

## VALUATION

WE PERFORM VALUATIONS FROM MULTIPLE ANGLES.

SOME DERIVE FROM ASSETS AND SOME DERIVE FROM INCOME (SOME USE BOTH)

THE VALUATION PROCESS INVOLVES GAINING A DEEP UNDERSTANDING OF WHAT THE COMPANY DOES AND HOW IT WORKS. OFTEN THE OWNERS GAIN VALUABLE NEW INSIGHTS AS WELL.

VALUATION INVOLVES UNDERSTANDING WHO THE BUYER IS LIKELY TO BE. DIFFERENT BUYERS MAY OFFER SIGNIFICANTLY DIFFERENT AMOUNTS FOR THE SAME COMPANY AS THE UTILITY AND FIT IS DIFFERENT.

ONE CONSTRAINT ON MAXIMUM VALUE IS AFFORDABILITY – A BUSINESS MAY BE WORTH \$X ON PAPER BUT IF BUYERS CAN'T FINANCE THE PURCHASE OR IT CAN'T CARRY THE INVESTMENT IT WON'T SELL.

WORKING CAPITAL IS A VERY IMPORTANT COMPONENT OF VALUE. THESE ARE ASSETS THAT CAN BE TURNED INTO CASH QUICKLY. SELLERS WANT TO KEEP AS MUCH AS POSSIBLE, BUYERS WANT TO GET AS MUCH AS THEY CAN. A RULE OF THUMB IS THERE NEEDS TO BE ENOUGH WORKING CAPITAL INCLUDED SO THE PURCHASER DOES NOT NEED TO INJECT MORE RIGHT AFTER PURCHASE.

THE VALUATION INVOLVES DETERMINING EXACTLY WHAT IS BEING SOLD – ASSETS OR SHARES. MANY SELLERS HAVE NOT CONSIDERED THIS AND DISCOVER THERE ARE TAX IMPLICATIONS DEPENDING ON WHICH ONE IS OFFERED. THERE ARE ALSO VALUE IMPLICATIONS AS WELL.

WANT TO TALK ABOUT VALUATION OF YOUR COMPANY? Call me at 647.274.5593