

YOUR COMPANY'S UNDOCUMENTED WORTH

The valuation is a major factor that influences the overall selling price of the property. Business appraisals are based upon a multitude of criteria and indisputable records such as comparables, projections, discount rates, EBITDA multiples, and more.

While the appraiser may have all the information he or she needs, the business elements might be overlooked. That's why it's extremely helpful for business appraisers to first grasp the purpose of an appraisal prior to getting started. Unfortunately, the appraiser is often unaware of additional considerations that may enhance or even devalue a business' overall worth.



Is There Unwritten Value?

Business owners generally agree that prospective buyers are mostly looking for quality in depth of management, market share, and profitability. Though undoubtedly more subjective than documentation, figures, and calculations alone, information regarding key business elements such as market, operations, post-acquisition, value drivers, and fundamentals is highly valued to potential buyers.

Here are some questions to consider regarding a couple of these crucial elements:

- Is there an abundance of market competition?
- Does pricing reasonably align with the demographic?
- Are the company goals consistent with advancing technology?
- Are there various and/or global means of reach and distribution?
- Does the business have more potential beyond a niche?
- What's the company's competitive advantage?
- What are the strengths and weaknesses of its competitors?
- Is there a great deal of alternative technologies?
- Are there various vendors?
- Is the company's location convenient to its target audience?

Increased Success & Valuation

Successful businesses thrive due to company-wide values and consistent customer-centric efforts. In his book *The 100 Absolutely Unbreakable Laws of Business*, Brian Tracy summarizes this as “a company-wide focus on marketing, sales and revenue generation. The most important energies of the most talented people in the company must be centered on the customer. The failures to focus single-mindedly on sales are the number one causes of business failures, which are triggered by a drop-off in sales.” Tracy continues by pointing out that trends may be the most pivotal consideration and bottom-line contributor to any given company’s success and, therefore, valuation. For 2017, projected trends include the increased use of video marketing, crowdfunding as a source of product validation, nutrition and fitness tracking products, the use of e-commerce, and the acquisition and training of remote employees.

Understanding Trends

Start-up companies are likely practicing as many current trends as possible within their limited funding in an attempt to establish market share, while mature companies are hiring millennials to keep their business hip to those same trends in an effort to protect their existing share. Business owners would benefit from studying and ultimately executing these current trends, as well as from acknowledging the successes and mistakes of their competitors.

Tracy suggests that daily conversations that encompass problem-solving, decision-making, and team collaboration are pivotal factors in making a company successful. And those performing all of these necessities? As Tracy reiterates, top companies have the best people.

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