ABSTRACT

As there are numerous valuation methods that can be used for assessing the value of a privately held company a question is raised on what method to use when performing an assessment. Generally, the methods are divided into three separate categories: asset, income- and market based methods. This paper analyses these different methods in the form of an example value assessment that is performed on an Estonian private company called Loodusvägi OÜ.

The objective of this research is to analyze different valuation methods to understand when and how they may be used to assess the value of privately held companies and to assess the value of Loodusvägi OÜ using the appropriate valuation method. The questions that the research is looking to answer are as follows:

1) What is the most appropriate method for valuating a privately held company?

2) What are the different pros and cons for using different type of valuation models on a privately held company?

To answer the questions posed the author of this paper has performed an assessment of value using the enterprise discounted cash flow method where the unique qualities of privately held companies are considered on Loodusvägi OÜ. These findings are presented in chapter 2. of this paper.

Nevertheless, a note need to be made that every valuation, uninfluenced by the method chosen, is still subjective to the valuator and their understanding of the business that’s value is being assessed.

Keywords: Discounted cash flow valuation, Private company valuation, Valuation methods, Enterprise discounted cash flow.