



MERCER CAPITAL

Six Valuation Principles Family Business Directors Should Know

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BUSINESS VALUATION &
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Six Valuation Principles to Know

1

**The Principle of
Expectations**

2

**The Principle
of Growth**

3

**The Principle of
Risk and Reward**

4

**The Present Value
Principle**

5

**The Principle of
Alternative
Investments**

6

**The Principle
of Rationality**

The Principle of Expectations

The view through the windshield matters; what's in the rearview mirror does not

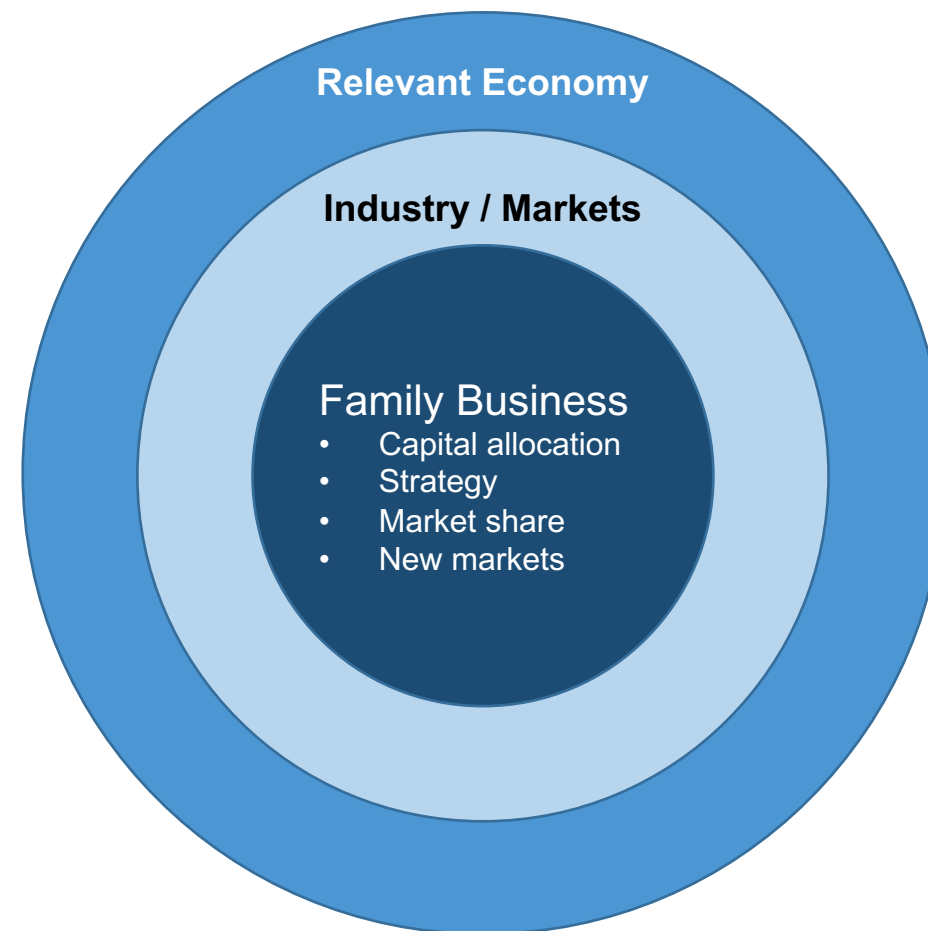
The Principle of Expectations	The Principle of Growth
The Principle of Risk and Reward	The Present Value Principle
The Principle of Alternative Investments	The Principle of Rationality



The Principle of Growth

Context matters – what growth opportunities are available and how will you take advantage of them?

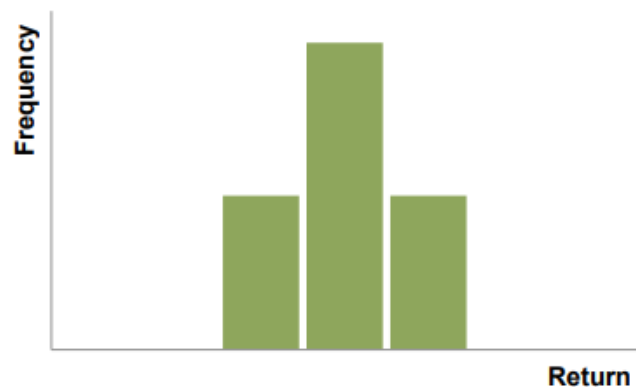
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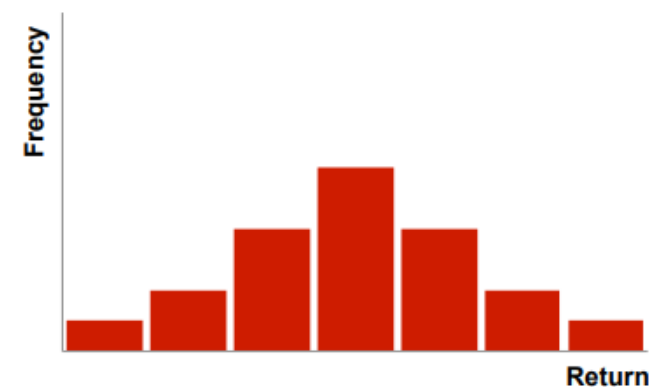
The Principle of Risk and Reward

Value depends on risk – how certain is your family business' future?

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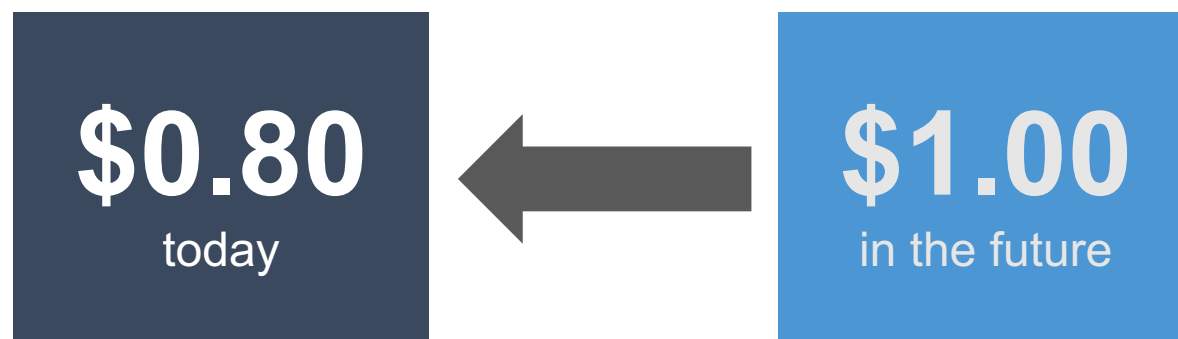
vs.



The Present Value Principle

Timing matters – investors discount dollars to be received in the future

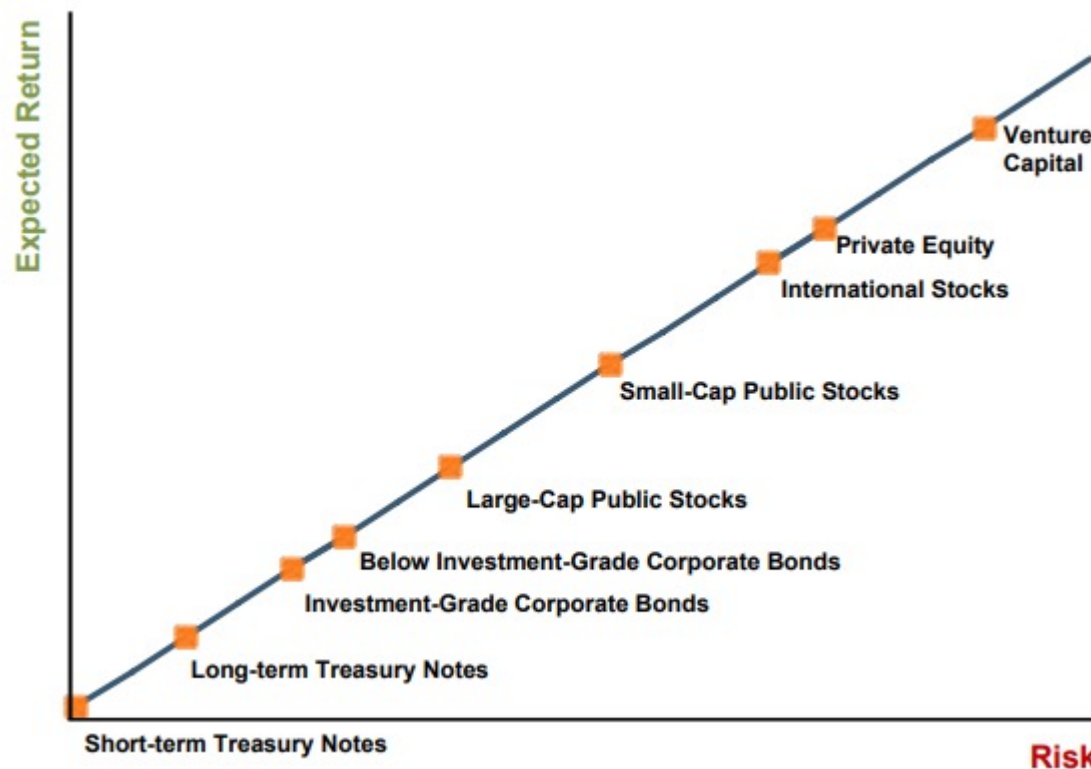
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The Principle of Alternative Investments

Investors choose from a menu of investment alternatives

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The Principle of Rationality

Despite the occasional counter-example, markets really are rational (eventually)

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GameStop®



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Travis W. Harms leads Mercer Capital's Family Business Advisory Services Group. Travis's practice focuses on providing financial education, valuation, and other strategic financial consulting to multi-generation family businesses. The Family Business Advisory Services Group helps family shareholders, boards, and management teams align their perspectives on the financial realities, needs, and opportunities of the business. Additionally, Travis is a regular contributor to Mercer Capital's blog, *Family Business Director*.

[>> Click here to learn more about Travis](#)

Mercer Capital's Family Business Advisory Services

Mercer Capital provides financial education services and other strategic financial consulting to family businesses.

Services

- Customized Board Advisory Services
- Management Consulting
- Independent Valuation Opinions
- Transaction Advisory Services
- Confidential Shareholder Surveys
- Benchmarking / Business Intelligence
- Shareholder Engagement
- Shareholder Communication Support

We help family ownership groups, boards, and management teams align their perspectives on the financial realities, needs, and opportunities of the business.

We also help family business boards and management teams explain strategic financial decisions to shareholders and help shareholders communicate preferences to boards and management teams.

We have had the privilege of working with successful family and closely held businesses for the past 35 years. Given our experience, we are convinced that an engaged and informed shareholder base is essential for the long-term health and success of a family or closely held business. Yet, cultivating an engaged and informed shareholder base is often difficult. We can help.

[>> Click here to learn more](#)