



STORY TELLING COMMUNICATES VALUE



Partners with:

Storytelling is the glue that holds all the building blocks of a valuation or offer for sale together. When it all comes down to it, getting what you want out of a valuation report is much about the power of the story presented. It may start with data and formulas, but the assumptions and the way that the pieces are woven together into a conclusion make your case believable – and acceptable. These presentations are documents made to persuade the reader, so attention to logic, consistency and the story line are critical to acceptance of the rationale.

WHITEPAPER OR MARKETING PIECE?

The target audience determines whether the function of the report is more of a whitepaper or a marketing presentation. When the audience is a taxing authority or court, value is presented in the form of a white paper, much like a project presentation for an upper level college class. It is a frank analysis of strengths and weaknesses showing a thorough understanding of the business, not only valuation formulas.

On the other hand, presenting a business for sale, or stock offerings to investors takes a different tact. Here, the positives are emphasized and woven into a story of how the business is unique and offers a great investment opportunity. A good story can easily add 20% to deal price. Often these stories are tailored to the target buyer. The buyer's interest determines which attributes of the presentation are emphasized and de-emphasized. (Note that in any deal, it is important to disclose all pertinent facts about a business and have an attorney prepare legal disclaimers on future projections and other value claims)

CONTENT AND CONTEXT

Appearance is psychologically important. As they say, you only get one chance to make a good first impression. So, the cover page and executive summary is key.

Data without context is a textbook. After executive summary, the detail work is presented and requires a narrative to bring them to life. Data must be analyzed, not just presented, and



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thorough insight offered in logical flow. Good charts and diagrams explain key concepts. All this is assembled in narrative to answer the question of ‘why’ a value is reasonable. And, a test of the conclusion that assesses its feasibility seals the argument. The feasibility test is an assessment of the practicality of the proposed value. Sometimes the feasibility argument is a more powerful proposition for the conclusion than the original analysis!

Tone, word choice, and a concise summary are also critical for reader understanding. So, good writing skills are important. No matter the effectiveness of the underlying mathematics, if the reasoning is not presented in a way that communicates how the end result is built, the conclusion may be disputed. When a court examines the report, the formulas are not scrutinized in depth, but every word is read and relied upon for understanding. If a reader, let’s say a judge who does not regularly work with valuations, cannot easily find their way around a report, they may lose attention and focus. Critical arguments within the report may be overlooked, or worse, the report is set aside.

COMMON SENSE TEST

The other advantage of good writing is that the conclusion passes the common-sense test. When conflicts in valuation models arise, some analysts struggle to explain the principles behind them and how to justify their conclusion. ‘Summary’ reports have a wide latitude for the amount of explanation. A lack of narrative allows these analysts to avoid the underlying question, whereas building a story through introduction, climax and resolution should lead to sensible conclusions. We have seen competitive valuation reports where the conclusion of value ends up being less than the company current assets – which are all easily convertible to cash. Nonsensical conclusions such as these are fleshed out in a well-structured report so that the reader - client or court or investor – can ask questions and find reliable answers.

BRING THE SUBJECT TO LIFE

In the end, the story needs to be compelling, visually appealing, user-friendly, and contain supportable conclusions. The basis of facts should be apparent, the accuracy of the models explained and the path of analysis discussed. The resulting document will demonstrate the analyst’s credibility, knowledge and leave a lasting perception of the Subject’s value. Acceptance of the value conclusion may be dependent as much on writing skills, as it is on approach, analytical skill and the supporting data. The power of story-telling is an under-appreciated factor to consider in analyst selection.