



**Wise Road**

Supply Chain Valuation Services

Know your destination

# The Value of Your Business



416.551.6651



[leftlaneassociates.ca](http://leftlaneassociates.ca)



174 Brown's Line, Toronto

# An Introduction to Business Valuation

*“What is a cynic? A man who knows the price of everything and the value of nothing.”  
- Oscar Wilde*

To many entrepreneurs, their business is by far their largest source of income and wealth. After investing the startup capital and spending years growing a business, its success becomes inseparable from the founder's financial wellbeing.

With that said, many company owners find themselves struggling when somebody asks the simple question, “how much is your business worth?”. Unlike public companies, there are no stock exchanges to point to for market value of private enterprises. How does a buyer value your brand? How much is a good employee worth? Are your company's profits high and stable relative to the competition? How does all that affect how much the business is worth?

These questions can rapidly overwhelm a shareholder and render them unable to provide a confident answer. Given how much of their personal financial and emotional worth is invested into the business, this places them in an extremely worrying scenario.

One begins to wonder “After putting so much into this company surely it must be worth something exceptional!”.

This is where valuation services become a priceless tool to understanding your business. The process of valuation aims to bring clarity and direction to this very complex question. Part science, part art, valuing a business is a sophisticated mix of financial and industry analysis that provides shareholders a full answer about how much their business would be worth in the market.

An extremely important benefit to hiring outside analysis is removing an owner's bias from the equation. In psychology there is a well-studied cognitive bias known as the endowment effect. In essence, an object that is owned by a person is often valued higher than the exact same object not owned by them. By using a third-party valuator, an owner can bring a level of objectivity to the equation that would otherwise be impossible internally.

# Who Performs Valuations ?

*“Who’s to say who’s an expert?”*

*- Paul Newman*

The first question that comes to mind is “who do I go to for a valuation?”. In truth there are many in the finance industry that perform valuations in their day to day work for a variety of reasons. Some primary examples would include investment bankers advising in mergers & acquisitions (M&A), accountants, investment analysts, and commercial bankers. Which one is appropriate for your situation largely depends on the goal of your valuation.

Entrepreneurs looking to conduct a sale of their company or an acquisition of another firm are best served by M&A advisors who are familiar with their specific industry. First, these investment bankers will be best versed with analyzing the company from the perspective of a prospective buyer. They know what strengths and weaknesses can add or take away from your company’s enterprise value. On the other hand, for a valuation aimed at estate and tax planning, one would need to involve an accountant experienced in your local tax codes.

**Entrepreneurs  
looking to  
conduct a sale  
or an acquisition  
are best served  
by M&A advisors  
who are familiar  
with their  
specific industry.**



# Valuation Process

*“I conceive that the great part of the miseries of mankind are brought upon them by false estimates they have made of the value of things.” - Benjamin Franklin*

Similar to working through an M&A process, valuation often takes more effort and time than an entrepreneur expects. Of course, the exact level of challenge largely depends on the owner’s recordkeeping and responsiveness. The more diligent the shareholders are in delivering financial records and answers, the sooner a valuation can be completed.

Without going into overly complicated detail, a general valuation process involves:

- Request for up to 5 years of historical financial statements
- Detailed description of the business and ownership
- Milestones in the company’s history
- Description of the client base and how the company generates profit
- Budgets and forecasts
- Continued discussion with valuation team about potential normalizations and necessary adjustments

All of these documents are sourced with the utmost care and confidentiality to ensure that no information is ever seen by anyone besides the valuation team. This confidentiality is critical to give

**Valuation often takes more effort and time than an entrepreneur expects.**

the entrepreneur confidence in providing honest and complete answers. A valuation is only as accurate and useful as the information sourced. Thus, the owner must fully commit to work with the valuation team in full transparency to make the process worthwhile.



# Benefits of Valuation

*“Value is what you get.” - Warren Buffet*

At this point, one may be thinking: “So why should I go through all this trouble and cost before I am ready to sell? I’ll worry about it when I am ready to exit my business.” This line of thinking can be dangerously short sighted and come to cost you dearly when the day does come to organize a sale of your business. It would be similar to saying to your kids “Don’t show me your report cards, we’ll take a look when you’re ready to apply for university.” How could a parent possibly know if their child was struggling with a course or needed support?

The exact same can be said for a business that does not undergo frequent valuations. As a private company, you do not have the pressure of public shareholders and financial disclosure forcing you to work on your weaknesses. Instead, those financial and operational red flags remain hidden until buyers approach and scrutinize your business. This leaves the prospective seller with no time to enact changes to raise valuation, resulting in steep discounts on the selling price. At the end of the day an owner who was comfortable remaining unaware will lose potential millions.

**So why should I go through all this trouble and cost before I am ready to sell?**



# After your Valuation is Completed

*“Plans are only good intentions unless they immediately degenerate into hard work.”  
- Peter Drucker*

Once you have gone through the process of sourcing the necessary documents and providing your valuation team with answers, they will in turn deliver a draft valuation report. Within this document, you will see a thorough breakdown of the financial analysis conducted on your business. The report will also outline a range of values that you could realistically expect to receive in the market today for your company. After you have a debriefing discussion with the team, you will sign off on the report and keep a final copy.

The next step is to make good use of the valuation report. One should keep in mind that the document will become out of date within 6 months to a year. In order to maximize its usefulness, an entrepreneur must act on the information as soon as it becomes available.

If you are looking to sell in the short term, you must discuss with your M&A advisors how to pursue the deal strategy, aiming to find buyers more likely to pay towards the high end of the valuation. Conversely, if you are taking the report to form key performance indicators and improve on your business long term, you must have an honest assessment of what to improve. This will vary case

You will see  
a thorough  
breakdown of the  
financial analysis  
conducted on  
your business.

by case but could range from improving margins by cutting unnecessary costs, reducing the business' reliance on you as the founder, diversifying your customer concentration etc...

When all is said and done a valuation offers priceless insight into your business' performance that is ordinarily impossible for private companies. Without the knowledge from an accurate and comprehensive report, entrepreneurs place themselves at a significant disadvantage to their more proactive competition.



## Questions?

## Contact Left Lane Associates

*“Be less curious about people and more curious about ideas.”  
- Marie Curie*

Left Lane Associates is an M&A advisory firm that works exclusively with companies in the supply chain industry. Our deal team executes successful M&A transactions that create enterprise value for shareholders.

M&A is one of the surest paths to value creation for businesses and should be a part of every entrepreneur's plan. Reach out to us today to discuss your M&A strategy and any questions you might have.



### The Left Lane Team

Peter Stefanovich	President	<a href="mailto:peter@leftlaneassociates.ca">peter@leftlaneassociates.ca</a>
Mike McCarron	Board of Directors	<a href="mailto:mike@leftlaneassociates.ca">mike@leftlaneassociates.ca</a>
Nicholas Somos	Director - M&A, Vice President	<a href="mailto:nick@leftlaneassociates.ca">nick@leftlaneassociates.ca</a>
Alex MacKinnon	Director - M&A	<a href="mailto:mackinnon@leftlaneassociates.ca">mackinnon@leftlaneassociates.ca</a>
Marcin Sakowicz	Associate - M&A	<a href="mailto:marcin@leftlaneassociates.ca">marcin@leftlaneassociates.ca</a>
Kanav Setia	Associate - M&A	<a href="mailto:kanav@leftlaneassociates.ca">kanav@leftlaneassociates.ca</a>
Dawson Carty	Analyst - M&A	<a href="mailto:dawson@leftlaneassociates.ca">dawson@leftlaneassociates.ca</a>
Ihit Badhwar	Analyst - M&A	<a href="mailto:ihit@leftlaneassociates.ca">ihit@leftlaneassociates.ca</a>
Jackie Doyle	Research Analyst	<a href="mailto:jackie@leftlaneassociates.ca">jackie@leftlaneassociates.ca</a>
Ryan Manzolini	Research Analyst	<a href="mailto:ryan@leftlaneassociates.ca">ryan@leftlaneassociates.ca</a>
Moses Odemuyiwa	Director of Sales	<a href="mailto:moses@leftlaneassociates.ca">moses@leftlaneassociates.ca</a>
Josh Ball	Sales & Marketing Analyst	<a href="mailto:josh@leftlaneassociates.ca">josh@leftlaneassociates.ca</a>
Mia Robregado	General Manager	<a href="mailto:mia@leftlaneassociates.ca">mia@leftlaneassociates.ca</a>