

Where your business  
will go tomorrow,  
depends on where it is today.

Business valuations offer insight into operations and can reveal unforeseen options to encourage future business success. As a business owner you need to be attentive to three main aspects of a business; its location, planning for future growth, and directing the operations to obtain the growth envisioned. The main objective, but not necessarily the sole objective, of owning a business is to maximize the return on your investment. Periodic business valuations provide an independent review of the business and can provide invaluable feedback as the owner directs the growth process. It is also important for the owner to periodically assess the terminal value, that being the value of the business at some future date, normally the year following the accomplishment of a major milestone.

The Client Relationship and Ownership Lifecycle approach ensures that your business is in it's best condition by discovering issues as they arise during regular reviews. The reciprocal interaction between different areas of business planning will result in the achievement of a consistent goal obtainment.

### Reasons for Valuation

- Obtaining Financing
- Buy-Sell Agreements
- Employee Stock Option Plans (ESOPs)
- Buying or Selling a Business
- Divorce
- Corporate or Partnership Dissolution
- Gift and Estate Planning



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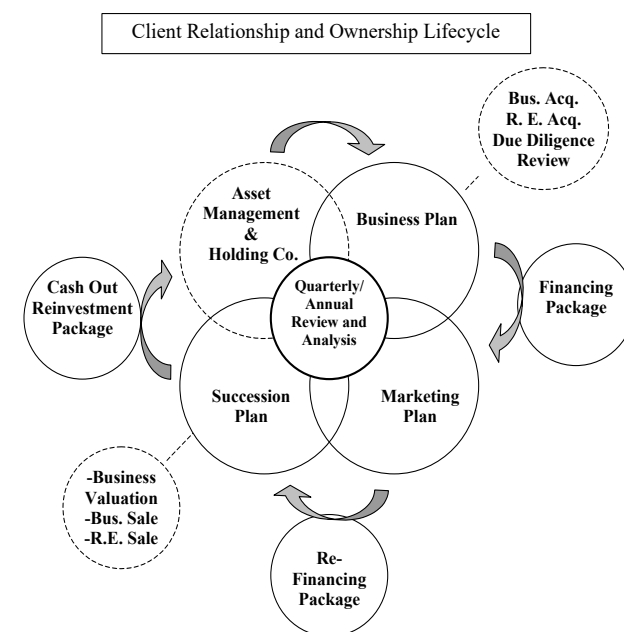


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Keystone Business Ventures, Inc.

Certified Business Valuations – Strategic Merger & Acquisition Advisory – Commercial Real Estate Investments

## BUSINESS VALUATION GUIDE



Keystone Business Ventures, Inc.  
Business Planning

# BUSINESS VALUATION

Valuing your business is one of the most important steps you can take in assessing operations and ensuring your future financial success and security. The majority of valuations occur as a result of unfortunate situations which is often too late; having a plan in place beforehand is crucial. A business valuation can offer an owner the basis on which to develop a plan.

Keystone Business Ventures, Inc. has the knowledge, experience and up-to-date resources needed to provide a substantial business valuation that will withstand IRS scrutiny as well as provide an owner with the information necessary to better plan for the future of his or her business.

Business owners will need to provide:

- ❖ Financial statements from the last 5-10 years

If available:

- ❖ Tax returns for the same period
- ❖ List of Assets
- ❖ Corporate Documents

## 1. ECONOMIC/ INDUSTRY EVALUATION

The valuation begins with a formal review of national, regional and local economic, as well as industry and conditions that exist as of the valuation date. Though the valuation may occur well before the report date, all data must be fully known at the time of the valuation process to be included in the report. Information regarding any events, which may occur in the future and are not foreseeable, cannot be taken into consideration. Economic indicators include inflation, interest, and employment rates, as well as consumer spending and stock market

trends.

## 2. FINANCIAL ANALYSIS

The financial analysis requires a history of the company and a description of the business, including products and services, management and employees, competition, customers, and financial performance. Financial statements will be normalized which allows the company to be compared to other firms in the same industry and geographic area. This helps to identify trends that affect the company. By comparing a company's financial statements in different time periods, Keystone Business Ventures, Inc. can determine growth or decline in revenues and/or expenses, increases or decreases in assets and/or liabilities, and other financial trends within the company. A review of other measures of a company's financial performance including financial ratios, such as the current ratio, quick ratio, and other liquidity ratios is also performed.

## 3. DETERMINING VALUE

Using several different approaches: market, asset and income value, a reasonable value is determined. The market value approach is used to compare the company to others in the industry by focusing on publicly traded or private sales transactions. The asset value approach is concerned with determining the cost needed to replace assets similar to those being valued. The income approach estimates a value based on the anticipated future earnings for the company based on historical earnings. Generally, a combination of these approaches will be used to determine the value of a business. In using these approaches, different rates are applied, such as the rate of return; these will be approximated during the initial review and by using company financial statements.

## 4. ADJUSTMENT REVIEW

The value determined with the previous approaches must be adjusted to reflect true operations and provide a more realistic value. Discounts are made for lack of control and lack of marketability, which are specific to each individual business.

## 5. WRITTEN REPORT PREPARATION

The valuation report will be an all encompassing written document and professionally bound. The report is written for IRS review and is comprised of financial statements and justifications. The appraiser's letter, which begins the report will summarize the findings and most importantly state the derived value.

## 6. REPORT PRESENTATION

The valuation report will be presented to the business owner for review and clarification. The valuation may discover unexploited areas of profitability or weaknesses that may easily be corrected.

## 7. DETERMINE NEXT ACTIONS

Depending on the purpose for the valuation, the next step could entail beginning the process of selling your business, scheduling an annual or quarterly Review and Analysis to maintain the plan, or even creating a marketing or business plan to improve upon weak areas discovered through the valuation. Keystone Business Ventures, Inc. will aid the business owner in determining the best follow-up actions to pursue, as well as accomplishing those plans.