

## **European Business Valuation Standards Means New Business for Valuers**

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It is my pleasure to have the opportunity to provide you with a brief insight into the world of Business Valuing. Much progress has been made on the Business Valuations model since our meeting at the Valuations Conference in the RDS this time last year.

Great credit is due to TEGoVA for taking a leap forward and gearing up, to cover more aspects of valuation, thus becoming the standard setting Body in the EU. European Business Valuation Standards is the first of its' kind and addresses, the high level of demand among European Valuers, Businesses and Regulators.

This morning, I would like to provide you with an update about the academic side of Business Valuing and the education that is deemed necessary by TEGoVA for a Property Valuer to qualify as a Business Valuer.

However, I think it is crucial that we all understand the vast difference between the valuing of Real Estate and the valuing of a Business –

When we speak about Business Valuation, we consider Market Value in tandem with other basis for value. In brief, the qualified Business Valuer will have the skills and expertise to value a company or business, using the main business valuation approaches – Comparable, Asset Value, Discounted Cash Flow and Fair Value.

It is true also to state that the Business Valuer requires a high standard of financial literacy for the reporting and measuring of financial performance. My immediate reference is to the following financial areas -

- the analysing & interpreting of Financial Statements & Balance Sheets
- the measuring & reporting of Financial Performance
- the measuring of Tangible Assets and Intangible fixed Assets
- Stock valuations – raw materials/work in progress/finished goods, goods for resale

There are many practicing Valuers throughout Europe who are asked to value both Real Estate and Plant & Machinery for a variety of Business Purposes. They are very capable of doing so, despite the lack of a set of standards covering the Plant & Machinery valuations. European Business Valuation Standards will be key to a high-level of consistency and progress of every aspect of valuation practice. The gap created, by the lack of such standards, is becoming ever more obvious as new issues emerge. It is evident that environmental protection, energy conservation, health and safety are becoming drivers for the depreciation of assets.

The purpose of European Business Valuation Standards or EBVS 2020 is primarily to provide harmonised European Standards, guidance, and technical information that help the Business Valuer with the following areas of valuation -

- Assisting in preparing coherent Reports for presentation to a Client
- The promotion of consistency, by using standard definitions of value and approaches to Business Valuations.
- The demonstration of professional competence, and the application of objectivity, in making professional judgement
- To provide an accurate basis for economic analysis of business undertakings
- To increase awareness of the role of the Business Valuer
- To institute procedures, which are likely to provide clearly set out accurate and unambiguous Reports, that are consistent with EU law and, Valuation and Accounting standards.

The proposed education for the Business Valuer's Certification syllabus will provide the participants, with the skills required to develop professional Business Valuations, integrating a valuation, within a specific business environment, the strategy of a company, and the business plan. It will also include the development of analytical skills, financial modelling and risk analysis. So, where is demand coming from, for Business Valuers?

For the most part, demand is coming from Valuers themselves, their Clients and from Regulation. TEGoVA are providing the framework for Business Valuation Standards.

In line with this, the Business Valuation Certification syllabus is being designed for Property Valuers who are interested in developing advanced skills and expertise in Business Valuation. By completing the course successfully, the Business Valuer will have appropriate ECT credits assigned, representative of the workload accomplished.

Currently, our TEGoVA committee are engaging with one of the leading European Universities and developing minimum education requirements with a specific curriculum for Business Valuers, who ultimately will qualify as specialists in Valuation, and who will obtain a Business Valuation professional designation.

TEGoVA expects that education for a practicing Property Valuer (REV) will comprise of a minimum of 150 hours including workshops and specific practical work. Most probably, Property Valuers, seeking to obtain a Business Valuation professional designation, can expect that they will need to be educated in the following areas -

- Data analytics for finance
- Financial Accounting and Reporting
- Financial statement analysis in relation to business performance
- Business Valuation fundamentals and other studies relative to the minimum educational requirements

The proposed Syllabus is at the forefront of business trends and best practice for Business Valuation. The teaching and training provided along with the end Project will produce a Business Valuation Specialist. The overall objective of the study-programme will be to achieve

- An understanding of the impact of the environment of a business, on its value
- Understand the effects of taxation, law and litigation, on the value of a business
- Create the ability to value a company, using different methods of Discounted Cash Flow approaches including Fair Value
- The ability to use efficiently Excel in developing financial models.
- The valuing of intangibles, including brands and intellectual property.

It is planned that modules will be delivered both face-to-face, and online via the learning platforms. The course will be hosted by a Teaching University, where students can access course notes and all other relevant information. All course material will be developed by the University in collaboration with TEGoVA. It is planned that students will complete the programme in one year if full time. It will also be possible to complete it as a part-time student over a two-year period.

The performance of Business Valuation services under EU rules, requires a high degree of skill, and imposes upon the Valuation Professional, a duty to communicate the valuation process and conclusion as appropriate, to the scope of the Letter of Engagement, in a manner that is clear and not misleading.

In conclusion, I would like to get back to the heading I chose for the Conference today - *“European Business Valuation Standards Mean New Business for Valuers”* Our vision is that the qualified Business Valuer will be invited to value for the following purposes and many more besides -

- The Sale or purchase of a company
- The sale or purchase of a business division of a company
- The winding-up of a company / liquidation purpose
- Mergers with other companies
- Sub-division of a company into separate businesses or Sole Trader to Limited Company
- Financial reporting
- Tax purposes
- Valuations of companies for legal purposes
- Financial restructuring
- Non-cash contributions to other companies
- Estimation of stock-market quotations.

I think it is true to state, that here in Ireland the majority of Business Valuations are mostly being completed by professionals in the financial world who are not qualified expert Business Valuers. This is exactly where the qualified Business Valuer should seize the opportunity and take advantage. I'd like to conclude by stating, that the achievement of increased public trust in our Profession, will lead to an increase in the level of instructions and fees for the Professional Business Valuer. **And on that note, I think it is true to state that the qualified TEGoVA Business Valuer can look forward to Market Recognition into the future.**