

WHY RULE OF THUMB APPRAISALS DO NOT MAKE SENSE WHEN DETERMINING THE VALUE OF ANY BUSINESS...

	McDonalds #1 Fort Worth, Texas	McDonalds #2 Dallas, Texas
Annual Sales	\$1,800,000	\$1,500,000
Pre-Debt Cash Flow	\$200,000	\$150,000
Typical Rule of Thumb would dictate that the business with the highest cash flow wins. We know of at least three different rules of thumb for restaurants. All of them look specifically at Gross Sales and/or Cash Flow. This is hardly the complete picture for any business.		
Location?	Near Stock Yards	Near a Lake Front Community
Population/Projected Growth	Flat	Increasing (Growing Community)
Restaurant Capacity?	50 Patrons	80 Patrons
Condition?	10+ Years Old/Needs New Roof	Four Years Old/Practically New
Franchise Fee/Contract Length?	\$4500/month & Due for Renewal	\$3000/month & Renew in 10 years
Visibility?	Partially Hidden	Wide Open/Easy to See
Parking Situation?	Small Lot/ Limited Drive Thru	Ample Lot w/RV & Truck Parking
High School in Area?	No	Nearby

Now which one do you think is worth more money? This is why Rules of Thumb cannot be used when valuing ANY Business. They are a rough guide at best. To use *only* a Rule of Thumb borders on negligence.

The power of a certified, third-party Appraisal and the ability it gives to control the “reality” of the transaction is the key. The evaluation should not be looked at as a cost, but as an investment and a necessary tool to insure the cumulation of your life’s dream and hard work is realized.

Please contact us at (561) 882-1331 or read about us on our website at www.BankersAdvocate.com for answers to your specific situation and to see what an independent, third party Appraisal can do for you. We would also like to send you a free copy of our *Guide to Exiting Business Ownership*.

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