

E&A principal, Frank C. Evans, co-authored with David M. Bishop the best selling book, *VALUATION FOR M&A: Building Value in Private Companies*, published by John C. Wiley & Sons, Inc.

### **An Excerpt from the Preface to VALUATION FOR M&A**

The mystery surrounding a company's value often causes owners or executives to make bad investment and operational decisions. But these poor choices can be avoided. Accurate valuations are possible and M&A deals can succeed for both buyers and sellers. The keys to success are in the pages that follow.

Through providing valuation advisory services to hundreds of companies and thousands of corporate executives, we have developed tools to accurately measure and successfully build value in companies. By employing these techniques, owners and managers can determine their company's value, what drives it, and how to enhance that value both in M&A and through daily operations.

In M&A, sellers, buyers and even their advisors struggle over the value of a business. Often, they are frustrated by what they see as the other side's unrealistic expectations. The following uncertainties abound:

- Do profits, usually computed as EBIT or EBITDA, represent the company's true return to shareholders?
- Is the forecasted performance realistic?
- What is an appropriate rate of return or multiple, considering the investment's risk?
- Should the transaction be structured as an asset or stock deal?
- Has the seller properly prepared and packaged the company to get the best price?
- What personal issues are of critical importance to the seller?
- Has the buyer found the best target and accurately quantified potential synergies?
- Does the deal make sense at the quoted price?

Greater fundamental mystery exists in private companies- those not traded on a public stock market, including thinly traded public companies or divisions of large corporations. Most owners and managers operate these companies year after year without ever knowing the answers to these basic questions:

- What is the company worth?
- How much more would a strategic buyer pay to acquire it?
- What factors most affect the company's stock value?
- What is the owners' real return on investment and rate of return?
- Does that return justify the risk?
- Are owners better off selling, and if so, how and when?

This book provides the tools to answer these and related questions. It is written for investors and managers of companies who lack the guidance of a stock price set by a free and active market. Our solutions to valuation and return on investment questions create accountability and discipline in the M&A process. Our techniques incorporate value enhancement into a private company's annual strategic planning to provide direction to shareholders in their investment decisions. In short, our book is a roadmap to building value in both operating a company and selling or buying one.

Many investors have heard about building value in a public company where the stock price provides the market's reaction to the company's performance. It is much more difficult to develop a successful strategy and measure performance accurately when no stock price exists. Difficult, but not impossible.

We invite our readers to employ these techniques to achieve accurate M&A valuations and to build value in daily operations. Trade the mystery for this roadmap to wealth.

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