**MERCER CAPITAL** 

# **Steps in a Business Valuation**

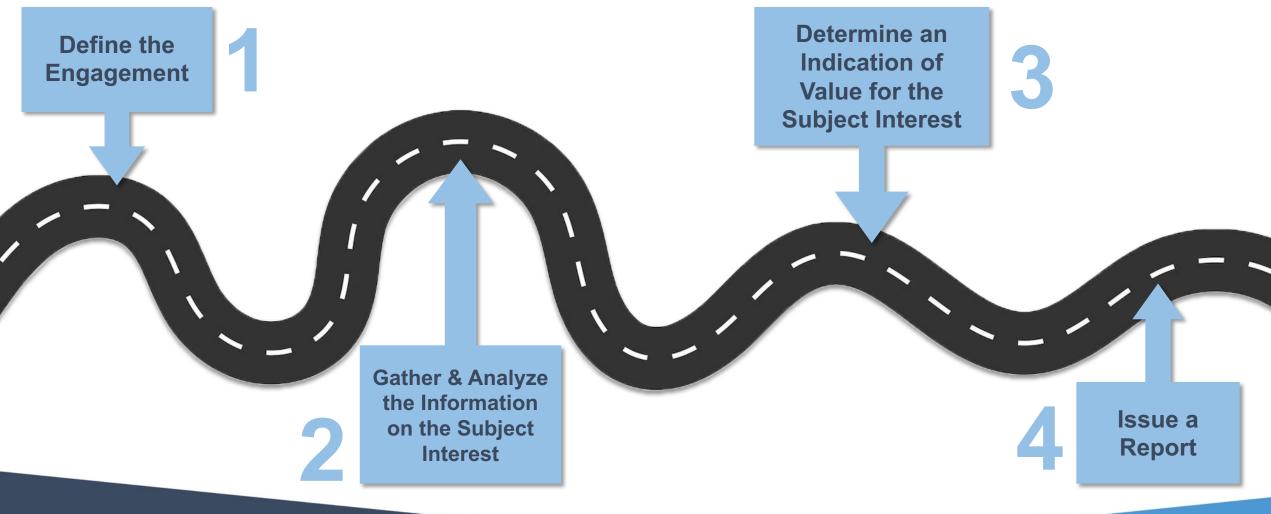
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BUSINESS VALUATION & FINANCIAL ADVISORY SERVICES

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# **Steps in a Business Valuation**





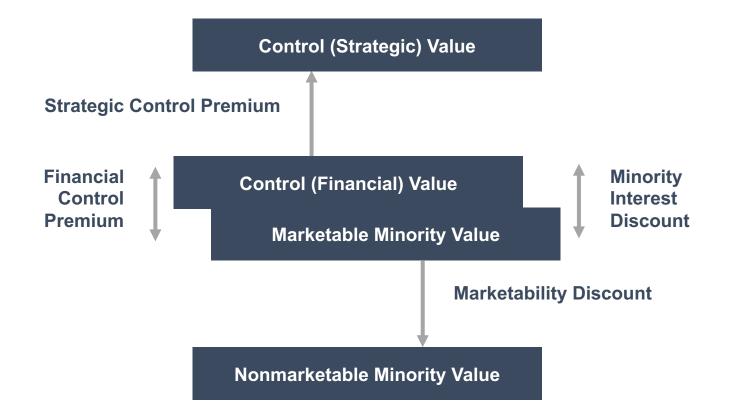
# **Define the Engagement**

Define the Engagement

Assignment Definition				
Client Name	XXXX (the "Client")			
Business Name	Subject Company, LLC ("nickname if applicable" or the "Company")			
Type of Entity	C/S Corporation / Limited Liability Corporation / Limited/General Partnership, etc.			
Subject Business Interest	X% Interest			
Standard of Value	Fair Value / Fair Market Value			
Premise of Value	Going Concern / The Liquidation Basis / Orderly Disposition			
Level of Value	Controlling Interest Basis / Marketable Minority Interest Basis / Nonmarketable Minority Interest Basis			
Effective Date	DD/MM/YYYY			
Purpose & Intended Use	Gift and/or Estate Tax Compliance / ESOP Transaction / Corporate Planning Purposes / Potential / Contemplated Sale / Litigation Concerning, etc.			
Scope of Work	Appraisal / Limited Appraisal / Calculations			
Type of Engagement	Valuation Engagement / Calculations Engagement			
Type of Report	Detailed Report / Summary Report			



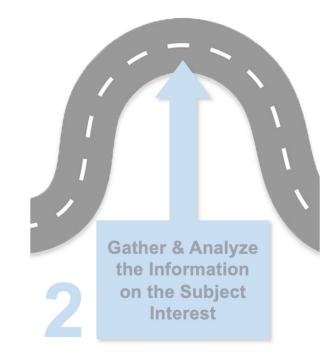
## **Levels of Value Chart**





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## Gather & Analyze the Information on the Subject Interest



## Valuation Information Request

#### FINANCIAL STATEMENTS

- 1. Historical financial statements for the last 5 years (highest level possible: audited, reviewed, complied, or internal)
- 2. Federal tax returns for the last 5 years
- 3. Budget for current year and/or current multi-year projections, if available

#### FINANCIAL STATEMENT DETAIL

- 4. Details regarding any non-operating or non-recurring income or expense items
- 5. Historical and budgeted capital expenditures
- 6. Historical and planned shareholder distributions

#### CORPORATE DOCUMENTS

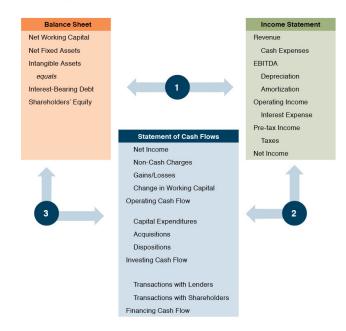
- 7. Articles of Incorporation and/or Operating Agreement (with amendments and exhibits)
- 8. Summary shareholder list showing names and number of shares owned, detailing:
  - Directors and officers & all 5% (or more) shareholders by name

#### ADDITIONAL INFORMATION

- 9. Organization chart
- 10. Breakdown of company's sales by major product lines or geographic location
- 11. Employee headcount (broken out by division or role, if available)
- 12. Top 10 customer and supplier analysis
- 13. Major competitors (location, approximate revenues, and estimated market share for each)

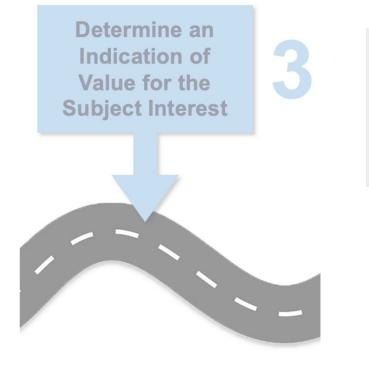
#### Exhibit 1

The principal components of the financial statements relate to one another in predictable ways





## **Determine an Indication of Value for the Subject Interest**



### **Asset-Based Approach**

The asset-based approach is a general way of determining a value indication of a business or business ownership interest using one or more methods based on the value of the assets net of liabilities.

### **Income Approach**

The income approach is a general way of determining a value indication of a business or business ownership interest using one or more methods that convert anticipated economic benefits into a present single amount.

### **Market Approach**

The market approach is a general way of determining a value indication by using one or more methods that compare the subject to similar businesses or business ownership interests that have been sold.

Correlated Indication of Value	Indicated Value	Weight	Product
Asset-Based Approach:			
Net Asset Value Method			
Income Approach:			
Capitalization of Earnings Method			
Capitalization of Cash Flow Method			
Discounted Cash Flow Method			
Market Approach:			
Transactions Method			
Guideline Public Company Method			
Guideline Transactions Method			
Correlated Indication of Value			\$0

# **Issue a Report**





Detailed Report or Summary Report





## Zac L. Lange, CPA

langez@mercercapital.com 901.322.9746 Zac Lange is a senior financial analyst with Mercer Capital. Zac has valuation experience in engagements related to corporate planning and reorganizations, financial reporting, fairness opinions, litigation support, employee stock ownership plans, and estate and gift tax planning and compliance matters.

As a member of Mercer Capital's Litigation Group, he provides valuation and forensics services for family law, gift & estate planning, commercial litigation, transactions (M&A), and further matters related to privately held businesses, dissenting shareholders, intellectual property, personal goodwill, etc.

>> Click here to learn more about Zac

# **Mercer Capital's Business Valuation Services**

Mercer Capital's ability to understand and determine the value of a company has been the cornerstone of the firm's services and its core expertise since its founding

## Services

• Buy-Sell Agreement Valuation

• Employee Stock Ownership Plans

Corporate Valuation

Gift, Estate, and Income Tax Compliance

Mercer Capital offers a broad range of valuation services, including corporate valuation, gift, estate, and income tax valuation, buy-sell agreement valuation, financial reporting valuation, ESOP and ERISA valuation services, and litigation and expert testimony consulting.

In addition, Mercer Capital assists with transaction-related needs, including M&A advisory, fairness opinions, and strategic alternatives assessment.

We have provided thousands of valuation opinions for corporations of all sizes in a variety of industries. Our valuation opinions are well-reasoned and thoroughly documented, providing critical support for any potential engagement. Our work has been reviewed and accepted by the major agencies of the federal government charged with regulating business transactions, as well as the largest accounting and law firms in the nation in connection with engagements involving their clients.

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