The Most Expensive Surprise in Business

Why many owners only discover the real value of their business when it's too late



The Moment Most Owners Don't Prepare For

Most business owners prepare well for day-to-day realities.

They track revenue.
They manage staff.
They worry about cash flow, tax, and growth.

What very few prepare for is **market reality**.

Selling a business is rarely planned perfectly. Timing is often influenced by fatigue, opportunity, health, partnerships, or external change. And when that moment arrives, many owners encounter a surprise they never expected:

The business is worth less than they believed.

Not because the business failed.
Not because the owner made bad decisions.
But because no one tested how the market would see the business early enough.

> **Most owners don't fail at running a business.**
> They fail at testing its value before timing removes their leverage.

Why So Many Businesses Fail to Sell When It Matters

20-30%	70-80%
Actually Sell	**Never Close**
Of businesses listed for sale	Due to uncertainty and risk

Across markets and decades, business brokerage data shows a consistent pattern:

Only around 20–30% of businesses listed for sale actually sell.

This pattern is supported by long-standing industry research from organisations such as the International Business Brokers Association, the Exit Planning Institute, and veteran brokerage analysis by Tom West and Business Brokerage Press.

This is not because buyers don't exist.

It's because buyers see too much uncertainty.

When a business goes to market, buyers are not asking:
"Can this business work?"

They are asking:
"Can this business work without this owner, under new control, with predictable outcomes?"

If that answer is unclear, value is discounted — or the deal simply never happens.

> **"Only a minority of small businesses that are listed for sale successfully change ownership. Most fail to sell due to risk, owner dependence, or lack of buyer confidence — not because buyers don't exist."** —BizBuySell Market Insights

The Four Critical Pain Points

Pain #1: The Valuation Shock

Most owners carry a number in their head. It's built from years of effort, sacrifice, growth, and identity. It feels reasonable. It feels earned.

Buyers carry a different number.

Their number is built from:

- Transferability
- Sustainability
- Risk
- Confidence in what happens after takeover

The shock is not that the numbers differ. The shock is discovering this when selling becomes important, when time pressure limits options.

The real pain is not a lower valuation. It's discovering the gap when it's too late to close it calmly.

Pain #2: Profit Does Not Equal Sellability

Many profitable businesses are still difficult to sell.

From a buyer's perspective, strong profits can hide risk just as easily as they can signal opportunity.

Buyers look beyond income and ask:

- Who holds key relationships?
- Who makes decisions?
- Where does knowledge live?
- What breaks if the owner steps away?

A business that only works because the owner is present every day is often not seen as a business at all — but as a job with risk attached.

Buyers don't buy effort. They buy continuity.

> **"A profitable business is not necessarily a sellable business. Buyers prioritise systems, documentation, and independence from the owner."**
> — SCORE (Small Business Mentorship Organisation)

Understanding Buyer Risk Perception

Pain #3: Buyers Discount Risk — Not Hard Work

When owners receive offers lower than expected, it often feels unfair.

But buyers are not discounting effort, loyalty, or history.

They are discounting:

- Owner dependence
- Unclear financials
- Informal systems
- Customer or supplier concentration
- Operational uncertainty

This is not opportunism.
It is risk pricing.

Uncertainty always has a cost — and buyers price it in immediately.

Pain #4: Waiting Quietly Erodes Leverage

Many owners delay thinking about sellability because:

- The business is busy
- Revenue is strong
- Selling feels far away

But **value does not stand still**.

Risks compound quietly.
Structures solidify informally.
Dependence increases unnoticed.

When urgency eventually enters the picture, leverage often shifts to the buyer.

Waiting does not preserve value. It reduces optionality.

> **"Buyers discount uncertainty more aggressively than they reward performance. Risk, not revenue, is the primary driver of valuation adjustments."** — Small business acquisition commentary

How Buyers Actually Think About Value

> **"There is no single formula for valuing a privately held business. Multiple methods are used together, and risk assumptions heavily influence the final result."** — Corporate Finance Institute (CFI)

One of the biggest misconceptions business owners have is believing there is a single, fixed formula that determines what a business is worth.

There isn't.

Value is not calculated in isolation. It is interpreted through multiple lenses, depending on risk, structure, sustainability, and buyer expectations.

This is why valuation surprises are so common — and why discovering them only at the point of sale is so painful.

At Aldes, several valuation methods are used together to form a realistic, market-aligned view. Each method answers a different question a buyer is subconsciously asking.

The Five Valuation Methods Buyers Use

Extra Earnings Potential (EEP) — "Super Profits"

The Extra Earnings Potential method is based on a simple idea:

If a buyer takes the risk of owning a business, they should earn more than they would by placing their money in a bank and working for a salary.

EEP starts with net profit, then asks:

- What return could a buyer earn by investing the same capital elsewhere?
- What extra earnings justify the additional risk of ownership?

The difference between these figures represents extra earnings, which are then multiplied by a time factor to estimate goodwill.

In practice:

- Non-service, asset-heavy businesses may justify 18–24 months
- Service or newer businesses often fall in the 12–15 month range
- Strong franchise businesses may justify 18–35 months, depending on performance

Why this matters: Owners often assume goodwill is guaranteed. Buyers treat it as the most fragile part of value.

Return on Investment (ROI) — "Is this worth the risk?"

The ROI method values a business based on the return a buyer expects for the risk they are taking.

The calculation is straightforward in concept:

Net profit ÷ required return = indicative value

The complexity lies in the required return, which depends on:

- Business type
- Stability and track record
- Market conditions
- Whether the buyer will be owner-operator or absentee
- Risk concentration and structure

At Aldes, a 30% ROI is commonly used as a benchmark, reflecting the reality that small business ownership carries materially more risk than passive investments.

Why this matters: Two businesses with the same profit can justify very different values if one feels riskier to operate or sustain.

The Five Valuation Methods Buyers Use (Continued)

Payback Period (Magic Multiplier) — "How long until I get my money back?"

This method looks at how long a buyer expects it to take to recover their investment from profits.

For example:

- Monthly net profit × expected recovery period
- R60,000 × 24 months = R1,440,000

The "multiplier" is effectively a time-based risk decision.

Shorter payback periods:

- Indicate higher perceived risk
- Lower buyer confidence

Longer payback periods:

- Indicate stability
- Predictability
- Confidence in continuity

Why this matters: When owners hear "buyers want their money back quickly," they often take it personally. In reality, it's a rational response to uncertainty.

Asset-Based Valuation — "What's the downside protection?"

Asset-based valuation looks at what the business owns:

- Equipment
- Vehicles
- Stock
- Property (if included)

For many owners, this feels reassuring.

For buyers, assets often represent downside protection, not upside potential.

Assets:

- Support value
- Reduce perceived risk
- Rarely justify a premium on their own

In most cases, asset value acts as a floor, not a ceiling.

Why this matters: A business with strong assets but weak structure or owner dependence can still struggle to sell.

Discounted Cash Flow (DCF) — "How reliable is the future?"

Discounted Cash Flow valuation focuses on future cash flows, adjusted back to today's value using a discount rate.

In theory, this is one of the most academically sound methods.

In practice, small businesses struggle with DCF because:

- Future cash flows are harder to predict
- Owner involvement distorts forecasts
- Risk assumptions dominate the outcome

For established, well-structured businesses with predictable cash flow, DCF can provide useful insight. For owner-dependent or informal businesses, it often highlights uncertainty rather than value.

Why this matters: DCF doesn't reward optimism — it penalises unpredictability.

> **"Discounted cash flow analysis is highly sensitive to assumptions, which makes it difficult to apply reliably to owner-operated small businesses."** — Valuation education commentary

How Buyers Combine These Methods



Buyers don't choose one method and ignore the rest.

They combine them.

- Earnings suggest upside
- Assets limit downside
- ROI reflects risk appetite
- Payback measures confidence
- DCF tests sustainability

The final value emerges where confidence outweighs uncertainty.

This is why valuation is rarely intuitive for owners — and why discovering this only when selling becomes urgent is so costly.

Why understanding this early protects value

Owners who understand these valuation lenses early are better able to:

- Focus on reducing the right risks
- Avoid investing in changes buyers don't reward
- Track whether improvements actually improve value
- Prevent late-stage valuation shock

> **Valuation is not about chasing a number. It's about avoiding surprises when timing matters.**

This is why many owners choose to revisit valuation periodically — not because they want to sell, but because they don't want to guess.

The Smarter Approach: Tracking Value Before Timing Forces You

The problem is not valuation.



The problem is treating valuation as a one-day event.

Some owners choose to approach valuation the way they approach financials — not as a once-off, but as a periodic reality check.

A recurring valuation allows owners to:

- **Track whether changes reduce buyer risk**
- **Measure progress objectively**
- **Avoid fixing the wrong things**
- **Prevent late-stage surprises**

You cannot manage what you don't measure — and value is no different.

Even if a sale never happens, businesses that are easier to sell are usually easier to run.

The Critical Decision Point: Guessing vs Clarity

Most owners don't need motivation.
They don't need pressure.
They don't need a sales pitch.

They need confirmation.

> **The most expensive surprise in business is discovering the real value of your business at the exact moment you need it to matter.**

When clarity is delayed, owners are left guessing — and guessing becomes expensive under time pressure.

A short, focused reality-check conversation helps owners:

- Establish a baseline view of how buyers would likely assess the business
- Understand which risks buyers focus on first — and which they ignore
- Separate emotional value from market value
- Decide whether preparing, valuing, or waiting makes sense right now

This is not about selling.
It's about answering one practical question:

If a buyer looked at my business today, what would they focus on first — and why?

For many owners, this conversation becomes the first step in tracking value over time — rather than discovering it once, under pressure, when options are limited.

A 15-Minute Reality-Check Conversation

If you'd like to replace guesswork with clarity, you can register for a short, 15-minute reality-check conversation.

This is:

- Not a sales call
- Not a free valuation
- Not a commitment to sell

It's simply a way to confirm how buyers would likely view your business today — so you're not surprised later.

> **"Most business owners only confront market reality when a sale becomes necessary. Early clarity is what preserves choice."** — Exit planning commentary

Register for a 15-minute reality-check conversation

A Final Word — And Why This Document Exists

Hi — and thank you for reading.

I'm Rynhardt de Witt, a business owner and business broker operating as Aldes Éclat, part of Aldes Business Brokers.

Over the years — both as an operator and as a broker — I've worked with many small and medium-sized businesses. A clear pattern has emerged.

Some businesses are sellable.	Many are busy and profitable, but not sellable.	And most owners only discover the difference when they try to sell.

I've personally owned businesses that were not sellable. Not because they didn't work. Not because they didn't make money. But because they were poorly structured, overly dependent on people, and exposed to risks I didn't fully see at the time.

I've lost businesses. I've been burned by partners. These lessons were learned through experience — not theory.

> This document exists to give owners early clarity, before emotion, urgency, or deal fatigue enter the picture.

This is not a comprehensive assessment. It is a starting point.

My approach to business is guided by strong personal values and my faith in my Lord and Saviour, which shape how I approach responsibility, clarity, and integrity. I believe honesty ultimately protects both people and value.

As you reflect, don't ask: **"Is this good or bad?"**

Ask instead: **"Is this accurate for where my business is right now?"**

Clarity is always the right first step.

What You Do Next

You may choose to do nothing.

You may choose to revisit this later.

Or you may choose to gain clarity now.

Whether you sell in one year or five, understanding how the market sees your business today protects your options tomorrow.

If you'd like to talk through how this applies to your specific business, the option to have a short conversation is available below.

15-minute reality-check conversation