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BUSINESS VALUATION, INC

QUARTERLY NEWSLETTER



BUSINESS
VALUATION,
INC.



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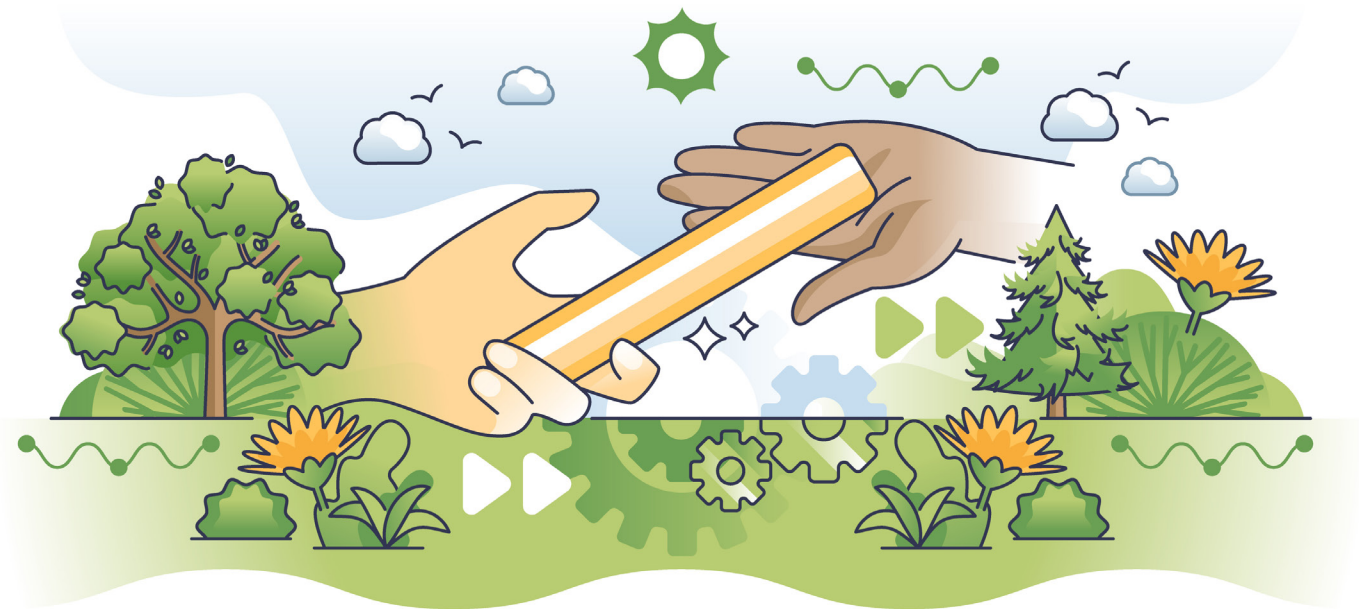
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For wealth managers advising business owners, succession planning is a pivotal component of comprehensive wealth management. Yet, one foundational element is too often overlooked or underestimated: the regular, objective valuation of the business. Communicating the necessity and strategic value of periodic business valuations can empower your clients to make informed decisions, optimize outcomes, and preserve their legacy.

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Regular Valuations: The Cornerstone of Strategic Succession Planning



For wealth managers advising business owners, succession planning is a pivotal component of comprehensive wealth management. Yet, one foundational element is too often overlooked or underestimated: the regular, objective valuation of the business. Communicating the necessity and strategic value of periodic business valuations can empower your clients to make informed decisions, optimize outcomes, and preserve their legacy.

The Case For Objective Valuation

Many business owners default to industry multiples when estimating their enterprise's value. While rules of thumb such as "five times EBITDA" may offer a convenient reference point, they rarely reflect the nuanced realities of an individual company. A professional valuation encompasses various variables, including customer diversification, management depth, competitive positioning, and prevailing

market conditions, yielding a fair market value grounded in data rather than conjecture.

As a wealth manager, guiding your clients toward objective, professional appraisals enhances the credibility of their succession plans and provides a defensible basis for negotiations, estate planning, and stakeholder communications.

The Strategic Advantage of Regular Valuations

A single valuation, performed at the point of sale or transition, is inherently reactive. In contrast, regular valuations, conducted as part of an ongoing strategic process, give business owners a dynamic understanding of their company's value over time. This foresight is invaluable: it allows for the identification and remediation of value gaps, the implementation of operational improvements, and

the optimization of tax and estate strategies well in advance of an exit event.

Encouraging clients to initiate comprehensive valuations at least five years before any anticipated transition. This timeline allows them to address weaknesses, capitalize on growth opportunities, and adapt to changing market conditions. If a valuation uncovers a shortfall relative to expectations, owners have the runway to diversify revenue streams, strengthen management, or professionalize operations. Owners can proactively implement estate planning strategies to reduce potential tax exposure if the valuation exceeds expectations.

Facilitating Equitable and Efficient Transitions

A current, independent valuation is critical when succession or sale

becomes imminent. It provides an impartial negotiation framework, whether the transaction involves family members, key employees, or third-party buyers. It minimizes the risk of disputes rooted in subjective perceptions of value. This objectivity is critical in closely held or family businesses, as differing stakeholder interests and emotional attachments can complicate the transition process.

A Proactive Analogy: The Business Valuation as Inspection

Consider positioning regular business valuations to clients as analogous to periodic home inspections for a

valuable property. Just as inspections reveal issues that, if addressed proactively, can enhance a home's market value, regular valuations can identify operational or financial improvements that increase enterprise value and marketability. This proactive approach helps business owners stay prepared, maximize value realization, and avoid last-minute surprises.

The Advisory Imperative

As a trusted advisor, your role extends beyond investment management to encompass the holistic stewardship of your clients' wealth, including their most significant asset, the business

itself. By advocating for regular, professional valuations as an integral part of succession planning, you position your clients to make data-driven decisions, maximize value, and achieve a seamless transition that aligns with their long-term personal and financial goals.

Encourage your business owner clients to view valuations not as a transactional necessity, but as a strategic best practice that underpins effective planning and preserves their wealth and legacy.

Understanding Fair Market Value

Fair market value is the most commonly applied standard when determining the value of a going concern or a holding company. This standard defines the value as the price a willing buyer would pay to a willing seller, with both parties having reasonable knowledge of all relevant facts and acting without pressure or compulsion in an arm's length transaction.

A key consideration, often overlooked, is how fair market value applies in intercompany transactions, particularly when minority interests are involved. For example, in cases where a 25% interest is being sold to a partner who already owns 50%, it might seem intuitive to assume the buyer will have majority control post-transaction. However, under the fair market value standard, appraisers must assume a hypothetical buyer who is unrelated to the transaction. That means the 25% interest must be valued independently and without assumptions about future control, often resulting in the application of a minority interest discount.

This raises the question: why should a minority discount apply if the buyer is already in a controlling position? The answer lies in how the standard is defined and applied.

Advisors should ensure that shareholder agreements, membership agreements, and employee equity agreements clearly define how value will be determined to avoid confusion and potential disputes. For instance, specifying that fair market value should be calculated without discounts for lack of control or marketability can provide clarity in internal transactions.

When advising clients on structuring these agreements, aligning the definition of value with the client's goals and the likely context of future ownership changes is critical. Addressing this proactively can prevent complications down the road.

For further guidance on fair market value or any valuation-related matters, our team is here to help.



Watch the video to Learn more about Fair Market Value



Increase the Value of Your Business

Selling your business is a significant milestone that requires careful planning and strategic actions to maximize its value. However, even if you're not ready to sell right now, implementing these steps can significantly benefit your company and you as a business owner. Focusing on key areas such as strategic planning, financial transparency, sound cash management, clear management structure and guidance will make your business more attractive to potential buyers in the future, enhance its current performance, and improve its sustainability.

Building a Strong Management Team

A capable management team is crucial for several reasons. It ensures continuity, allowing the business to operate smoothly during transition or everyday operations. A diverse team brings a range of varied skills and expertise, which is invaluable for the company's growth and expansion. To build a strong management team, identify critical roles and responsibilities. Hire experienced professionals or develop existing staff through regular training and development programs. Creating clear succession plans for critical positions also ensures the business remains stable during transitions. Even if you're not planning to sell, these steps will bolster your company's resilience and operational efficiency.

Developing a Strategic Plan

A comprehensive strategic plan is essential for demonstrating foresight and planning to potential buyers, as well as guiding your business toward long-term success. This plan should include a vision, mission statements, and short-term and long-term goals. Action plans to achieve these goals, along with key performance indicators (KPIs) to measure progress, are also crucial. A well-developed strategic plan provides a roadmap for future growth and helps align team efforts toward common objectives, making the business more appealing to buyers

and ensuring ongoing alignment and focus within the company.

Reducing Key Person Dependence to Include the Owner(s) of the Business

Reducing reliance on key individuals is crucial for enhancing business value, mitigating risk for potential buyers, and improving both daily operations and long-term stability. Start by documenting all processes and procedures, ensuring that knowledge is not confined to a few individuals—Cross-train employees to handle multiple roles and implement robust systems and technology to automate tasks. Developing a strong company culture that can persist beyond the founder's involvement further enhances business stability and attractiveness. These measures will ensure your business remains robust and adaptable, even if key personnel are unavailable.

Continuously Improving Business Processes

Operational efficiency is a critical factor in business valuation and overall success. Regularly review and optimize workflows, implement quality control measures, and invest in technology to enhance operational efficiency. Encouraging employee feedback and suggestions for improvement can lead to significant enhancements. Additionally, benchmarking against industry best practices demonstrates adaptability and a commitment to excellence, which are attractive to potential buyers and beneficial for current operations. By focusing on continuous improvement, your business will be better equipped to respond to changes and seize opportunities.

Reducing Customer and Supplier Concentration

Diversifying your customer base reduces risk and increases stability, making your business more attractive to buyers and resilient in the face of market changes. Consider expanding

into new markets or geographic areas, developing new products or services to attract different customer segments, and implementing a referral program to acquire new clients. Increasing marketing efforts to reach a broader audience and considering strategic partnerships or acquisitions to access new customer bases can also contribute to diversification. There should be a consistent effort to identify and contract with suppliers of critical products and services. These strategies will help ensure a steady revenue stream and mitigate the impact of losing any single customer.

Reviewing Accounting Systems

Financial transparency is crucial for instilling confidence in potential buyers and maintaining the financial health of your business. Implement robust accounting software and maintain accurate and up-to-date financial records. Regular internal audits and hiring a professional accountant or CFO can ensure your business's financial health. Additionally, preparing detailed financial projections facilitates due diligence and helps potential buyers understand the company's financial trajectory. Sound cash management includes scrutiny of capital management, including debt and net working capital. Accurate and transparent financial records will also aid in decision-making and strategic planning, ensuring your business remains financially stable.

By focusing on these areas and implementing these strategies, you can significantly enhance the value and attractiveness of your business to potential buyers while also benefiting your company's current operations and long-term success. Increasing business value is an ongoing process; therefore, start early and maintain consistency in your efforts. Whether you plan to sell soon or not, these steps will help you build a stronger, more resilient, and more successful business.

BVI Engages with Local Professional Groups



North Central Florida Estate Planning Council March Membership Meeting

Business Valuation, Inc.'s Managing Director, **Bill Sorenson**, recently had the opportunity to speak at the North Central Florida Estate Planning Council's March membership meeting. The presentation focused on the intersection of business valuations and estate tax planning, offering insights into how proper valuation strategies can support long-term estate planning goals. It was a valuable opportunity to share expertise with a distinguished group of professionals dedicated to guiding clients through complex financial decisions.

Elevate Women | GetONBoard

Bill Sorenson participated as a panelist for Elevate Women's GetONBoard event, which empowers women as they prepare for C-suite and board leadership roles. He was featured on the "Lessons from the Table" executive panel, where he joined fellow leaders to share candid insights, personal experiences, and actionable advice on navigating the path to board service and executive leadership. The event brought together aspiring and established executives for an engaging afternoon focused on board readiness, governance, and leadership strategies that drive impact at the highest levels.



Expert Speaking Engagements

Are you planning an event and looking for expert insights to engage and educate your audience? Business Valuation, Inc. is proud to offer a range of impactful value enhancement topics tailored to meet your event's needs, whether it's a public speaking engagement, community education program, or any occasion where our expertise can provide value. Our available topics include:

- Business Valuation: The Basic Idea
- Using Financial Modeling to Increase the Value of Your Company
- Exit Planning: Preparing Your Business for Sale
- 35 Business Value Killers
- Acquisition Strategies: Unlocking Growth Potential



<https://www.businessvaluationinc.com/request-a-speaker/>

Company Updates



Melissa Ann Lockhart - Celebrating 19 Years Director of Valuations & Litigation Support

We're proud to celebrate Melissa's 19th anniversary at Business Valuation, Inc. Since 2006, Melissa has been instrumental in delivering high-quality business valuations and damages analyses across a wide range of complex matters. Her work has supported mergers, litigation, and planning efforts for clients across industries.

Beyond the office, Melissa is an active contributor to her community as a board member of Changing Homelessness and through her involvement with the Estate Planning Council and the Planned Giving Council. Her commitment to excellence and service continues to elevate our team and the clients we serve.



Rob Sly - Celebrating 10 Years Director of Valuations & Litigation Support

Join us in recognizing Rob for 10 years with Business Valuation, Inc. Since 2015, Rob has led our valuation and litigation support services with deep expertise and steady leadership. His work has guided clients through critical financial decisions involving mergers, estate planning, and complex litigation.

With over two decades in business valuation, Rob's impact is felt in every engagement he leads. We're grateful for his contributions over the past decade and look forward to many more.

Brantley DeWitt Promoted to Senior Analyst

BVI is proud to announce the promotion of Brantley DeWitt to Senior Analyst.

Since joining our team, Brantley has become a trusted contributor to our valuation work, known for his sharp analysis, attention to detail, and commitment to clear, defensible conclusions.

He provides valuations for estate and gift planning, tax compliance, mergers and acquisitions (M&A), and strategic initiatives, earning the trust of attorneys, wealth advisors, and business owners across various industries.

This promotion reflects Brantley's hard work, consistency, and professionalism. Join us in celebrating his well-deserved achievement and continued contributions.

Katie Quackenbush transitions to Business Development Manager

BVI is pleased to recognize Katie Lanahan Quackenbush in her new role as Business Development Manager. Katie's transition into this new role underscores the value of her work and the firm's commitment to developing talent from within.

Katie brings over a decade of experience in business development, marketing, and strategic communication. With a proven track record of success, Katie specializes in growing brand presence, crafting targeted content, and managing client relationships, all while leveraging strategic insights to enhance engagement and drive revenue. Her collaborative approach, strategic insights, and dedication to delivering results will be pivotal in supporting Heritage and BVI's growth initiatives.

Experts In Value

Business Valuation, Inc. provides valuation services, litigation support, and advisory services to business owners, executives, attorneys, and accountants.

Our team of analysts has the experience, relevant training, and qualifications to produce reliable, impartial, and substantiated conclusions. For over 35 years, BVI has performed over 4,000 valuations of firms ranging from start-ups to those exceeding \$1 billion in revenue. Our litigation support team has been successful at preparing economic analyses and providing expert testimony on cases varying from complex commercial damages to marital dissolutions.

We have advised companies in a broad spectrum of industries including healthcare, distribution and logistics, manufacturing, agriculture, construction and engineering, human resources, food and beverage, and business services. We are based in Florida and serve clients across the country.

We are large enough to provide the depth of experience and product diversity of a larger firm, yet small enough to offer the personal attention each client expects and deserves.



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