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## Valuation FAQs

### **1. Why should I know my company's value if I don't intend to sell soon?**

It's smart to know and track your company's value. You want to know conclusively that each year your hard work is paying off. For some marketers, knowing value is the best way to decide whether to get out or stay in. If committed to staying in, it's also essential for planning growth and family transitions.

### **2. How does Meridian figure value?**

We use several different valuation methods, but the method driving prices today and most accurate is called net present value of future cash flows. This method requires forecasting cash flow out into the future and then discounting back to today's value.

### **3. How do you put a number on my trucks and equipment?**

For most owners, all your trucks and equipment are needed to produce the company's cash flow, so there is no need to value that separately from the business cash flows. The only time actual hard assets values come into use is if the company is having cash problems or losses. Then, the hard assets may have added value.

### **4. If my real estate is owned in personal name, then rented to our operating company, can it still be included in my valuation?**

Sure! You just let us know what the rent is that is being paid for that real estate, and we'll add it back into our cash flow calculation.

### **5. How do you know how much my real estate is worth?**

For most marketers, if the real estate is at highest and best use already, we'll capture that real estate value via the company's cash flow. If you happen to be fortunate enough to live in an area where dirt values are skyrocketing, it's possible your dirt may be worth more than your business. If you are not sure about dirt values, we suggest you check discreetly with a local commercial real estate agent.

### **6. Who will you compare our company to?**

Only marketers with operations similar to yours. For instance, if half of your fuel volume is delivered to dealers on contracts, the other half is commercial diesel, and you only own and operate two stores, we won't compare you to 7-11 or The Pantry! Because our database is quite large, we're also usually able to compare you with other similar marketers in your area.

**7. How do you know the trends in my local area?**

We don't always have your exact area, but we can usually profile very tightly. For instance, maybe you are in a very rural farm area, and we've never valued your direct competitors, but we have valued many marketers in rural areas similar to yours, so we'll use that data. Because we don't look at dirt values, our comparisons are volume and margin driven.

**8. If we had a bad year last year, how will that impact my valuation?**

That depends upon the reason for the bad year. If it was just a blip on the radar screen, and you've fixed whatever caused the problem, it will have little impact. If the reason is new competitors and it looks like your profitability will be impacted throughout the coming years, it will lower your value.

**9. Can I combine two corporations or more into one valuation?**

Yes. There are some alternative ways to do that. If you only need a single number from Meridian, then you can have your CPA (or us for an extra fee) combine those operations. If you want to see separate values and the combined value, then we charge for two valuations since it is doubling our work. **Can I have a division or location separated out?** Yes, but there may be extra work needed on our part, so please call our office to discuss your situation so we can give you a quote.

**10. How can I explain to a buyer this value is accurate?**

We recommend that any time a seller is negotiating with a buyer, he should never disclose his valuation number. Our valuation is your frame of reference, not to be used with the buyer. If you'd like to discuss price negotiation strategies that do work, call us!

**11. What is your turn around time?**

We're busy! Valuations are processed in order of deposit receipt. You are getting the right number, not some cookie cutter formula. Remember, typical turn around time is four weeks but we offer a rush service if you needed it yesterday!

**12. How is Meridian different from other companies that do this?**

First, we have extensive industry knowledge and resources. This industry is all we do! Second, because we are not CPAs and therefore not bound by typical disclosure laws, that latitude means we can use our proprietary database and give you a truly accurate number you can count on.