

Arthur Hamel

Business Seminars

— Interview Series



**Introduction To
The Arthur Hamel Business
Evaluation Program**

Dear Student,

I'm Michael Senoff, founder and CEO of HardToFindSeminars.com.

For the last five years, I've interviewed the world's best business and marketing minds.

And along the way, I've created a successful home-based publishing business all from my two-car garage.

When my first child was born, he was very sick, and it was then that I knew I had to have a business that I could operate from home.

Now, my challenge is to build the world's largest free resource for online, downloadable audio business interviews.

I knew that I needed a site that contained strategies, solutions, and inside information to help you operate more efficiently

I've learned a lot in the last five years, and today I'm going to show you the skills that you need to survive.

It is my mission, to assist those that are very busy with their careers

And to really make my site different from every other audio content site on the web, I have decided to give you access to this information in a downloadable format.

Now, let's get going.

Michael Senoff

Michael Senoff

Founder & CEO: www.hardtofindseminars.com

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Published by:

Michael Senoff
JS&M Sales & Marketing Inc.
4735 Claremont Sq. #361
San Diego, CA 92117
858-234-7851 Office
858-274-2579 Fax
Michael@michaelsenoff.com
<http://www.hardtfindseminars.com>

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Introduction to Arthur Hamel Business Evaluation Program

Many years ago I developed the Arthur Hamel Business Pricing Program. It helped people to understand many of the things that went into a business value.

In the past 25 years I worked with many investors and buyers. I had many subjective areas that helped me to analyze a business purchase. I never attempted to organize it, I just knew what to do.

In the past year I have been working with buyers and investors that wish to invest with the buyers. It has been very difficult to explain the many subjective items that make up the difference between a good business purchase and a bad one.

Five years ago I started to work on a method to pass on the subjective items that make up a good business. It is still in the rough stages, but I believe it is good enough for a start.

It is a very simple approach and I did not attempt to tie in weighted values to make it more accurate. I have a start in the area of weighted values and will use it in the future if it is necessary.

Benefits to Buyers:

1. Ability to do a better job of analyzing the business purchase.
2. Number rating of all businesses for comparison (Maybe eventually A,B,C,D,).
3. Improve my ability to explain the good and bad of each business.

Benefits to Investors:

1. Ability to do a better job of analyzing a business investment.
2. Use total number rating of all businesses for comparison.
3. Improve my ability to explain the good and bad of each business investment.

How to use the Business Evaluation Program:

1. In each of 25 categories circle the + number after each description.
2. Total all of the + numbers and place total on top of front sheet.
3. Compare total with totals of other business purchases and investments.

Arthur Hamel Business Evaluation Formula

25 Items – Maximum Value of 100%

Business Name: _____

Business Type: _____

Address: _____

Prepared By: _____ Date _____

Total Score: _____ Out of 100%

1. Non-Competition Agreement

A.	Up to 2 years	+1
B.	3 years	+2
C.	4 years	+3
D.	5 years	+4

2. Owner(s) Staying

A.	Up to 3 months	+1
B.	4 to 6 months	+2
C.	6 to 12 months	+3
D.	Over 1 year	+4

3. Number of Owners (Managers) Leaving

A.	4	+1
B.	3	+2
C.	2	+3
D.	1	+4

4. Net Profit / Ebitda / Cash FOW Multiplier for Price

Manufacturing

- | | | |
|----|--------------------|----|
| A. | Over 5 times net | +1 |
| B. | 4.6 to 5 times net | +2 |
| C. | 4 to 4.5 times net | +3 |
| D. | Under 4 times net | +4 |

or

Distribution

- A. Over 4.5 times net +1
- B. 4.3 to 4.5 times net +2
- C. 4.0 TO 4.3 times net +3
- D. Under 4.0 times net +4

or

Retail

- A. Over 4.0 Times Net +1
- B. 3.5 to 4 Times Net +2
- C. 3.0 to 3.5 Times Net +3
- D. Under 3 Times Net +4

or

Service

- A. Over 3.0 Times Net +1
- B. 2.5 to 3 Times Net +2
- C. 2.0 to 3 Times Net +3
- D. Under 2.0 Times Net +4

5. Competition

- A. Extreme competition +1
- B. Normal competition +2
- C. Minimum competition +3
- D. No competition +4

6. Years in Business

- A. Under 5 Years +1
- B. 5 to 10 Years +2
- C. 10 to 15 Years +3
- D. Over 15 Years +4

. 7. Number of Employees

- A. Over 50 +1
- B. 40 to 50 +2
- C. 30 to 39 +3
- D. Under 30 +4

8. Employee Turnover per Year (Divide)
- | | | |
|----|-----------|----|
| A. | Over 20% | +1 |
| B. | 15 to 19% | +2 |
| C. | 10 to 14% | +3 |
| D. | Under 10% | +4 |
9. Type of Market
- | | | |
|----|----------------------------|----|
| A. | Stable – Little Growth | +1 |
| B. | Growing 5 to 9% per year | +2 |
| C. | Growing 10 to 15% per year | +3 |
| D. | Growing over 15% per year | +4 |
10. Age of Industry
- | | | |
|----|----------------------|----|
| A. | New industry | +1 |
| B. | Age of 2 to 5 years | +2 |
| C. | Age of 5 to 10 years | +3 |
| D. | Age of over 10 years | +4 |
11. Local Economy
- | | | |
|----|-------------------------|----|
| A. | Declining local economy | +1 |
| B. | Stable local economy | +2 |
| C. | Growing local economy | +3 |
| D. | Dynamic local economy | +4 |
12. National Economy
- | | | |
|----|-----------|----|
| A. | Recession | +1 |
| B. | Stable | +2 |
| C. | Growing | +3 |
| D. | Dynamic | +4 |
13. Local Labor Market
- | | | |
|----|----------------------------------|----|
| A. | Strong competition for employees | +1 |
| B. | Little competition | +2 |
| C. | Many unemployed | +3 |
| D. | Many applications for employment | +4 |

14. Labor Union
- A. Strong union – competitors do not belong +0
 - B. Strong union – competitors belong +1
 - C. Weak union – competitors do belong +2
 - D. Weak union – competitors belong +3
 - E. No union +4
15. Ease of Management
- A. Service +1
 - B. Retail +2
 - C. Distribution +3
 - D. Manufacturing +4
16. Net Profit
- A. Over \$1,000,000 +1
 - B. \$1,000,000 to \$2,000,000 +2
 - C. \$2,000,000 to \$3,000,000 +3
 - D. Over \$3,000,000 +4
17. Experience / Skills Required
- A. Extensive specific industry skills required +1
 - B. Some experience required by the buyer +2
 - C. Little or no experience required +3
 - D. Can be managed by an absentee owner +4
18. Owner Financing (% of total price)
- A. None +0
 - B. To 20% +1
 - C. 21 to 30% +2
 - D. 31 to 40% +3
 - E. Over 40% +4
19. Owner Financing (number of years)
- A. None +0
 - B. To 5 years +1
 - C. 6 to 10 years +2
 - D. 11 to 15 years +3
 - E. Over 15 years +4

20. Owner Financing (interest rate)
- A. None +0
 - B. Over 10% +1
 - C. 8 and 9% +2
 - D. 6 and 7% +3
 - E. Under 6% +4
21. Time the Business was For Sale
- A. Over one year +1
 - B. 6 months to 1 year +2
 - C. 2 to 6 months +3
 - D. Under 2 months +4
22. Business Plan
- A. 1 to 10 pages +1
 - B. 11 to 20 pages +2
 - C. 21 to 30 pages +3
 - D. Over 30 pages +4
23. Purchase Contract
- A. 1 to 10 pages +1
 - B. 11 to 20 pages +2
 - C. 21 to 30 pages +3
 - D. Over 30 pages +4
24. Sales for Past 3 Years
- A. Downward trend +1
 - B. Up and down +2
 - C. Flat and level +3
 - D. Increasing each year +4
25. Profit for Past 3 Years
- A. Downward trend +1
 - B. Up and down +2
 - C. Flat and level +3
 - D. Increasing each year +4