Why Normalising Your Numbers Can Make or Break the Sale

Normalising your financials helps buyers see the true earning power of your business. Learn which adjustments can strengthen your valuation and which could undermine buyer confidence.

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When you sell a business, the profit on your financial statements is rarely the number a buyer values you on. What they want is the true earning power of the business in normal conditions. Getting from one to the other is called normalising, and doing it well can lift your price. Doing it badly can sink the deal.

What Normalising Actually Means

Over the years, most owners run some personal costs through the business and absorb some once off events that will not repeat. Normalising adjusts for these so the profit reflects how the business really performs. You add back a legal fee for a dispute that is now settled, or the cost of a vehicle used mainly for private reasons. You remove income from a contract that has ended. The aim is an honest picture, not a flattering one.

The Salary You Cannot Simply Remove

This is where many owners go wrong. It is tempting to add your entire salary back to profit to make the business look far more profitable than it is. But if you leave, someone has to do your job, and that person must be paid. A buyer knows this immediately. You can adjust an owner salary that is clearly above or below the market rate, but you cannot pretend the role is free. Try to, and a serious buyer loses trust in every other number you have shown them.

Why It Is Worth Getting Help

Normalising is part judgement and part evidence. Every adjustment needs to be reasonable and backed by proof, because a buyer and their advisors will test each one. An experienced hand knows which adjustments hold up, how to document them, and how to present the real earning power of the business with credibility. That credibility is often worth more than the adjustments themselves.

Done properly, normalising tells the true story of what your business earns and justifies a fair price. Done carelessly, it looks like you are hiding something, and doubt is expensive.

Normalising your numbers is not a place to guess. If you want your true earnings presented in a way buyers will trust, talk to us before you list.