

The Valuation Questions

SIXTEEN QUESTIONS TO ASK ANYONE WHO PUTS A NUMBER ON YOUR BUSINESS

Is the number real?

Ask whoever produced it. A broker, an accountant, a corporate finance firm, an online assessment, a trade buyer or private equity

1. Was that against reported or adjusted EBITDA, what did you adjust, and what have you deducted for somebody to do my job?
2. What multiple did you use, and what transactional basis is behind it?
3. Which year's adjusted EBITDA did you apply it to, and why that year?
4. Is that enterprise value, equity value, or what reaches my bank account?
5. What did you assume gets discounted against a perfect version of this business, and why?
6. Is this an offer for the shares or for the assets, and what is it conditional on?
7. Is the property in this, and what have you assumed about it?
8. What did you assume happens to this business when I stop working in it?

Can you actually pay it?

Ask a buyer. Question 9 tells you which of the rest apply to you

9. What is your acquisition model, and where does the completion payment come from?
10. Is your own capital in this, or are you raising the money against my company?
11. If I am leaving money in, what security sits behind it and where do I rank?
12. Have you modelled whether the business can service the debt you are raising against it, and will you share that model once heads of terms are signed?
13. Who is going to run this business after completion?
14. What does the first hundred days look like?
15. When would you expect to meet my management team?
16. Can you introduce me to somebody you have bought a business from before?

If most of these produce specifics, you are dealing with somebody serious. If most produce generalities, you have been given a marketing number.