

Why Have Your Business Valued?

Many seasoned experts believe that valuing a business is more of an art than a science. A business valuation is often prepared when there is an anticipated change of ownership, including sale, acquisition or management buy-out. In addition, there are many other business and legal situations requiring business valuations.

These situations include marital or business partner disputes, and the election of S corporation and estate or gift planning. Another less common but useful reason to have a business valued is to allow an owner to make strategic business decisions. These decisions would include but are not limited to disposition, acquisition or strategic partnership.

Typically, a professional valuation will not perfectly match the price for which the business eventually sells. It does however lend validity to the selling company, as well as assist the business owner/investor in organizing the due diligence process associated with business purchase or sales.

At AKT, we have found that the valuation process is the perfect starting point for the planning process. This would include business succession, either in the form of sale or gift to a family member or trusted associate. The process allows the owner/investor to identify what is needed to make the business enterprise attractive for transition.

The process of valuing a business includes the determination of the anticipated future earnings and associated risks inherent in those earnings. It also requires an analysis of the mix of physical and intangible assets held by the business. This analysis is reviewed in the context of both the general economic and industry specific conditions.