

Business Valuation Tools



Mercantile Mergers & Acquisitions believes that business valuation is a process applied by qualified professionals in co-operation with the prospective client to determine the fair market value of an owner's interest in a business. Business valuation is used primarily for the purchase and sale of businesses. It is also often used to resolve disputes related to estate and gift taxation, partnership break-up, divorce litigation etc.

After reviewing economic conditions to provide context, the Expression of Value prepared by Mercantile Mergers & Acquisitions examines the subject company. We do this on site and do not need to take away any information.

A general discussion on the history of the company is often discussed, as well as a description of the organization, its' business lines, products and services, its' management, customers,

competitors, and employees, and its' financial performance. This sets a perspective for the multiple that will be used.

The financial statement analysis is the starting point. One of the first techniques that a business valuation professional applies is called “normalization of income” of the subject company’s financial statements. Normalizing the company’s financial statements permits the valuation expert to compare the subject company to other businesses to the same company run by the “book”.

If required, valuation professionals also review the subject company’s financial ratios, such as the current ratio, quick ratio, and other liquidity ratios; collection ratios; and other measures of a company’s financial performance to include in the analysis.

The most common approach is a multiple of normalized EBITDA. There is also the asset based approach and market approach.

A normal expression of value by Mercantile Mergers & Acquisitions Corporation can be completed in less than two hours at the client site providing the client has a good grasp of his financial results.

See these pages:

[Normalization of Income](#) and the [EBIT/EBITDA Worksheet](#)