

# Sample Valuation Worksheet

This worksheet demonstrates what we believe to be the best method for valuing creative services businesses. Your business' Net Asset Value (NAV) is its lowest possible value (its equity).

Your business' actual value is determined by combining Net Asset Value (equity) with Return On Investment (ROI) value. It is calculated by a professional valuator using the formula shown.

## Net Asset Value (NAV) Calculation

### Assets:

Vendor deposits: \$ \_\_\_\_\_  
 Savings: \$ \_\_\_\_\_  
 Cash on hand: \$ \_\_\_\_\_  
 Accounts receivable: \$ \_\_\_\_\_  
 Liquidation value of equip: \$ \_\_\_\_\_  
 Unbilled work completed: \$ \_\_\_\_\_  
 Value of expensed items: \$ \_\_\_\_\_  
 Total Assets: \$ \_\_\_\_\_

### Liabilities:

Client prepayments: \$ \_\_\_\_\_  
 Accounts payable: \$ \_\_\_\_\_  
 Credit line balance: \$ \_\_\_\_\_  
 Equipment loans/leases: \$ \_\_\_\_\_  
 Taxes payable: \$ \_\_\_\_\_  
 Other debts: \$ \_\_\_\_\_  
 Total Liabilities: \$ \_\_\_\_\_

### NAV value:

(Assets - liabilities)

### ROI value:

### BUSINESS VALUE

## Return On Investment (ROI) Calculation

Annualized sales: \$ \_\_\_\_\_  
 Less (-) cost of goods sold: \$ \_\_\_\_\_  
 Equals agency gross income: \$ \_\_\_\_\_ x 0.6<sup>†</sup> = \$ \_\_\_\_\_  
 Less (-) overhead: \$ \_\_\_\_\_  
 Equals net profit before tax: \$ \_\_\_\_\_ x 4.0 = \$ \_\_\_\_\_

### General factors

Client dominance\* \_\_\_\_\_  
 Marketing plan \_\_\_\_\_  
 Location/market \_\_\_\_\_  
 Product quality \_\_\_\_\_  
 Industry condition \_\_\_\_\_

### Management factors

Age of firm \_\_\_\_\_  
 Billable efficiency \_\_\_\_\_

### Institutionalizing factors

Number of principals \_\_\_\_\_  
 Principals' days off \_\_\_\_\_  
 Principals' hours worked/wk \_\_\_\_\_

### Financial factors

Accounts receivable age \_\_\_\_\_  
 Debt to equity ratio \_\_\_\_\_  
 Months cushion in cash \_\_\_\_\_

### Personnel factors

Non-compete agreements \_\_\_\_\_  
 Employee turnover \_\_\_\_\_

### Average factor

Total: \$ \_\_\_\_\_  
 Divide (÷) by 2 = \$ \_\_\_\_\_  
 (Average of two methods)

multiply by

+

\$ \_\_\_\_\_ = ROI value

\$ \_\_\_\_\_

**CAUTIONARY NOTE:** Principals should use this form only for a rough valuation. In addition to the need for professionally arrived at factors, accurate valuations require adjusting balance sheets and income statements by standard accounting procedures. Without these adjustments, valuations may be off by up to 35% (plus or minus).

\*As an example of factoring, the factors used for the percentage of business from one or two clients are as follows: if 1/14 % of income—.80; if 15/35%—1.0; if 35/45%—.80; if 46/55%—.70; if 56/65%—.60; if 66/75%—.50; if 76/85%—.40; if 86% or more—.30.

†The AGI multiplier is based on experience. (0.6 is 4 x 15%, a typical net profit.) Note, however, that using only this figure weights the most recent year. A complete valuation will average previous years to account for trends and dispel anomalies.