



SESAME
BANKHALL
GROUP.

**Valuation mechanisms
most commonly used**

ExitPathway.

Selling your business is a significant decision, and it's crucial to get it right. That's where Bankhall comes in. Unlike traditional mergers and acquisition (M&A) brokers, we work closely with you to help prepare your business for sale.

We thoroughly examine everything from data quality to regulatory and compliance standards. By identifying and fixing potential issues before a buyer sees them, we help protect and often increase your sale value. Our expertise in risk and regulation also streamlines the due diligence process, reducing the chance of delays or last-minute deal breakers. If there's untapped growth potential in your business, we'll highlight it, giving you the chance to boost your valuation before going to market.

We don't stop there. We use our extensive Sesame Bankhall Group network to help find the right buyer who aligns with your goals, values, and culture. When it's time to negotiate, we're with you every step of the way, from initial discussions to exchange and completion.

With trusted consultancy, practical tools, and end-to-end support, we're your proactive partner for life, whether you're ready to sell now or preparing for the future.

Valuation mechanisms most commonly used

There are different ways in which a business may be valued. These may vary based upon the size of a firm, or the preferred method of the acquiring firm.

The most common methods are:

- **MOR:** Multiple of recurring income
- **EBITDA:** Earnings before interest, taxes, depreciation, and amortisation
- **AUM:** Assets under management

Multiple of recurring income (MOR)

A mechanism used to value your company based on recurring income from active clients in your business. Different buyers may have different views on things like client age, high-risk investments or insurance-based products.

Here's how it works:

The acquirer will request a breakdown of your recurring income with unique anonymised client identifiers attached, where the income is derived from, age and location of client. They will then apply a multiple to that income that is in line with their valuation strategy (i.e valuation of X multiplied by recurring revenue)

Multiple of EBITDA

It is likely any acquirer will forward project your EBITDA based on their own cost base. It is important to understand your own EBITDA and any adjustments of add backs that may be relevant (known as adjusted EBITDA).

Here's how it works:

The acquirer will request a breakdown of your profit and loss and monthly management accounts. It is useful to have to hand any details around exceptional expenses that are not ongoing or potential “add backs” such as contracts that will not continue post-acquisition, or staff members that would not be in the business post-acquisition.

The acquirer will likely then assess your EBITDA against their own assessment and will make you an offer based on a multiple of the EBITDA (i.e X multiplied by EBITDA).

Percentage of AUM

This methodology is typically based on a percentage of your assets under management.

Here's how it works:

You will provide the acquirer details of the amount of AUM you are managing, including a breakdown as to where this is held and will typically present an offer based on a % of your overall AUM (i.e X% of AUM).

Every acquirer will have their own valuation methodology and, in some instances, may use a combination of the above.

Sesame Bankhall Group will conduct a detailed assessment of your business which will include an assessment of the likely valuation that interested firms will consider.

There are a number of actions that can be taken to maximise a sale price by ensuring you plan your succession well in advance.

This guidance note is provided for informational purposes only and does not constitute legal advice. While every effort has been made to ensure the accuracy of the information contained herein, we do not accept any liability for any errors or omissions. You are advised to seek professional legal advice if you require specific guidance.