



Founders' Step-by-Step Guide to *Business Valuation*

Whether you want to **sell** your business, determine its **worth**, or make **investment** decisions, an accurate valuation can provide the insights you need.



What is a Business Valuation?

- A systematic, objective, and detailed process designed to determine the true economic worth of an owner's interest in a business, professional practice, or intangible asset.
- Rather than relying on book value, it considers factors such as future earning potential, competitive advantages, and the company's position in the market.
- Valuations are typically performed as of a specific date and for a clear purpose, making sure the results are relevant and actionable.



Cost, Price, & Value in Business Valuations

COST

What you paid
in the past

VALUE

What it is
worth today

PRICE

What you sell
it for today

When is a Valuation Required?



Mandatory Events

- ✓ Mergers & Acquisitions
- ✓ Fundraising
- ✓ Tax Reporting
- ✓ Financial Reporting



Strategic Events

- ✓ Strategic Planning
- ✓ Exit Planning
- ✓ Partnership Agreements, or Shareholder Disputes
- ✓ Executive Compensation

Valuation *Approaches*

Market Approach

Valuing a company based on how similar companies have been valued or sold.

Income Approach

Valuing a company based on the present value of its expected future cash flows.

Asset Approach

Valuing a company based on the sum of its tangible and intangible assets, minus liabilities.

Key Factors **AFFECTING VALUE**



FINANCIAL DRIVERS

- Revenue Growth Rate
- Profit Margins
- Working Capital Efficiency



OPERATIONAL DRIVERS

- Customer Retention Strength
- Scalability
- Proprietary technology (IP)



MARKET DRIVERS

- Total Addressable Market
- Competitive Landscape
- Regulatory Stability

Key Factors

AFFECTING VALUE

(Cont.)



CONTROL PREMIUM

- Added to minority interest valuation when acquiring a controlling stake



SYNERGIES

- Value added from combining two businesses (often in M&A deals)



DISCOUNT FOR LACK OF MARKETABILITY

- Applied to private companies due to the difficulty of selling shares quickly



How Can You Prepare For An *Accurate* *Valuation?*

Financial Clean-Up Process

NORMALIZATION OF EARNINGS

Adjusting historical financials to reflect future normal operations (e.g., removing one-time expenses, owner discretionary expenses)

QUALITY OF EARNINGS (QOE) REVIEW

The importance of verifiable, consistent financial data



Choose the Right Valuator

- Credentials (CVA, CPA/ABV, ASA)
- Industry experience and specialization
- Understanding the scope and purpose of the valuation engagement



Valuation Preparation

DOCUMENT CHECKLIST



Detailed historical financial statements (3-5 years)



Complete financial projections
(3-5 years, detailing key assumptions)



Legal and operational documents
(Cap Table, customer contracts, leases, IP filings)



Organizational chart and key personnel bios



Partner with Professionals Who
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Turn Value Into Strategy

Whether you are planning an exit in five years or setting strategic priorities for next quarter, understanding your company's value is non-negotiable.

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to discuss the strategic purpose of your valuation with one of our experienced advisors.



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