Buying a Business - Deal or No Deal

The Strategy in 60 Seconds

One point two five million asking, four hundred fifty four thousand in owner cash flow. Here's exactly how to judge that deal in sixty seconds.

3.3X

MULTIPLE IF INVENTORY IS STACKED ON TOP OF PRICE

HOW OWNER'S CASH FLOW IS BUILT

- **START AT NET PROFIT - The number the tax return actually shows**
- **ADD BACK DEPRECIATION - A paper expense, no cash left the business**
- **ADD OWNER PAY AND BURDEN - $156,000 salary plus the payroll taxes on it**
- **ADD PERSONAL PERKS - Auto, travel and entertainment run through**

PROVE EVERY LINE BEFORE YOU BELIEVE SDE

- Depreciation
- Owner salary
- Payroll burden
- Travel and meals
- Auto expense
- One-time legal fees

IF IT DOESN'T GO AWAY AT CLOSING, IT'S NOT AN ADD-BACK