Case Study

Business Valuation for SBA Loan

Situation
An owner of a marketing consulting firm was approaching retirement and decided to sell his business. The firm’s remaining management team wanted to acquire the business from the retiring owner, but had few tangible (financeable) assets. Due to this, their community banker suggested they utilize an SBA 7(a) loan to help finance the transaction. As part of the SBA underwriting process, the management team needed a valuation of the company conducted by a qualified appraiser and an expert in SBA valuation guidelines.

Engagement
The firm’s management team and their banker reached out to our valuation professionals to perform a valuation for the SBA loan. Our professionals were retained directly by the community bank in order to maintain our independence as required by the SBA. Due to the time-sensitive nature of the acquisition and the SBA loan process, the valuation needed to be completed within 10 business days.

We quickly collected the necessary documentation from the firm’s management team, including financial statements and records. In order to gain a better understanding of the business, the information was analyzed and a list of questions was compiled to be used during a management interview. The management interview also focused on the history of the business, its outlook, and additional factors that might impact the future performance of the company.

Once a thorough understanding of the company and its prospects was obtained, we were able to conduct the valuation and concentrate on those specific value drivers and examine how they would influence the company’s valuation. In doing so, we considered all three valuation approaches (asset, income and market) in order to arrive at an independent value conclusion that provided the most accurate fair market value of the business.

Solution
A quick turnaround was needed, and our professionals completed the valuation report on time while adhering to all of the professional standards and SBA valuation guidelines. Ultimately, the completed valuation satisfied the community bank’s underwriting requirements and allowed them to proceed with the loan, and the proceeds from the SBA loan enabled their customers to acquire the marketing consulting firm.

Contact: UBB’s BankValue Advisory Services at 952-886-9525