

# Business Valuation



Now, for tomorrow





# Baker Tilly in the Dutch Caribbean is active in Aruba, Bonaire, Curaçao and St. Maarten.

**Specialized in these four markets we complement our local expertise with the benefits of our extensive international Baker Tilly network. Sharing knowledge and information throughout the markets, while we connect to important financial, fiscal and legal developments in the world. We distinguish ourselves in being profoundly competent in several specialist fields, one of which is Business Valuation.**

You usually do not value your business very regularly. Valuation normally seems important when a radical change is about to happen.

Although understandable, this is somewhat regrettable; the process of valuation of a business can give interesting insight into the elements

that influence value and it gives useful and sometimes even crucial information on which to base strategic decisions.

Do you need to find out the actual value of your business, or do you have other specific valuation questions? Baker Tilly is here to help.

In close cooperation with the valuation specialists in our international Baker Tilly network, we can offer you qualitative and accurate valuation advice.

If you so wish, we can start with an initial value analysis and value indication, and help you decide how to proceed.

## What to expect from us

There are numerous reasons why you as entrepreneur would want to know the value of your company or of (some of) its assets. But how do you determine this value most accurately? The valuation of a company or of parts thereof can be done in several ways. We believe that our advisory responsibility in the valuation of your company goes beyond the determination of its value. Valuation is also aimed at identifying and assessing the factors that can potentially create value for your company. In addition to the valuation, we advise you on how these factors can add value in the future, and at the same time we also call your attention to the risks involved in exploiting them.

## What is valuation?

It is fairly easy to find out the value of publicly listed companies. Large volumes of shares are being traded daily and give these shares a market price. For companies in the Dutch Caribbean, with the exception of a very few, no market prices exist to help determine their value. Therefore, other methods of valuation are required.

Although most entrepreneurs have a general idea of the value of their company, sometimes a more precise valuation is needed. There are numerous reasons why entrepreneurs would want to know the value of their company or assets. But how do you determine this value most accurately?

The valuation of a company or of parts thereof can be done in several ways. Based on the characteristics of the company and its environment, one can choose to value the company according to the visible equity, hidden reserves on the balance sheet, past and future profits or the company's projected future cash flows. In addition, certain fixed rules of thumb are sometimes applicable in the proper valuation of a company.

In the current business valuation practice, the so-called Discounted Cash Flow Method is most common. The company's future available cash flows are the basis for this calculation methodology.





## When to have a valuation done

Oftentimes a valuation is only done when the company faces an impactful change, such as an acquisition or family succession.

However, a valuation is also simply a good way of determining your baseline, for instance to project future growth.

The most common reasons for a valuation are:

- Preparing the company for sale
- Family circumstances: succession, divorce, inheritance, etc.
- Determining/substantiating a transfer price
- Purchase and exchange of shares
- (Fiscal) restructuring
- Mergers and Acquisitions
- Loss Provision
- Investment Projects
- Disputes



## Textbook examples of when a company valuation is needed

- In a family-owned business the next generation is ready to take over. Even though the family is already in agreement on the pending succession, there is still a need to know the value of the company to facilitate a smooth succession.
- Two entrepreneurs have been in a partnership for many years when suddenly they find themselves in a dispute. One of the partners is willing to step down at a reasonable buyout fee. The question is what his share in the company is worth.
- A couple is married in community of property and has worked together for 15 years in a company of which the husband owns all the shares. Due to the nature of marriage, in case of a divorce, the value of the company becomes part of the property settlement.





## The valuation process

A valuation process follows the following phases:

- Determining the purpose of the valuation
- Acquiring information about the company and its environment
- Gathering other necessary information and performing a financial assessment
- Performing the valuation of the company
- Reporting and discussion of the valuation and other findings

A good understanding of the purpose of the valuation, the state the company is in, the environment it operates in and the acquisition of reliable financial data are essential in performing an in-depth valuation. Assumptions and projections about the future generally have a great impact on the determination of the company's ultimate value.

A thorough analysis of the projections and expectations for the future is therefore always part of a valuation process.

This analysis is also extremely valuable as a tool to translate the company's long-term strategy into an accurate financial planning.

In combination with the valuation process, this financial planning serves as a perfect guide towards the future financial management of the business.

## Value vs. price

There are many misunderstandings about the value and valuation of shares/companies. One of the most common misunderstandings is that the value of the company is (or should be) equal to the price being paid for it. The prices paid for shares/companies almost always differs from the actual value. This is because the ultimate transfer price is generally the result of negotiations about the value.



**DATA**

**Knowledge**

**Information**





## Now, for tomorrow

Creating meaningful experiences by proactively working to solve your most pressing problems and seize new opportunities. Our relationships with clients are genuine and we value great conversations. We understand your world today and provide insights that shape your tomorrow.

Network members collaborate seamlessly to serve our clients across the globe.

**If you have any questions, we will gladly explain more in depth how our services may be of interest or beneficial to your business or personal ambition.**

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