

HOW MUCH IS YOUR COMPANY WORTH?

If you own a house, as a primary residence or as a vacation home, you probably have a good idea of its value. Do you have the same valuation knowledge about your other significant asset, your privately-held company?

Business valuation, according to Wikipedia¹, is a process and a set of procedures used to determine the economic value of an owner's interest in a business. Business valuation is often used to estimate the selling price of a business, to resolve disputes related to estate and gift taxation, to allocate purchase price among assets, to establish a formula for estimating the value of partner's ownership interest for buy-sell agreement and to resolve many other business and legal situations.



SERVICES: WHAT WE DO

Business Valuation Services

Tobin Solitario was recently featured in the Charlotte Business Journal (<http://charlotte.bizjournals.com>) in an article about business valuation. The author of the article, Bea Quirk, reviewed the many reasons a business owner may want to obtain a valuation of his or her privately-held business. These reasons include an anticipated change of ownership.

Tobin Solitario has the expertise to satisfy the demands of the most challenging valuation engagements and a demonstrable track record of our work holding up under scrutiny.

- FOR ALL TYPES OF CORPORATE ENTITIES - Tobin Solitario's expertise is derived from clients ranging from small privately-held companies to large public corporations.
- FOR A WIDE RANGE OF CLIENT RECIPIENTS - Our firm performs business valuation assignments and fairness opinions on a confidential basis for Boards of Directors, business owners and/or their professional advisors, including lawyers and accountants.
- TO MEET MANY DIFFERENT NEEDS - Our firm helps the client determine which of valuation services they need and delivers the professionally-executed report or opinion to the client.
- OUR PROPRIETARY FINANCIAL MODEL AND CALCULATIONS: Each of our valuation engagements utilizes our most sophisticated financial models to develop a financial valuation for business interest. We use a variety of widely accepted valuation approaches in our analysis, while also incorporating the latest in techniques with a nod toward required trends.

OUR PRODUCTS:

Valuation Reports - Our Valuation Reports are comprehensive, narrative reports which incorporate our financial analyses as well as the qualitative points of developing our assessment of the value of a business interest. A Valuation Report provides a logical progression that clearly communicates pertinent information, valuation methods and conclusions. This type of engagement is appropriate when a client wants an estimate of business value but does not require a formal opinion. We also outline the material factors leading to the report's conclusions.

Fairness Opinions - Our Fairness Opinions are comprehensive, narrative reports which are structured in the same manner as our Valuation Reports and which communicate our independent opinion as to the value of the business interest for the benefit of outside constituents. These Opinions are often used by public companies in mergers as well as by privately-held companies for tax or litigation purposes.



Street Wise

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A favorite word and its definitions:

CANDID

Dictionary definition:

"Characterized by openness and sincerity of expression; unreservedly straightforward."²

Garry Reeder, who used to work on Wall Street and is now an M.B.A. candidate at Columbia, defines it as "bluntly facing the facts."³

¹ http://en.wikipedia.org/wiki/Business_valuation

² *The American Heritage® Dictionary of the English Language, Fourth Edition*. Houghton Mifflin Company, 2004. <Dictionary.com <http://dictionary.reference.com/browse/candid>>.

³ How Great Leaders Juggle Ideas, *The New York Times*, Paul B. Brown, June 16, 2007

NEWS & TRENDS:

What is your exit strategy?

THE IMPORTANCE OF RUNNING YOUR COMPANY PROFITABLY. Tobin Solitario is in the business of selling your company. That's what we do for a living. We sell our clients' companies to buyers who want to buy them. We find those buyers and we help put the deal together and close the transaction. We also work with clients who need our help in finding and buying companies, and we help some clients raise money. We even help companies assess the value of their companies, without putting a transaction together. But mostly, we sell companies and that is what we really like to do.

We work with a lot of companies in our solutions sales process. We have prospects with whom we work who approach us about selling their companies. And we do a lot of work to win those clients and to make sure that we can be as successful as we can be in selling that company.

Typically, we find that companies are most likely to sell if they are profitable. This is because most companies trade on a valuation of earnings, or EBITDA. So, for your company to have value, it really needs to have earnings, or EBITDA.

This is a key fact to remember in running your company every day, every month, and every year. The more profitable your company is, and the more consistently profitably it is, the more value your company will have. As the owner of your company, you should be able to measure and understand the profitability of your company each and every month when you review your company's monthly financial statements.

If you can manage expenses in order to have a good EBITDA margin and a good gross profit margin each month, then do. If your company is fairly mature (i.e., older than five years old) then you should work very hard to ensure that your company is profitable. Each and every year.

Buyers like to buy profitable companies. And buyers will value a company based on its profitability.

It's important to remember that while you may have an exit strategy which means selling your company ten years from now, you never know when your health may be impacted or a major event may occur where you may find it necessary to sell your company. It is easier to sell your company if it is consistently and nicely profitable.

So it is important not to sacrifice profitability as you grow your company. Having even one year of losses can impair the value of your company. So do your best to keep it profitable year to year.

Valuation Terminology

EBITDA:

Earnings Before Interest, Taxes, Depreciation and Amortization.

A measure of profitability of a company. Also, a measure of cash flow of a company. A common base upon which to apply a valuation multiple in order to ascertain the enterprise value of a company.

