

Understanding Company Valuation

Key Drivers,
Methods, and
Risks That
Impact Business
Value



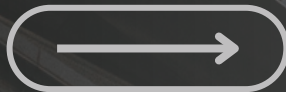
Andrew McCullough

<https://blackdiamondcfosolutions.com/>



Why Valuation Matters

- Used by buyers/investors when you sell your company, or a portion of it
- Used by lenders when you need to borrow
- Informs strategic decisions
- Identifies strengths and weaknesses in the business model

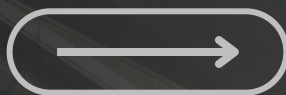


<https://blackdiamondcfosolutions.com/>



Core Valuation Drivers

- Revenue growth and profitability
- Cash flow stability and predictability
- Market and industry outlook
- Asset base and intellectual property
- Risk profile (financial, operational, customer, legal)

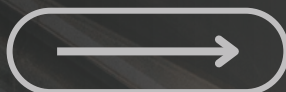


<https://blackdiamondcfosolutions.com/>



Common Valuation Methods

- **Market Approach:** Compares to M&A transactions in similar companies
- **Income Approach:** Discounted cash flow (DCF) analysis
- **Asset Approach:** Net asset value (liquidation or replacement cost)
- *Note: Most valuations blend multiple approaches*

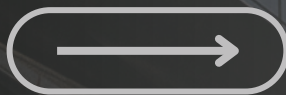


<https://blackdiamondcfosolutions.com/>



Financial Performance Metrics

- EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortization)
- Revenue and gross margin trends
- Free cash flow
- Working capital efficiency
- Leverage and debt service capacity

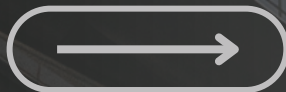


<https://blackdiamondcfosolutions.com/>



Market Multiples

- Typical multiples: Enterprise Value / EBITDA, Enterprise Value / Revenue, Enterprise Value / Free Cash Flow
- Influenced by industry benchmarks and transaction comps
- Premiums/discounts applied for size, growth, and risk

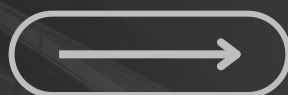


<https://blackdiamondcfosolutions.com/>



Risk Factors That Reduce Value

- Customer concentration >15% with one client
- Weak or incomplete financial records
- Overdependence on owner/key employees
- Flat/declining growth trajectory
- Pending legal or compliance issues
- Outdated systems/operations

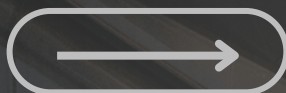


<https://blackdiamondcfosolutions.com/>



Value Enhancement Strategies

- Diversify revenue base (customers, products, markets)
- Professionalize accounting and reporting
- Strengthen the management team and succession plan
- Invest in scalable systems and processes
- Improve margins and cash flow discipline

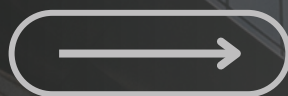


<https://blackdiamondcfosolutions.com/>



Beyond the Numbers

- Brand strength and reputation
- Culture and employee retention
- Customer loyalty and contracts
- Strategic positioning in the market

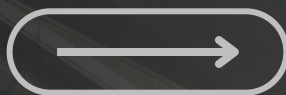


<https://blackdiamondcfosolutions.com/>



Key Takeaways

- Valuation = future cash flows discounted by risk factors
- Quantitative (financial) and qualitative (strategic) factors
- Companies can take proactive steps to increase value
- A well-prepared business commands higher value



<https://blackdiamondcfosolutions.com/>

**Don't Wait Until You're
Ready to Sell**

Book a Financial Clarity Call.

bdcfo.com/book-call



<https://blackdiamondcfosolutions.com/>