

Business Valuation

The Vann Group works closely with business owners to determine their personal and corporate objectives. The starting point is the completion of a sound business valuation. The Vann Group performs business valuations as part of the selling process or on a stand-alone basis to support buy/sell agreements and estate planning goals.

Our Approach To Valuation

We employ an informal valuation process that considers the value of the Company as it relates to a specific set of buyers. Consequently, there are a variety of factors that we consider beyond the financials, as we consider the marketability of a Company.

Our valuations typically identify two types of values:

- ▶ **Fair Market Value.** The price at which property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of the relevant facts.
- ▶ **Strategic Value.** Is the Value a trade buyer is prepared to pay for a company. It includes the fair market value plus the value of synergies from combining the company's businesses with those of the trade buyer. It also includes the value of expected improvement in the company's profitability compared to the business plan provided, if any.

Our Process Consists Of The Following Steps:

1. **Review the Financials.** Our first look at the financials is focused on getting an understanding of the Company's performance.
 - ❑ We identify cash flow (EBITDA, Sellers Discretionary Earnings) to get a sense for what the Company generates. Cash flow is a big piece of the valuation picture, but not the only one we look at as other factors are going to impact its market attractiveness and value.
 - ❑ Other factors, including total sales, revenue growth, the amount of cash flow, trends in cash flow, the gross and operating margins, are going to impact the type of buyer for whom the Company is going to be an attractive acquisition.
2. **Review of transaction data in similar companies.** We have access to a variety of databases that provide us with both individual and aggregated transactional data that we can use to develop a baseline for value.
3. **Review of merger/acquisition trends.** Like any market, the transaction market goes through periods where there is much activity and other times where there is not. This drives the types of buyers who enter the market, the characteristics they look for, valuation multiples and deal structure/terms. Understanding where the industry is trending is helpful in understanding how financial buyers might look at the opportunity.
4. **Review of the industry.** The industry review provides us with an idea of what trends are impacting the industry and how the company is positioned within it.
5. **Analysis of industry leading companies.** We look at what the major companies in the industry are doing from both a strategic and an acquisition standpoint. This allows us to identify the trends of specific buyers while potentially identifying prospective acquirers and ideally what they have paid for acquisitions.
6. **Identification of Alternative Buyers.** Sometimes our look into an industry finds industries/buyers that may find a move into the Company's space to be strategically important.

At this point in our process we have a financial profile of the Company, the general market of buyers and a market of specific buyers. This allows us to develop a profile of the market and how the Company fits into it. Depending on what we see, we may look to understand the other factors that are going to impact the attractiveness of the Company. This might be something as simple as understanding the unique skill set of the Company, to more specific items like intellectual property, contracts and customers, etc.

By utilizing this process we are able to identify the type of buyer and the likely value of the company. This ensures that we don't go to the market with either an overvalued or undervalued company, which significantly increases the likelihood that we will successfully find the right buyer at the right price.