

CHOOSING THE SALE PRICE

In deciding the selling price, vendors must consider several factors:

The selling price sets the high bar in negotiations.

It serves as an initial qualifier to help purchasers decide whether there is any point investigating further.

If it is too low, an unsatisfactory price may result. If it is too high, suitable purchasers may be lost because they believed they could not afford the business.

If the price is too far removed from the price supported by the assets and/or the profits generated, then purchasers may consider the vendor's expectations to be unrealistic or that there is insufficient motivation to sell, leading them to break off investigations prematurely. ie they may not take the shot if they believe they will never reach the target.

We recommend that the investment price build in room for negotiation to a reasonable outcome while not discouraging target purchasers.