ADR/Family Law Section CLE
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Common Valuation Differences between Experts

Factors/Considerations that can increase a business valuation

1 Optimistic future projections w/ no adjustments to the discount rate to account for risk of achieving an aggressive forecast
2 Low discount rate
3 Small discounts for lack of Control / lack of Marketability
4 Relying too heavily on a market approach where market transactions capture premiums paid for synergies, and other factors that may not relate to the hypothetical buyer
5 Small/No discounts for personal goodwill
6 Using income approach when asset approach should be weighted more heavily
7 Ignoring after tax cash flows
8 Eliminating too many expenses (as non-business or non-recurring when they are legitmate expenses)

Factors/Considerations that can reduce a business valuation

1 Pessimistic future projections w/ no adjustments to the discount rate to account for reduced risk of achieving non-aggressive forecast
2 High discount rate
3 Large discounts for lack of Control / lack of Marketability
4 Relying too heavily on an asset approach when other approaches are more relevant
5 Large discounts for personal goodwill
6 Using income approach when asset approach should be weighted more heavily
7 Not properly normalizing business go-forward expenses (leaving in non-recurring or non-business expenses)
8 Using buy/sell agreement (which may or may not be appropriate)

Primary factors that differ in Civil versus Family Law arena affecting opinion of value

1 Consideration of Personal Goodwill
2 Application of the Buy/Sell Agreement