



# BUSINESS VALUATION VIA APP

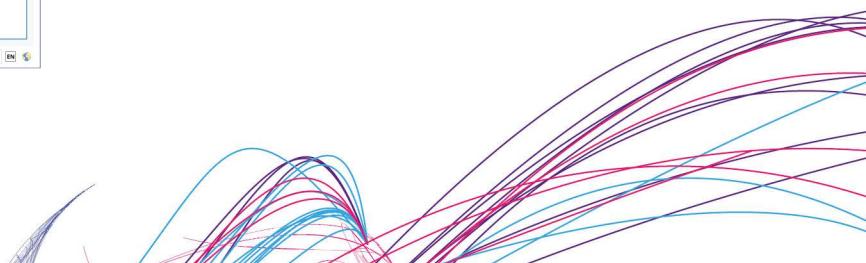
TRANSPARENT BUSINESS VALUATION  
AT THE PRESS OF A BUTTON

Business valuation spans not only the classic determination of purchase prices in business transactions to the determination of issue prices for IPOs, but also the determination of compensation claims, as well as the performing of impairment tests in line with IAS 36. In practice, business valuations are oftentimes carried out with convoluted MS Excel models that can lack the necessary traceability. In particular, reconciling the plan for the profit and loss statement for cash flow planning is a difficulty that arises time and again.

The Business Valuation app is your reliable tool for in-depth business valuation (see figure 1) and the sound valuation of your (investment) projects using the standard capitalized earnings and discounted cash flow analysis methods. The planning period of the valuation object is divided into a detailed planning phase and a subsequent continuation

Figure 1: Calculation of a company's value in the app

phase. You can flexibly determine the length of the detailed planning phase (usually three to five years) yourself. With any amount of arbitrary scenarios from the plan for the profit and loss statement, cash flows relevant to the detailed planning phase can be derived fully automatically through integrated balance sheet and cash flow planning. The derivation of the cash flows is clearly arranged in a separate workspace (see figure 2). Depending on the valuation method used, the app determines the discount rate either using the Capital Asset Pricing Model (CAPM) or as a Weighted Average Cost of Capital (WACC). When determining the discount rate, there is usually a circular reference, as the cost of equity is weighted by the market value of the equity. However, the market value of the equity is only the result of the entire valuation procedure. An iterative calculation method is used in the app automatically to avoid such a circular reference, proving to be a great advantage especially compared to other solutions.



For the period after the detailed planning phase, the app for business valuation uses the perpetual annuity model, which is widely used in practice. In this simplified mathematical model, the cash flows are simply extrapolated in the continuation phase with a constant growth rate. In addition, the integrated sensitivity analysis enables you to make an ad hoc assessment of the company value if valuation parameters change. Simply enter the conditions you think have changed and the app

automatically performs the entire calculation for all parameter combinations. In a separate output sheet (see figure 3) the calculated values are summarized. As such, the individual calculation steps are carried out in a transparent and comprehensible manner. An integrated export function allows you to track or further process the data in MS Excel, for example.

	Budget 2021	Budget 2022	Budget 2023
Earnings Before Interest and Taxes (EBIT)	436,055	442,205	448,417
- Adjusted tax expenditure	-131,580	-133,435	-135,310
= Net operating profit less adjusted taxes (NOPLAT)	304,475	308,770	313,107
- Depreciation and amortization	-125,000	-125,000	-125,000
= Free cash flow	429,475	433,770	438,107
+ Tax shield	90,525	91,430	92,345
= Total cash flow	520,000	525,200	530,452
- Interest and similar expenses	-300,000	-303,000	-306,030
+/ Changes in debt	-30,000	-30,300	-30,603
= Flow to equity	250,000	252,500	255,025

	Free cash flow approach	Total cash flow approach	Flow to equity approach
Market value of entity	5,576,754	5,576,754	2,576,754
Market value of debt	3,000,000	3,000,000	
<b>Market value of equity</b>	<b>2,576,754</b>	<b>2,576,754</b>	<b>2,576,754</b>
% Equity ratio at market value	46.21 %	46.21 %	46.21 %
% Debt ratio at market value	53.79 %	53.79 %	53.79 %
<b>Debt-equity ratio at market value</b>	<b>116.40 %</b>	<b>116.40 %</b>	<b>116.40 %</b>

Figure 3: Determining the value of a company using various valuation methods

Figure 2:  
Cash flow determination in  
the workspace for business  
valuation

## APP FUNCTIONS

- Mapping of common processes in business valuation
- Detailed planning and continuation phase (perpetual annuity)
- Determination of the cost of equity using the Capital Asset Pricing Model (CAPM)
- Process-dependent calculation of weighted average cost of capital (WACC)
- Automated sensitivity analysis when various valuation parameters change

## YOUR BENEFITS

- ✓ Business and investment valuation at the press of a button
- ✓ Cash flow determination through integrated P&L and balance sheet planning
- ✓ Length of the detailed planning phase can be flexibly modified
- ✓ Avoidance of circular references by way of iterative calculations
- ✓ Traceability and transparency for business valuation

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