



## What's the business worth? Don't ask Google?

Business valuation is an art as much as science. All valuations are opinions and all will contain some subjective judgements.

To produce a credible and defensible valuation the appraiser needs to follow a process. Full information (operational and financial) underpins sound valuations, risk factors impacting future earnings needs to be identified, financial accounts need to be normalized, various methods should be considered, and then the conclusion needs to pass a sanity test.

We have yet to see a software program that reliably produces an accurate valuation. They have not considered all the key factors and growth potential that an experienced human valuer considers, nor researched the market for information on comparable sales.

Particularly dangerous are those ads that promise appraisals within 2 minutes! Unfortunately, some owners rely on them. As always, you get what you pay for!

Every business is unique and a professional valuer will recognize this. We had a client recently who felt that we had under-valued their business. They had pulled an article off google that business values were in the range of 3 times to 8 times EBPITDA. The subject business had a calculated EBIT of \$310,000 p.a. so the owners believed their business was worth somewhere between \$600k to \$2.5m. Naturally, they favoured the latter figure although it was totally unrealistic for this particular firm. If the business valuation is important (properly relationship, partnership split, or buy-sell decision) then the prudent client should invest in an opinion from an independent, qualified business appraiser.

### Interesting recent engagements

- **Security of tenure**  
A profitable retail business, but no lease, and no relocation prospect to comparable position. Reduced value significantly as no certainty as to future.
- **Real Estate**  
Downturn in housing sales impacted value, but market evidence of rent roll values re-inforced overall appraisal.
- **Business to business**  
Long-established services business with nationwide coverage and dominant market share. Mighty oaks from little acorns grow.

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**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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VALUERS OF BUSINESSES & COMPANY SHARES