today, how much money would I get? Well, the answer is not simple.

There's one clear cut answer that I can give every single person that asks me how much their business is worth, and I'm going to tell you that within this podcast episode. If you're serious about starting, systemizing, scaling, or selling a business, you may as well build it to last and to sell because then when the day comes that you can't work or you don't want to anymore, you don't have to put the keys through the letterbox. You could get a six, seven, or even eight figure exit by selling your company and making money at the end, as well as making cashflow and profits every month whilst you trade it in the middle.

In this podcast episode, I'm going to take you through the blueprint that we use to work out how much your company is worth, and I'm going to tell you the one-liner secret that I tell everybody who asks me how much your company is worth today. Okay, so the biggest question we get asked is how much is my business worth? And the answer that I give is this.

Your business is worth whatever anybody is willing to pay for it. Now, that's not the answer people want. People want me to give them a number, a figure, and say, your business is worth £5,653,000 if you sell it today.

The reality in practice is it isn't. In reality and practice is that your business is worth what anybody else is willing to pay for it, and in some cases, this could not work in your favor. You might think you've got a great business, you love it, the team's fantastic, you've run it for 20 years, makes you half a million quid, and for you, you think it's worth £5,000,000.

In some cases, some people might come to you and say, actually, do you know what? You haven't really built a business. You've just created a full-time job and a team around you, and when you step out, the business disappears, and it's actually without you not worth anything, in which case you don't have a business, you have a job.

Or they might come up to you and say, this business is amazing, it's fantastic, we've got three people that we think we could sell it to for you who are all going to buy it in what we would call a strategic acquisition, where it's worth more to them than it is to you or anyone else in the market, and you get a crazy, crazy valuation. An example of that would be WhatsApp. WhatsApp sold to Facebook for, I think it was $18.2 billion, and at the time, it was losing £300,000 or £300,000,000 a year, so it was losing money, but it sold for 18 billion because it was called a strategic acquisition. When we were buying companies, if we were buying an office in a certain city, so for example, Manchester, the first office that we bought there, we could pay a premium for because it was the first office we'd bought in that area. We would pay a premium because it was our first entry to the market. It meant more to us than it might do to somebody else because we wanted a foothold in that area.

Equally, you can have what's called a marriage value, where if you put two businesses together, they're actually worth more. So you might have five businesses that are all making £200,000 a year. As individual businesses, they would be worth X amount as companies, whereas if you were to, say, roll them up or sell them as a group, the marriage value of having that profit rolled up to be seven figures rather than six could potentially command a higher multiplier value.

So there's lots of things to consider. It depends on what your business is, who you're going to sell it, when you're going to sell it. But let's take you through a few questions to understand what it's worth.

So the first thing would be, what is the business? And some businesses are worth more than others. So if it's got recurring revenue, so you can look at consistent money that comes in every month from lots of different clients, that would hold a value in itself.

Whereas if it was a consultancy based around you being the go-to broker or the go-to agent or the go-to consultant or the go-to speaker, it could have less of a value. If it is a business that constantly relies on new sales, that could be a downside as opposed to recurring revenue that could be high. If your business has a high amount of assets, so maybe tangible like machinery or intangible like blueprints, IP, registered trademarked processes, ISO 9000 operations.

You know, if it's got these tangible assets that are worth money that you can either see and touch or you can own and understand and it gives you that commercial value, that can work really well. If it's got a solid order book, so let's say you're in project management, if you're a project management company relying on small 6-12 month projects may not be worth a huge amount of money. Whereas if you've got 10 years worth of government backed, public funded infrastructure contracts to deliver a niche railway signaling or road developments, it could be worth a lot of money because then it could lean on the value of the tender, the contract, the pipeline.

There's those sort of things to consider. How well can the business work without you is obviously a key one. Somebody buying a business in most cases will either want the business to be able to run without you or get you to do an earn out or performance related exit, which means you've got to prove the business can work without you, which if you haven't built it in that way, it can be difficult.

So you want to sort of build the business in mind with the fact that you want to exit it. So if you take, for example, Multilet was a big company that I built. I built that driven by a company brand and a team rather than a personal brand and me.

So when we came to sell it, it really didn't have anything to do with me. I was the MD. I did monthly board meetings and weekly one to ones can very easily be delegated to a new team, to a new buyer.

And then it was run by a senior team, marketing, sales, operations, finance, team members around the UK that I'd never met. It was very easy to sell. Something like Property Entrepreneur, however, would be harder to sell because it's a training business.

Most training businesses are run off personal brands, especially in the property space where there's a there's a personal brand that can make it difficult to step out from, difficult to sell unless you strategically approach it. So, for example, Tony Robbins has, you know, his big programs or Robert Kiyosaki, who run the big annual Date with Destinies, things like that. You know, that would be hard to run without Tony Robbins.

But he's also got a whole business around it, which is delivered by other people, affiliates, paid trainers, authorized distributors who know the blueprints, they've been trained on it and they can they can sell it. Property Entrepreneur over the last four years or so, I've done that, you know, I've moved away from the three day blueprints. Those of you that attend the three day blueprint will learn that.

And if you haven't secured your place already, go to www.donttalktotenants.co.uk. They're the annual events. They've been going for over 10 years, oversubscribed every year, 100 percent money back guarantee. Do not miss the boat.

There's only 150 places at those. Go to the website now and secure your place, secure your date. That's delivered by our team and our team are even better to train you because, one, they're closer to where you are than where I am.

But two, over the last three, five, seven years, they've learned the blueprint. They've executed the blueprint. They've started systemized, scaled and sold their businesses.

And now they're teaching you. So they're closer to it. They know it.

They've recently executed it. And they're the best people to train you. Three day event, the program, the additional events, the advanced.

Over the last few years, I've more and more stepped back from that. And it hasn't been a devaluation to the business or the clients or the team. It's been a value add to them and a value add to the business because I'm not a fundamental part of it.

So it's a business that could very likely be sold with a final few, you know, final few steps in there. So that's all worth considering when you think about what your business is. And then when you think about what it's worth, it's what it's worth to who is the big question.

It's worth whatever anyone's willing to pay for it. And this is the key sort of thing. And you tend to get three types of buyers.

You get owner operators, you then get investors and then you get strategic acquirers. And I'll take you through these three things, which will give you a better idea of what the business is worth. So an owner operator is somebody that wants to buy it and run it as a company.

And this would be something like a letting agency. Lots of time people buy franchises or they buy letting agencies or they buy cafes or restaurants because they want to run it as a part time or a full time job, make themselves 20 to 20, 30, 50 K up to a couple hundred grand a year by running a company. Good, well-paid job.

They like it. They enjoy it. And they're going to look at how much it can make them when they run it.

And in their head, they're going to be like, if I run this business, I can make a hundred grand a year. Great. They'll probably then pay you 200 grand a year or 300 grand a year.

And they know that in three years they got their money back. And after that, they're going to make a hundred grand a year running this business. So that's your owner operators.

Jumping in quickly, it is no surprise that our launch event for the three day blueprint for the first event for the public, the 8th to the 10th of July 2024 tickets flew out the door and are going fast. If you've not already secured your place to one of the three day blueprint events this year, the first date sold out in record time. There's only two dates left, which is the 8th to the 10th of July and the 5th to the 7th of August.

The launch event tickets are live now at www.donttalktotenants.co.uk with 100% money back guarantee. You have absolutely nothing to lose and everything to gain. In three days, you can learn start to finish the blueprint that I built and I used to build a 10 million pound portfolio.

If you're serious about becoming a high net worth seven figure property entrepreneur with a consistent six figure income, learn the five step blueprint now by joining one of our three day events. Go to www.donttalktotenants.co.uk every event has been oversubscribed every year since 2013 and with 100% money back guarantee, you have nothing to lose and everything to gain. Come and join us at a five star venue with three course dining with some of the UK's elite property entrepreneurs, market leaders and award winners who've already achieved what you want to achieve and now want to show you how to do the same.

Do not miss your opportunity. Go to www.donttalktotenants.co.uk now and secure one of only 150 slots that are going very, very fast. Back to the podcast.

You've then got your investors who are basically looking for it as an investment. So armchair investors, they're looking at the numbers. They want to buy your your convoy of ice cream lorries or they want to buy your small portfolio of cafes or letting agencies or they want to buy your mortgage company.

And what they're looking at is once they've paid all the salaries, so whereas the only operator would actually have a salary and in their head they're thinking that's money they're going to make and it's money you're probably currently making from your business, the investor will want all that paid for. So they want an MD, a general manager, employees, bookkeepers. They'll put all of the costs in and say as an investment, the operating net profit of this business without me being executively involved is X.

And then what they'll do is they'll normally apply a multiplier for that somewhere between three and six is quite common. You can get higher if there's a very clear growth plan or a very niche business or a reason why you can justify it. And what they're thinking is they'll buy it for, say, three to six times multiplier.

If you start to get above a million pound profit, you probably head towards the higher of that range, maybe even higher, especially if it has recurring revenue and a 10 year track record, etc. And they'll pay a multiplier. You've probably heard of EBITDA before.

It's basically a loose profit multiplier of looking at the business and saying, right, I can buy this business in the same way I would buy a property if it's making a quarter of a million pound a year profit without me being involved. And I'm happy to pay, say, three times that or four times that, I'll buy it for a million quid. And it's not that it won't make money for four years because normally you'll do deferred payments.

So maybe 50 percent upfront, 50 percent later, you might do vendor finance where you pay it all off over five or seven years. You might do an LBO where you do a leverage buyout and you actually borrow money. And ideally, you want to be paying the balance sheet off on a monthly basis.

So let's say it's making a quarter of a million quid a year. You're going to buy it for a million, four years. You could say that after four years, you've got, you know, you've paid it off or you've got all your money back.

But you want to structure it in a way where you're making cash flow and some money for today and some money for the balance sheet to pay off as you're paying off the money that you've actually paid. Or you might head in a way that you make no money for four years, aggressively pay it down, and then you go on to make money after that. So that'd be an investment buy.

And they would pay somewhere between three and six in the main macro level. And then a strategic buy would be something crazy where someone wants your business or let's say you can do a roll up. Someone's going to get five of you together and float you on the New York Stock Exchange for 30 times profit.

They're going to take 15 times profit. They're going to give you 15 times profit. But actually, if you'd have sold it on your own, you've only got four times profit.

That would be called a strategic acquisition or a strategic roll up or a strategic M&A sale or strategy or exit. And what you're looking at there is somebody knows something you don't know when somebody buys a plot of land auction and everyone thinks it's worth 100 grand and they pay 250. Either they've completely got it wrong and they've lost money or they can see something nobody else can.

They know a strategic angle. They know that they own next door and they can knock it down and build a mansion. They know something.

They've got somebody lined up to pay over the odds for it. A strategic acquisition is where somebody can see value and angle that you can't and they will go and overpay for it or they'll roll up with you and they'll pay above the over the odds. And that's really what you want to look for a strategic acquisition, a way to exit for if somebody was going to do a float on AIM or New York Stock Exchange or something strategic like that, where they're going to pay 18.2 billion pounds for WhatsApp when it was losing money. That's the strategic action you want to you want to look for. Couple of closing tips is one is whether you're building your company to sell, I would always recommend build it with that in mind, because whether you want to sell it, you want to get it ready for sale or just scale it, the same logic applies. You want a business, not a job.

Build it as if you're going to sell it anyway. And even if you don't sell it, you've then got a bonus of having a fantastic business. Second would be brokers offer lots of different things.

I sell companies for people. I do zero upfront fees, zero marketing fee. You won't pay me a penny until I've sold it.

It's completed and the money's in your bank. I won't get any money till you do. If it takes me six weeks to sell or six months to sell, it's the same fee.

But in order to get that flexibility, that freedom, that no money down, my fee is between seven and a half and 15 percent of the money that I get for you. I would edge towards using a broker like that rather than using somebody that's going to charge you 20 grand to list it, 15 grand to market it. And two years later, it's still sitting there on the market.

Ninety five percent of businesses that are on the market don't ever sell. You want to go to a broker like me that will do direct marketing, go to your competitors, go to the industry, look for strategic sales, go to investment groups and not actually put it on the market. The second is there's a big difference in price and terms.

So if it's a million quid upfront cash, that is very different to three million, which might be 50 percent upfront. And then the balance paid in performance or deferred over five years. So there's the price and the terms.

And then finally is you want to work with the right buyer. So whether it's just for the legacy or it's for the deferred payout or the earnouts, it's quite important you sell someone you want to sell to. You don't have to get in bed with them.

You don't have to necessarily really like them or trust them, but you have to respect them and have confidence that they're going to do what they say they're going to do. And I've seen deals all the time where people offer crazy money. It's all a bit shady.

It seems too good to be true. And what you'll find is you want to do good deals with good people at a good rate, look for a win, win, win, and don't go out there and try and squeeze the pips, because if it doesn't work for you or it doesn't work for the buyer, it's not going to work for either of you over the term. And I would personally go for the win, win, win, work for people, work with people that you can you can get on with.

And, you know, however you go about it, it's not always going to be easy, but enjoy the process, get out the other end, give them a business that you want. They're going to do well out of and make sure you get your paid full money and deferred or consideration at the end. Hopefully you've enjoyed that.

And this is definitely an advanced strategy, but whether you're building your business to sale or scale, you want to use the proper entrepreneur blueprint. The one specifically for this is the business model in finance and the business map in systems. We cover both of these.

That's two of the five steps we cover cover on the blueprint three day event. Go to www.donttalktotenants.co.uk. The link is in the show notes and secure one of 150 places at this year's annual events. It's 100% money back guarantee.

You've got absolutely nothing to lose. We've been doing this for over a decade. It's been oversubscribed every year since 2013.

Don't be the one that misses the boat. Come learn the blueprint. Come see us walk the talk.

See what we've done in action with it. And hopefully you'll be the next award winning market leading entrepreneur who puts this into practice, creates seven figure net wealth, six figure income and generational wealth for you and your family. Hope you've enjoyed it.

Success and failure are very predictable. And I'll see you on the next podcast. I hope you enjoyed this blueprint podcast episode.

If you're not already subscribed, sharing these, this is my lifetime's work. And every Tuesday, I'm giving you one blueprint away for free. These things are unique.

They're proven. They've enabled me to build over a 10 million pound portfolio in a few short years. And over the last 20 years, start, systemize, scale and sell over 40 different companies.

If you like them, share them, subscribe. Make sure you don't miss a single episode and tune in every Tuesday for a brand new episode. And then follow me daily on Instagram for free content post twice a day, completely free of charge.

Success and failure are both very predictable. I'll see you on the next episode.