Breakout Room Discussion Guide – Business Valuations – What's in it for me?

You will have two options for discussion in the breakout, but you only have about 25 minutes.

The first option allows us to share our experiences and perceptions of what happens when valuation is bad and how our clients arrive at bad valuations.

The second option for discussion is about the case itself.

I only ask that everyone be engaged in and contribute to the conversation. That being said, the first discussion might be more accessible based on who is in your room.

Option 1 – Discussion – Valuation Horror Stories (In a small test, this discussion became quite animated very quickly. I suggest you spend most of the time on question 5)

1) Describe a time when an ill-informed valuation hurt the exit/sale/consulting relationship with someone.

2) List out all the underlying reasons from both the buyer's and the seller's perspectives that an accurate business valuation is needed.

3) List all the conflicts, challenges and pitfalls that can occur when an evaluation is not accurate/subjective instead of completely data-drive and objective.

4) Give examples for your reasoning.

5) Setting the sale of the business aside, specifically how do you see a proper valuation bring value to your area of consulting/service delivery expertise and make your job easier?

   (For example: A good valuation provides an accurate baseline for Sandler to establish an accurate benchmark to measure growth and impact. I could go on for hours about what that enables me to do, and as such I'm thinking about introducing a valuation expert at the beginning of my client engagements.)

Option 2 - Discussion:
Discuss the case at hand. Here are some questions to start:

1. Should Robert consider getting a business valuation? Does he understand his businesses current market value?

2.What method of valuation would be most beneficial for him to understand the real value of his business?

- Market Value
- Asset Based
- ROI Based
- Discounted Cash Flow
- Capitalization of earnings
- Multiple of Earnings
- Book Value

3. Everyone throws out a multiplier number, 5x, 8x, 10x etc. How is that number determined? What does it mean? What creates the multiplier?

4. What level of valuation is appropriate at this time?

- Calculation of Value
- Certified Calculation of Value
- Appraisal

5.Is Robert's business prepared to allow him to receive maximum value?

6.Does the fact that the potential buyer is a large strategic buyer have an impact on the valuation?

7.What opportunities might we discover during the valuation process regarding limitations of the business that could be improved to increase the business value?

8.Valuations are fundamentally about assessed risk and cash flow.
Does the owner understand how risk affects valuation?
What can be done, if anything, to reduce the assessed risk (i.e. investigate/resolve environmental matter and/or patent matter) prior to a sales price being determined?

9.The company has been approached by the same potential acquirer before.
What factors are likely to increase or decrease the valuation if the owner decides to hold on to the company longer to sell it in the future or transition it to his son?

10.Based on the public company information provided to the owner, what are his expectations of value?
How do the company’s metrics compare to the public companies?
Does he understand that public company multiples often can’t be applied to substantially smaller and riskier private companies?