

WHAT'S YOUR VALUE?

Business owners are often asked what the “value” of their business is. “Does it matter?” “I don’t know.” “The equity on my balance sheet says...” These are common responses to the question of value – unfortunately none of them are correct.

Why is the value important? There are many reasons to know the value of your business:

- Many shareholder buy/sell agreements require a valuation be performed
- Shareholders in dispute
- Obtaining financing often requires a valuation
- A shareholder would like to “gift” some of his or her shares to children or grandchildren
- An owner is getting divorced
- The company is considering implementing an Employee Stock Ownership Plan (ESOP)



You’ve determined that you need to value your company – can’t you just look at your balance sheet? There’s an amount called “Equity” – isn’t that what the company is worth? Not at all!

Per your books, that may be the “value” of the equity, but not in a realistic sense. When you are valuing a company, you are looking at more than just assets minus liabilities. A potential buyer is looking for future performance – your balance sheet

indicates what’s happened in the past.

To determine the true value of your business, a professional valuation should be performed by a certified valuation analyst (CVA). The CVA will analyze a myriad of data to determine what the value is on the specified date. The overall economy, the industry, the location and projected forecasts all play a role in the calculation of value, along with estimating what a willing buyer will pay and a willing seller will accept. This can’t be accomplished by simply looking at the company’s balance sheet.

Knowing your value is important – but leave it to the professionals to determine. There’s a lot more to it than just looking at your company’s financial statements.

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