

# Valuations Opportunities During Covid

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A KEY ESTATE PLANNING GUIDE

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## General Disclaimer

- The information and/or the materials provided as part of this program are intended and provided solely for informational and educational purposes. None of the information and/or materials provided as part of this power point or ancillary materials are intended to be, nor should they be construed to be the basis of any investment, legal, tax or other professional advice. Under no circumstances should the audio, power point or other materials be considered to be, or used as independent legal, tax, investment or other professional advice. The discussions are general in nature and not person specific. Laws vary by state and are subject to constant change. Economic developments could dramatically alter the illustrations or recommendations offered in the program or materials.

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## Valuations and Pre-Election Planning

- Those with wealth need to plan NOW.
- Deficits may require substantial increases in estate tax regardless of the election outcome.
- If the Democrats are victorious in November a harsher estate tax seems inevitable.
- So taxpayers should use exemption and make other wealth transfers now.
- Key to transferring business and real estate interests is valuation considerations.

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## How are Valuations Affected Now?

- Valuation experts often start by assessing changes in actual and expected revenues and cash flow.
  - For many industries and businesses, revenues and cash flows have plummeted, and there is great uncertainty about the depth and length of the downturn, and, subsequently, the speed and degree of the recovery.
  - Current impacts may follow essential/non-essential business classifications.
  - Future impacts may vary if changes in behavior occur as a result of the crisis.

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## Capitalization of Earnings Methods

- Capitalization of Earnings Method
  - In many cases, this method will be difficult to apply because of earnings fluctuations.

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## Discounted Cash Flow

- Discounted Cash Flow Method
  - Additional diligence and management guidance, can be applied to directly account for current downturn and projected speed and degree of rebound
  - Multiple projection scenarios may enhance the analysis; contemplate whether a business is expected to see a "V-shaped" recovery, a "Nike Swoosh" recovery, or otherwise
  - Cost of capital (discount rate) may need to be higher
  - Attention needs to be paid to cash flows from investment activities (e.g., working capital changes, capital expenditures)
  - Historical financial statements may not be as meaningful. Conversely, historical results could guide development of recovery cases. How companies recovered from prior downturns (e.g., 2008/2009 financial crisis) could be instructive.
  - Must properly account for government loans and grants to the extent applied for, received or potentially available in the future.

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### Additional information

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