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Preserving Value in Uncertain Times

Valuation and Advisory

Mark Weston Nov. 2020



The information contained in this presentation is non-authoritative.

Views and opinions expressed in this presentation are those of the speaker and do not necessarily reflect those of Davidson & Company or any other body.



“Pandemic Triggers Chances for Valuers in Exit Planning”

Business Valuation Update, Vol .26, No. 10, Oct 2020



“Pandemic Impacts for Valuers in Exit Planning”

October 10, Oct 2020

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Preserving Value in Uncertain Times

What Value?

- FMV or Price?
- Should we care?
- What value do you think about?

What Value

- I think about PRICE

Fair Market Value

- The **highest price**, expressed in terms of **cash** and cash equivalents, at which property exchanges hands between a **hypothetical willing and able** seller and hypothetical willing and able buyer, acting at **arm's length** in an **open and unrestricted market** when **neither party has a compulsion** to buy or sell and both have **reasonable knowledge** of the relevant facts.

Price

- The only true way to determine the price achievable for a business is to **expose it to the open market** and negotiate a transaction with another party

Preserving Value

- Q: What drives value?

Value Drivers

- Revenue, cash flows
- Access to financing, work force and management
- Prospective purchaser's perception of how the company is mitigating risk



Mitigating Risk Preserves Value

Mitigating Risk

One impediment = not understanding the basic principles of valuation

- Point in time
- Value is prospective
- Personal goodwill is not transferable
- Perceived risk impacts value and price

Mitigating Risk

Common impediment = not having a story, including details

- It's not how much you are going to grow, but how you will preserve market share, retain employees and rebound when the pandemic subsides

Mitigating Risk

Other key details (the lack of which = impediment)

- Sales (mechanics)
- Cost of sales (Suppliers, access to working capital for inventory)
- Expenses (not always fixed, working capital)
- Capital expenditure (how much, how often, how to finance)
- Planned use of technology (use vs awareness)

Mitigating Risk

- Have a script ... that makes sense in the context of the market, competitors and resonates

Preserving Value

- Easiest way to preserve value is to understand and mitigate risk, have a script, and follow it.

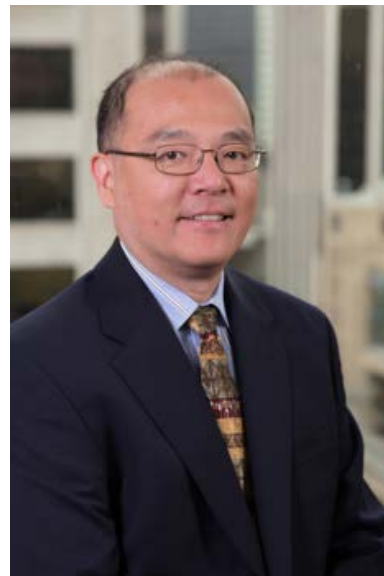
Bonus Slide – Preparing for CRA (supporting value)

- Prepare a memo
- What / Why / When
- How / Info considered
- Why it makes sense

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Questions?

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Closing Items

- Any unanswered questions or comments can be sent to events@davidson-co.com
- Slides and link to survey/PD Certificate will be emailed
- Both this Tax Webinar and our recent IFRS Webinar will be posted online shortly
- Save the Date:
 - 2021 Annual Regulatory and TSX Update – January 13, 2021

THANK YOU!



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== 2020 ==
ANNUAL TAX UPDATE

Thursday, November 26th, 2020
HOSTED VIRTUALLY FROM 2:00-4:00PM

A DAVIDSON & COMPANY SEMINAR

MBC	LJH	MJB	PON	NFR	JPH	OMJ
3,605	9,542	2,609	7,654	6,522	20,000	3,652
(-210)	(-128)	(-35)	(+189)	(+122)	(-54)	(+182)
QBV	OMN	MMJ	IT	KLM	15,000	3,200
3,204	5,211	7,100	7,150	782	1,901	3,200
(63)	(+15A)	(-60)	(-190)	(+7A)	(+101)	(-120)
MBH	WFF	HJM	OLE	LSD	10,000	6HS
3,320	712	134	2,022	631	6,287	2,630
						(-330)

AIU	1,822	12,349,000.
EJK	3,698	238,681,000
HPL	1,062	85,678,000
KEE	485	8,369,600