VALUE

What is my business worth? How buyers actually price it

By Ayodele Olasiji, Optimax Commercial · Updated October 18, 2026 · 2 min read · Online at optimaxdeals.com/guides/what-is-my-business-worth

SHORT ANSWER

Buyers price most small businesses on what they earn for an owner, not on revenue. Start with net profit, add back your own salary, interest, depreciation and personal expenses run through the business; that is seller's discretionary earnings (SDE). Buyers pay a multiple of SDE that rises with steady records, long leases and newer equipment. Real estate is valued separately, on rent or market comparisons.

How to, at a glance

1. Add back your pay and one time costs to net profit
2. Note what raises or lowers the multiple: trend, lease, records
3. Value any real estate separately
4. Ask a broker for a range based on comparable sales

Questions owners ask

Is my business worth a multiple of revenue?

Rarely, for small owner operated businesses. Buyers and lenders look at earnings. Two businesses with the same revenue can be worth very different amounts.

Does unreported cash count toward the price?

Usually not. Lenders and most buyers pay only for income they can verify on tax returns and bank deposits.

How do I find out what mine is worth?

Have your last two to three years of returns and a current profit and loss statement ready, and ask a broker for a range based on comparable sales.

Step 1: calculate what the business earns for an owner

Seller's discretionary earnings is the number most buyers of owner operated businesses start from.

1. Start with net profit from your tax return or profit and loss statement.
2. Add back your own salary and payroll taxes.
3. Add back interest, depreciation and amortization.

4. Add back personal expenses paid by the business, such as a personal car or phone, but only if you can show them.
5. Add back one time costs that will not repeat, such as a flood repair.

Example, made up for illustration: net profit $90,000, plus owner salary $50,000, plus depreciation $25,000, plus interest $10,000 equals SDE of $175,000.

Step 2: what moves the multiple

Raises the price	Lowers the price
Two or three years of steady or rising earnings	Falling or bumpy earnings
Income that shows on tax returns and bank deposits	Cash income that never reached the books
A long lease with renewal options	A lease with only a few years left
Newer equipment	Old machines the buyer must replace soon
Runs without the owner every day	Depends on the owner being there
Repeat revenue: memberships, contracts, wash and fold accounts	One time or seasonal revenue

Step 3: price the real estate separately

If you own the land and building, buyers and lenders value them on their own, using comparable sales or the rent the property would earn. A gas station or car wash that sells with its real estate is two values added together, and the financing is different too.

Hotels are often discussed with extra measures such as price per room and RevPAR, and are valued on net operating income. See selling a hotel privately.

Get a real range, not a guess

Online calculators cannot see your lease, your equipment or your books. A broker who sees your numbers can give you a range from comparable sales in one call, at no cost.

Thinking about selling?

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