

# The Art and Science of Business Valuation



BY C. BRETT COOPER, CPA•ABV, ASA•BV/IA, BVAL, CRFAC

At its core, business valuation is the process of determining the economic value of a company. This involves a comprehensive analysis of various factors, including financial information, market trends, and the company's competitive position. Business valuation serves multiple purposes, such as establishing the fair value of a business for sale transactions, determining partner ownership shares, assessing taxation liabilities, and even during divorce proceedings. But it's not a one-size-fits-all approach. Different approaches and methods are employed based on business type, as well as other factors that influence the valuation process.

## Income Approach

This approach assesses the present value of a company based on its future earnings. Discounted Cash Flow (DCF) is a common tool here, considering the time value of money. Prospective financial information in the form of future cash flows are discounted to their present value, providing an estimate of the business's intrinsic worth.

[continued...](#)

© Rivero, Gordimer & Company, P.A.

## Market Approach

Comparing a business to others in the same industry can offer valuable insights. Comparable company analysis and precedent transactions are common methods. This approach relies on the assumption that similar businesses in the market share similar valuations.

## Asset-Based Approach

Sometimes, the value of a business is directly tied to its assets. This approach considers the net value of a company's assets after subtracting liabilities. This method proves particularly relevant for some industries where the value lies in tangible assets. This approach is particularly relevant to the valuation of asset-holding companies.

## Challenges in Business Valuation

Despite the array of approaches and methods, business valuation is not a one-size-fits-all equation. Industry volatility, economic shifts, and unforeseen events can pose challenges. The subjective nature of certain factors, such as brand value or management effectiveness, adds complexity.

## Tech and Innovation Impact

In the era of technological dominance, traditional valuation methods may find themselves adapting. The rise of disruptive technologies, intellectual property, and intangible assets reshapes the valuation landscape. Companies like Tesla, valued not only for their tangible assets but also for their innovation and brand, exemplify this shift.

**continued...**

## The Human Factor

While numbers play a significant role, the human element remains pivotal. The team driving the business, their strategic vision and the company's position within its community contribute to its holistic value. Relationships, culture, and the intangible assets that make a workplace unique are increasingly considered in the valuation equation.

## Conclusion

Business valuation is a multifaceted art, blending financial acumen with industry insight and a touch of foresight. As markets evolve and businesses adapt, accurately determining a company's worth becomes ever more crucial. Whether contemplating a merger, acquisition, or strategic growth, an advisor experienced in business valuation can help guide decision-makers through the intricate dance of commerce, helping them navigate the ever-changing landscape. At RGCO, our advisors are proficient at learning and understanding each business's unique business model to consult on a myriad of complex business situations. For more information, please contact a member of our Valuation & Advisory Team.

**continued...**



## About the Author

Mr. Cooper has more than 20 years of experience as a business consultant and more than 35 years of experience in the CPA profession, including a period of time as the CFO of a light manufacturing concern. He has been retained as a business appraiser, expert witness and financial consultant by business owners and attorneys to provide services in the following disciplines: Appraisal & Valuation, Litigation Support, Transaction Advisory, Forensic Accounting, and ESOPs. Mr. Cooper is one of a select few individuals within the American Society of Appraisers who has earned the specialty credential of "ASA in Intangible Asset Valuation."



### **RIVERO, GORDIMER & COMPANY, P.A.**

201 N. Franklin St., Suite 2600

Tampa, FL 33602

[www.rgcocpa.com](http://www.rgcocpa.com) • 813-875-7774

