

# Business Capitalisation Rate Calculator

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## Bstar launches first online Business Capitalisation Rate Calculator to meet baby boomer demand for business sales

Australia's leading succession and transition specialists, Bstar, has today launched the first online Business Capitalisation Rate Calculator to help accountants, financial planners, advisers, lawyers and business owners calculate the true value of a business prior to sale.

The calculator eliminates the risk of valuation errors and will help professional advisers manage the surge in demand among Australian baby boomers seeking accurate valuations with a quick turnaround so they can prepare for the transition to retirement.

Bstar's recent research of baby boomers approaching retirement age reveals that approximately 30 percent of family business owners plan to retire in the next one to three years and a further 27 percent within four to six years.

The research also revealed that most accountants have four or five clients, which comprise up to 30 per cent of their fees and who want to sell their business now.

"With the predicted massive transition of business wealth, up to A\$3.6 trillion, advisers will be increasingly called upon to provide valuation services. To date, a sound method to determine the profit multiple of a business has not existed and there is an extremely high risk for advisers if they get it wrong. A wrong number can sometimes lead to an undervaluation, which is grossly unfair to the seller and can impact retirees' ability to fund their retirement. For this reason, many accountants and advisers have shied away from offering business valuation services," says Bstar's Chief Executive, Grant Bloxham.

A survey of Bstar's 800 network partners, including accountants and financial planners, has labelled the calculator as the most revolutionary tool for advisers since the spread sheet.

Bstar's research team has been developing and testing the calculator for over five years. It is formulated on a scientific algorithm that determines the profit multiple based on information, including the turnover of the business, profit, free cash flow, cost of funds, indicative tax rate and investment payback term. It also takes into consideration a business's non financial value drivers including systems, key person reliance, staffing and customers.

The calculator can be applied to any industry or type of business. The process is straightforward and easy to follow online, so anyone at any level of financial literacy can determine a profit multiple and business sale price.

Being online, the calculator is available to business owners, valuers, accountants, lawyers, brokers, insurance advisers and planners.

For the financial planning industry, Bstar believes it will be the catalyst for advisers to change their business model to become financial planners for business owners. Accountants and lawyers will be able to accurately value businesses for relationship breakdowns, business disputes, ownership changes, succession and estate planning.

The product is currently available online and costs \$990 per application. Web-based training is also available to users.

The company plans to make the calculator available overseas and is currently in discussions with potential international distribution partners.

A series of information briefings will be held in April for valuers, brokers, lawyers, planners, accountants and insurance advisers to educate them on the benefits.

The event schedule is available at [www.bstar.com.au](http://www.bstar.com.au).

### Disclaimer

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