

WHAT'S IT WORTH?



MARK RIDOUT,
director, RA Valuation Services.

“Although the value of bricks & mortar that accommodate the business may have declined, a good proportion of the businesses themselves remain buoyant.”

Salon owners are turning to independent business valuations in increasing numbers in the recession to help secure finance as bank managers and financial intermediaries demand greater assurances of ability to repay debt.

Mark Ridout, director of RA Valuation Services, said: “The days when banks would approve a loan without an independent assessment of the business value to cover their increasingly exposed backs are dead and gone.”

However, he said salons were, by and large, not experiencing the deterioration of the value of their business that many of their high street neighbours in retail were.

Valuations have traditionally been the preserve of those wanting to ensure they pay

a fair price for a business they plan to buy.

However, Ridout said that since rumour of the credit crunch became reality, salons’ reasons had become twofold: to determine whether they were investing wisely and as an aid in raising sufficient cash to make the purchase.

Valuation specialists could be employed, for example, whether the intention was to sell, to buy, to expand, to incorporate, to take on or retire partners and directors, for tax settlements, matrimonial disputes and for probate, said Ridout.

“Further, if they are selling their own business, salon owners are looking for an accurate guide as to what an initial asking price should be, as well as what price they should accept to clinch the deal.”

Ridout said it was likely to be a long time before financial institutions lent freely again without a business valuation.

“Now, more than ever, could be the perfect time to become conscious of what a business is worth and make those personal plans a reality,” he said.

HOW business valuations work

- Information in valuing goodwill is obtained mainly through financial documents.
- These, ideally, will comprise three years of accounts, completion of a short questionnaire, photographs of the salon as well as research into the local trading environment undertaken remotely by the valuer.
- Value seldom exists in the leasehold property that the majority of salons occupy – few leasehold properties attract a premium payment these days.
- If the property is freehold, values are far better assessed by a local commercial estate agent with good local knowledge. A site visit by a business valuer is, therefore, rarely required.