



ONE-MINUTE BUSINESS VALUATION REVIEW

REPORT TYPES

WORKSHEETS

Quickest and shortest report; an agreed upon approach is utilized to estimate the value using various assumptions. Not intended for court.

CALCULATION

Longer report but still concise in many areas; 1 or 2 approaches are agreed upon to calculate the value using various assumptions. Not intended for court.

VALUATION

Longest and most comprehensive report. All approaches considered, as well as full economic & industry study. Option best suited for court.

CONSIDERATIONS

PROCESS

Depending on the purpose of the valuation, different reports may be required. Gifting shares of closely held stock may require a full valuation whereas starting amicable negotiations with a partner on a buyout may be able to utilize worksheets.

COURT & LITIGATION

Is litigation possible? If so, a Valuation is highly recommended due to multiple approaches used and extensive detail presented.

NORMALIZING ITEMS

Common normalizing items: wages, owner expenses, automobile expenses and capital expenditures. These would be increased or decreased based upon what is "needed" vs what is "wanted" by the current owner.

PROJECTIONS & FORECASTS

If past financial figures are expected to continue in the future, these figures will be the basis of the valuation. If figures are expected to have volatility, up or down, projections by management will need to be incorporated to account for this volatility.



VALUATION APPROACHES

ASSET APPROACH

Values the subject company by analyzing values of tangible and intangible assets.

INCOME APPROACH

Utilizes historical financials and/or projections to determine benefit stream available, generally cash flow.

MARKET APPROACH

Analysis of comparable private & public companies. Relevant sales data can be difficult to find when valuing closely held companies.

PROCESS



Time line: 4-10 weeks depending on timeliness of information, method and projection.

RULES OF THUMB

EBITDA*

- Manufacturing 3-8x
- Construction 1-4x
- Health 1-3x
- Professional 2-4x

* Earnings Before Interest, Taxes, Depreciation and Amortization

EBIT*

- Manufacturing 4-7x
- Construction 1-3x
- Health 2-4x
- Professional 2-4x

* Earnings Before Interest and Taxes

GROSS REVENUES

- Manufacturing 90-100%
- Construction 20-30%
- Health 30-45%
- Professional 90-125%

SDI*

- Manufacturing 2-4x
- Construction 1-2x
- Health 1-3x
- Professional 1.5-3x

* Seller's Discretionary Income

Above information is not intended to be used as advice, for estimate purposes only.

Questions? Please contact us for a no-cost consultation to discuss your business valuation needs. Call 517-788-8660.