

Textbook formulas and “rules of thumb” alone are not adequate methods for valuing a business

Premium buyers analyze the future potential of an acquisition to determine value

The intangible value of a business is worth a significant amount to the premium buyer

By using sound market research, approaching the right buyers, running a competitive process and effectively structuring the deal, a company can maximize its value

Valuation is not formulaic

- The initial step to selling a business involves a thorough and accurate business assessment which includes a valuation analysis.
- Common methods for valuing a business include public market comparable analysis, identifying precedent M&A transactions, discounted cash flow analysis, book or asset based valuation approaches and applying multiples to revenue, EBITDA or net income.
- Many formulas and “rules of thumb” have been developed to arrive at a “ballpark” estimation of value, but it takes seasoned expertise to look beyond mere formulas and determine a real measure of value.

Don’t leave money on the table by neglecting the intangible value of a business

- At a minimum, a buyer ought to be willing to pay the baseline intrinsic value of a business.
- In many cases, however, sellers forego the opportunity to obtain appropriate compensation for the intangible value of the business. This is caused by the inability of inexperienced sellers to properly substantiate, support and quantify the intangible value of their business.
- Employing proper valuation methodologies and techniques can help sellers maximize value. It is also important to recast historical financial statements in order to show the effect the purchase of the business will have on the buyer’s financial results.

How can the value of a business be increased?

- Prepare concise, detailed and comprehensive information regarding the business.
- Apply sound market analysis and research to support financial projections.
- Define the intangible and future benefits of the business and the potential synergies of a pro forma combination.
- Identify and approach the right buyers.
- Conduct a structured, competitive sales process.
- Structure and negotiate a deal on the seller’s terms.

GW Equity knows exactly what it takes to drive premium value for your business

- With decades of results and countless experience, GW Equity’s representatives can effectively position your company in the marketplace and avoid the valuation pitfalls that can underestimate the value of your business.