



Should I Buy This Business?

Whether you are starting a new business from scratch or seeking an established business to purchase and make your own, getting facts is vital to making timely and effective decisions. Here is a quick exercise you can use to check the “Makes Sense” to continue box.

Follow these instructions and don't overthink it. This is not time to talk yourself into or out of anything. Be honest. Be Honest. HONEST!

If you plan to go into business you need to know the truth about many things related to the business...and yourself. Before you go through this process, please make sure you know the answers to these questions...

- 1) Why do I want to go into business?
- 2) How much money do I plan to spend to start/buy my business?
- 3) How much of this can I do alone?
- 4) How many hours a week do I plan to commit to my business?
- 5) How will being in business fill my 4 banks?
 - a) Time
 - b) Energy
 - c) Money
 - d) Wisdom

There is a far more comprehensive set of questions to ask yourself in the INVENT RESULTS Entrepreneur Assessment questionnaire. Feel free to go through that completely before moving on here. No matter, the 5 questions above must be clear before this next exercise is worth your time. Get it? Got it? GOOD!

Now, review the categories and ratings below and then fill in the appropriate rating for the business you are assessing in the proceeding chart. Do the math. If you're not sure about something, don't guess...learn. Come back to this when you have the truth. Once you're complete, you'll be given a clear idea on why you should or should not move forward with the facts as presented.

Also, have a little fun here. After all...this is YOURS!!!!

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| | Business Rating Schedule |
|--|---|
| Location | Within 10 miles = 5. 10 to 15 miles = 4. 15 to 20 miles = 3. 20 to 25 miles = 2. Greater than 25 miles = 1 |
| Business Age | Greater than 10 years = 5. 7 to 10 years = 4. 5 to 7 years = 3. 3-5 years = 2. Less than 3 years = 1 |
| EBITDA - last year | 20% = 5. 15% = 4. 10% = 3. 5% = 2. Less than 5% = 1 |
| EBITDA - last 3 years | 25% = 5. 20% = 4. 15% = 3. 10% = 2. Less than 10% = 1 |
| EBITDA - last 5 years | 30% = 5. 25% = 4. 20% = 3. 15% = 2. Less than 15% = 1 |
| Existing Debt Assumed | \$0 = 5. Up to \$10k = 4. \$10k to \$20k = 3. \$20k to \$25k = 2. Greater than \$25k = 1 |
| Purchase Price | \$100k = 5. \$150k = 4. \$200k = 3. \$250k = 2. Greater than \$250k = 1 |
| Expected/Proven Owners Draw | Greater than \$200k = 5. \$150k to \$200k = 4. \$100k to \$150k = 3. \$75k to \$100k = 2. Less than \$75k |
| % COGS to Sales | 40% = 5. 50% = 4. 55% = 3. 60% = 2. 65% or more = 1 |
| Existing Client Base as shown on Financial Reports | Good Margin/Consistent Sales = 5. Good Margin/Sporadic Sales = 4. Good Margin/Small Sales = 3. Poor Margin/Small sales = 2. Poor Margin/Consistent Sales = 1 |
| Equipment/Production Availability | Capacity can double = 5. Capacity can add 50% = 4. Capacity can add 25% = 3. Capacity expansion minimal = 2. At max capacity = 1 |
| Physical Expansion Available w/o Relocation | Space can double = 5. Space can add 50% = 4. Space can add 25% = 3. Space expansion minimal = 2. Have to relocate to grow = 1 |
| Initial \$ Investment | Less than \$10k = 5. \$10k to \$30k = 4. \$30k to \$50k = 3. \$50k to \$60k = 2. Greater than \$60k = 1 |
| % asset value to list price | Assets have clear value. Businesses get a bit foggier. The business has a value but it is far less than the actual assets being purchased. Especially when the business has little or no returning clients. Actual business value is truly based on contracted sales which you will assume. After that, it's a guess...at best. Some people will argue this with you. Ask them to cut the check... I promise it will get quiet. Assets = 80% of asking price - 5. Assets = 70% of asking price = 4. Assets = 60% of asking price - 3. Assets = 50% of asking price - 2. Assets = less than 50% of asking price - 1 |
| % of sales contracted for 1 yr or more | 80% of Sales = 5. 70% of Sales = 4. 60% of Sales = 3. 50% of Sales = 2. Less than 50% of Sales = 1 |
| Target Product | We are selling/doing what we love = 5. We are selling/doing what we love most of the time = 4. We are selling/doing what we love half the time = 3. We are selling/doing what we love sometimes = 2. We hate this life = 1. |

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| | Category Rating | Business Rating | Value |
|---|-----------------|-----------------------------|------------|
| Location | 3 | ? | ?? |
| Business Age | 2 | ? | ?? |
| EBITDA - last year | 5 | ? | ?? |
| EBITDA - last 3 years | 5 | ? | ?? |
| EBITDA - last 5 years | 5 | ? | ?? |
| Existing Debt Assumed | 4 | ? | ?? |
| Purchase Price | 5 | ? | ?? |
| Expected Owners Draw | 4 | ? | ?? |
| % Cost of Goods Sold to Sales | 4 | ? | ?? |
| Existing Client Base | 3 | ? | ?? |
| Equipment Availability | 4 | ? | ?? |
| Physical Expansion Available w/o Relocation | 3 | ? | ?? |
| Initial Investment | 4 | ? | ?? |
| % asset value to list price | 4 | ? | ?? |
| % of sales contracted for 1 yr or more | 3 | ? | ?? |
| Target Product | 3 | ? | 1?? |
| | | BUSINESS FAVOR VALUE | ??? |
| | | BEST BUSINESS VALUE | 305 |
| | | % of BEST | ??? |

- 1) Fill in the *Business Rating* value and multiply the *Category Rating* and the *Business Rating* to fill in the *Value*.
- 2) Add all values to fill in the *Business Favor Value* box.
- 3) Divide the *Business Favor Value* by the *Best Business Value* to get the *% of Best* percentage.

If your targeted business is not in the 80% or greater range you may want to pause and understand better what could be improved to get a more favorable score. If you do see a great score, GOOD FOR YOU! You are on the right path. The only guarantee here is that you will know more truth about what you're getting into and why. Success has a whole new level of effort. Nevertheless, great job on a great start!