



Independence... and valuation

Business valuation should be **independent, objective, and non-adversarial**. It should also be forward-looking and it is our belief that the “story” is as important as the “numbers”. We need to understand the history, operation, and value drivers of the business to produce a credible and defensible opinion of value.

There are many reasons why a business valuation is required. Property relationship issues and partnership splits are the major ones, but buy/sell decisions, business planning, and litigation support are other common engagements.

With property relationships and partnership splits there are obviously two (or more) parties interested in the opinion. Often they are confrontational and each party may have a different view of the business. In marriage break-ups one party (usually the husband) has run the company while the wife has looked after the home and family but has enjoyed some of the benefits of business ownership (e.g. restaurants, overseas travel, etc.). There may be a significant element of goodwill in the business arising from the owner's skills, experience, and relationships and an expectation that he/she will continue to run the enterprise. Generally, the valuer's mandate is to provide an opinion of Fair Market Value of the business at a specific date to support a just division of the relationship property. If the engagement leads to economic disparity, then the Court may make an order to rectify this.

The problem for the valuer is that each party may have a different view of the business and the prudent appraiser will canvas the opinions of both as well as researching the particular industry. Management/key person interviews may also assist the appraiser in arriving at a balanced conclusion.

This highlights that precision is rarely possible with sound valuations and that a range may be the most accurate answer.

Interesting recent engagements

- **Timber business** with impressive revenue growth but future constrained by log supply and alternative building materials.
- **Real Estate office**, impressive historic profit performance but huge element of personal goodwill reducing value.
- **Import/Wholesaler** niche marketer with heavy reliance upon owner's skills and relationships
- **Commercial cleaning**, not everyone's “cup of tea” but proven profits and systems, \$1.025m to \$1.275m.
- **Hire & Sales**, exclusive agencies, 25-year history, partnership buyout, \$3.8m to \$4.2m.

For clear, accurate and affordable business valuation

We supply independent business valuations for partnership splits, property relationship matters, business planning, expert witness, and litigation support.

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