

Public Stats™ FAQs



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Definitions

What is the legend for Public Stats™ Transaction Details?

Term	Definition
Purchaser Name	The name of the public acquiring company.
CIK	The Central Index Key (CIK) is a unique SEC identifier for the public acquiring company.
Filing Type	Type of SEC filing that reports information regarding the acquisition.
Filing Date	The date of the filing type.
SIC	The four-digit Standard Industrial Classification (SIC) code associated with the description of the sold business. Go to http://www.osha.gov/oshstats/sicser.html to search for an SIC code.
NAICS	The North American Industry Classification System (NAICS) code associated with the description of the sold business. Go to http://www.naics.com/search.htm to search for a NAICS code.
Business Description	The description of the sold business.
Target Name	The name of the sold business.
Sale Location	The geographic location of the sold business.

What is the legend for Public Stats™ Income data?

Term	Definition
As Restated	Indicates that Income data is reported without non-recurring and exceptional items that will not affect future financial statements. (e.g. Items not transferred with the sale of the business.) (See additional notes field for possible further explanation.)
Income Statement Date	Date of full year income statement utilized for the contents of the income statement
Net Sales	Annual Gross sales, net of returns and discounts allowed, if any.
COGS	(Cost of Goods Sold) the cost of the inventory items sold during the year. Net of any discounts, returns or write-offs.
Gross Profit	Net Sales minus COGS.

Non Cash Charges	Annual decrease in value due to wear and tear, decay or decline in the price of a tangible and/or intangible fixed assets (Depreciation and Amortization).
Total Operating Expenses	Sum of Yearly Rent plus Owner's Compensation plus Non Cash Charges plus Other Operating Expenses.
Operating Profit	Gross Profit minus Total Operating Expenses.
Interest Expense	Cost of borrowing expressed as an annual dollar amount. (Does not include interest earnings. If the company had interest earnings, you will find information on it in the notes field.)
EBT (Earnings Before Taxes)	Operating Profit minus Interest Expense.
Taxes	Annual value of tax expense. This figure only includes income taxes and does not include sales taxes, property taxes, payroll taxes, etc. (Does not include an income tax benefit. If the company had a tax benefit, you will find information on it in the notes field.)
Net Income	EBT minus Taxes.

What is the legend for Public Stats™ Asset data?

Term	Definition
Purchase Price Allocation	Asset Data reflects the agreed upon allocation price between buyer and seller (See additional notes field for possible further explanation.)
Balance Sheet Date	Date of either the year end or most recent quarterly balance sheet utilized for the contents of the asset data
Cash and Equivalents	All cash, marketable securities, and other near-cash items. Excludes sinking funds. Cash equivalents (NOW accounts and money market funds) must be available upon demand in order to justify inclusion.
Trade Receivables	All accounts from trade, net of allowance for doubtful accounts, that will result in the collection of cash.
Inventory	Anything constituting inventory for the firm including raw material, work in progress and finished goods. Those items of tangible property which are held for sale in the normal course of business, are in the process of being produced for such purposes, or are to be used in the production of such items.
Total Current Assets	Cash and Equivalents plus Trade Receivables plus Inventory plus Other Current Assets.
Fixed Assets	All property, plant, leasehold improvements and equipment, net of accumulated depreciation or depletion.
Intangibles	Assets with uncertain or hard-to-measure benefits such as brand names, trademarks, patents or copyrights, a trained workforce, special know-how, and customer or supplier relationships, that make the company a viable competitor and give it earning power. These values are net of accumulated amortization.
Total Assets	Total Current Assets plus Real Estate plus Fixed Assets plus Intangibles plus Other Noncurrent Assets.
Current Liabilities	Any monies owed that are coming due within one year. The current portion of long-term debt is a current liability, as distinguished from a long-term liability.
Long-term Liabilities	Any monies owed that are not payable on demand within one year. The current portion of long-term debt is a current liability, as distinguished from a long-term liability.
Total Liabilities	Current Liabilities plus Long-term Liabilities.
Stockholder's Equity	Paid-in capital, donated capital, and retained earnings less the liabilities of the company. (Stockholder's Equity = Total Assets - Total Liabilities)

What is the legend for Public Stats™ other data?

Term	Definition
Date of Sale	Date on which sale of business was closed.
Market Value of Invested Capital (MVIC)	Also known as the selling price, the MVIC is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer. The MVIC price includes the noncompete value and the assumption of interest-bearing liabilities and excludes (1) the real estate value and (2) any earnouts (because they have not yet been earned, and they may not be earned) and (3) the employment/consulting agreement values. In an Asset Sale, the assumption is that all or substantially all operating assets are transferred in the sale. In an Asset Sale, the MVIC may or may not include all current assets, noncurrent assets and current liabilities (liabilities are typically not transferred in an asset sale). Asset Data labeled as a "Purchase Price Allocation" will provide definitive information as to what was included in the asset sale. If the Asset Data is labeled "Latest Reported", the appraiser can look to the Additional Notes field to see if a purchase price allocation is presented there. If the Asset Data section is marked as "Latest Reported," and there is no purchase price allocation in the Additional Notes field, the appraiser needs to use his/her experience and knowledge in the field and the buyer's/seller's knowledge and experience with his/her business to determine what is customarily transferred in an asset sale in that industry.
Debt Assumed	Those interest-bearing liabilities that the buyer assumes upon the purchase of the company.
Employment/Consulting Agreement	Dollar value placed on an agreement between the buyer and seller for the seller's personal services to be provided to the buyer either as an employee or consultant after the sale of the business. The Employment/Consulting Agreement is not included in the MVIC.
Noncompete Agreement	Dollar value placed on an agreement with the selling party not to compete with the purchaser, usually for a certain period of time and usually in a specified geographic area. The Noncompete Agreement value is included in the MVIC.
Amount of Down Payment	Dollar value of consideration given to close the business sale transaction.

What is the legend for Public Stats™ business type?

Terms	Definition
C Corp	A corporation acting as a separate entity, for income tax purposes.
S Corp	A corporation with restrictions on equity ownership.
LLC	A Limited Liability Company is one wherein the members have limited legal liability and may participate in the management of the organization.

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Calculations for Valuation Multiples & Financial Ratios

What is the legend for Public Stats™ Valuation Multiples and Financial Ratios calculations?

Valuation Multiple	Database Calculation
MVIC / Net Sales	[MVIC] / [Net Sales]
MVIC / Gross Profit	[MVIC] / [Gross Profit]
MVIC / EBITDA	[MVIC] / ([Operating Profit] + [Noncash Charges])

MVIC / EBIT	$[MVIC] / ([Operating\ Profit])$
MVIC / Book Value of Invested Capital	$[MVIC] / ([Total\ Assets] - [Total\ Liabilities]) + [Long-term\ Liabilities]$

Financial Ratio	Database Calculation
Net Profit Margin	$[Net\ Income] / [Sales]$
Operating Profit Margin	$[Operating\ Profit] / [Sales]$
Gross Profit Margin	$[Gross\ Profit] / [Sales]$
Return on Assets	$[Net\ Income] / [Total\ Assets]$ (see Purchase Price Allocation Q & A below)
Return on Equity	$[Net\ Income] / ([Total\ Assets] - [Total\ Liabilities])$
Fixed Charge Coverage	$[Operating\ Profit] / [Interest\ Expense]$
Long-term Debt to Assets	$[Long-term\ Liabilities] / [Total\ Assets]$
Long-term Debt to Equity	$[Long-term\ Liabilities] / ([Total\ Assets] - [Total\ Liabilities])$
Current Ratio	$[Total\ Current\ Assets] / ([Total\ Liabilities] - [Long-term\ Liabilities])$
Quick Ratio	$([Total\ Current\ Assets] - [Inventory]) / ([Total\ Liabilities] - [Long-term\ Liabilities])$
Total Asset Turnover	$[Sales] / [Total\ Assets]$ (see Purchase Price Allocation Q & A below)
Fixed Asset Turnover	$[Sales] / [Fixed\ Assets]$ (see Purchase Price Allocation Q & A below)
Inventory Turnover	$[Sales] / [Inventory]$ (see Purchase Price Allocation Q & A below)

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Data Principles and Collection

How do your subscribers pass along to their clients the expenses they incur for guideline company data, control premium data, discount for lack of marketability data, economic data, industry data, etc?

Some of our subscribers impose a separate resource/technology charge for every valuation assignment. They know approximately how many appraisals they do per year and divide that number into the [annual] costs of the databases and basic data resources they use, thereby passing along the resource (or technology) charges.

What are the assumptions for Public Stats™ data

1. N/A indicates that the data in question was not available.
2. A dollar value of zero, has been expressly specified as zero.
3. Interest on the noncompete agreement value is not included unless expressly stated.

What, if any, inclusion criteria and exclusion criteria does Public Stats™ use in its data collection process?

The inclusion criteria for Public Stats™ transactions is as follows:

- Date of sale must be disclosed
- The selling price has to be clear (i.e. if restricted stock is part of the consideration the value of the restricted stock issued in the transaction must be given, etc.)
- Earn outs (or contingency payments) cannot be included in the selling price; if the earn outs cannot be removed from the given selling price than the transaction will not be included
- Product/Service description of the seller must be disclosed
- Latest full year Income Statement must be given in US dollars
- Company type must be disclosed (C or S Corp, etc.)
- The type of transaction must be disclosed; either a stock or asset sale
- The transaction must not be a reverse acquisition, reorganization, recapitalization etc.
- Must be 100% acquisition (no partial transactions)
- Avoid transactions where the consideration is mostly real estate (i.e. hotels, mining property). If any transaction includes the value of real estate and buildings as part of the selling price, we deduct their value from the selling price

Where does Public Stats™ get its data?

Public Stats™ obtains transactions for the database by performing research at the Security and Exchange Commission's Web site.

Can I use public company data to value a private company?

Yes, sale details on publicly traded companies (valuation multiples for publicly traded companies can be found in Public Stats™ and the Mergerstat®/Shannon Pratt's Control Premium Study™) can be used to value a private company. The indicated value utilizing the sale of an entire public company will result in a control value. It normally would not be appropriate to add a control premium. One or more discounts may be appropriate, depending on the valuation assignment. For more details, see [*The Market Approach to Valuing Businesses*](#) by Shannon Pratt (New York: John Wiley & Sons, 2001. p. 39).

What is the relation between Market Multiples and Capitalization Rates?

1. Market multiples and capitalization rates are the inverse of each other. For example, if the P/E ratio is 20 times last year's earnings, then last year's earnings are capitalized at 5%:
 $1/20 = .05 = 5\%$
2. Conversely, if the capitalization rate is 5%, then the market multiple for that variable is 20:
 $1/5\% = 1/.05 = 20X$
3. Any market multiple can be converted to a capitalization rate, and vice versa. The capitalization rate form of presentation is commonly used in the income approach to valuation. It is more common to use the market multiple form of presentation in the market approach.

It appears that a business's "selling price" in each database at

BVMarketData.comsm uses different terminology; can you please clarify the “selling price” in each database?

Below, we show the term used for the “selling price” in each BVMarketData.com database and its respective definition:

Pratt's Stats® uses the term MVIC (Market Value of Invested Capital) for the “selling price.” The MVIC is the overall consideration in the business sale and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer.

The Mergerstat®/BVR Control Premium Study™ also uses two terms for the “selling price”; the Target Invested Capital (TIC) and Price. The TIC is the target company's implied total invested capital based on the sum of the implied market value of equity plus the face value of total interest bearing debt and the book value of preferred stock outstanding prior to the announcement date. The Price is the implied market value of equity.

BIZCOMPS® uses one term for the “selling price”; Sale Price. Sale Price is the actual sale price (\$000's) where inventory has been deducted, if it was included in the sale price.

Public Stats™ uses the term MVIC (Market Value of Invested Capital) for the “selling price.” The MVIC is the overall consideration in the business sale and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer.

The FMV Restricted Stock Study™ does not report details on the sale of either a portion of a company or an entire company and therefore does not contain a selling price field. Instead, this database reports the details related to transactions in restricted stock. This database does report a Market Value (in \$000s) which is the market value of the firm determined on a pre-deal basis. The market value is calculated by multiplying the shares outstanding before the private placement with the high-low average market price for the stock for the month prior to the transaction. The market value is not the selling price, per se, but a calculation of the value of the total equity on the date of the restricted stock transaction.

The Valuation Advisors' Lack of Marketability Discount Study™ does not report details on the sale of either a portion of a company or an entire company and therefore does not contain a selling price field. Instead, this database reports the details related to transactions in common stocks, stock options or convertible preferred stocks prior to an initial public offering, and the relationship of these prices to the IPO price per share (the price of the stock paid by the initial public investors to acquire their shares).

Can you please discuss the difference between the mean and the median and how I may interpret the mean and median values of the search results?

Click [here](#) for an explanation.

Would you please explain the "Coefficient of Variation" and how we should utilize and interpret each calculation?

The Coefficient of Variation = Standard Deviation / Mean (mean is the same as the average).

The Coefficient of Variation is a measure of dispersion around the mean (average).

The theory is that the valuation multiples with the lowest Coefficient of Variation are those with the least dispersion around their respective means and may be the better indicators of value. The value derived using these valuation multiples may be weighted more heavily than those with larger Coefficient of Variations.

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Stock Sales vs. Asset Sales

What is assumed to be transferred in an asset sale?

In an asset sale, typically only those assets and liabilities that are identified and agreed to by the buyer and seller are transferred. If available, Public Stats™ will identify the purchase price allocation among those assets and liabilities and report that information in either the Asset Data or the Additional Notes field of the Public Stats™ Transaction Report. Public Stats™ assumes that all or substantially all operating assets are transferred in an asset sale. Operating assets can be defined as those assets necessary for the continuation of the business operation in substantially the same manner as before the acquisition and MAY include the following:

- Cash and equivalents
- Trade receivables
- Inventory
- Other current assets
- Fixed assets
- Real estate
- Intangible
- Other current assets

Generally, but not always, the following are NOT transferred in an asset sale:

- Cash and cash equivalents
- Trade receivables
- Prepaid expenses
- Real estate
- Nonoperating assets not essential to the operation of the business, such as investments in securities, country club memberships, etc.

What is typically assumed to be transferred in a stock sale?

1. Entire legal entity of the company
2. All assets and liabilities unless otherwise specified in the purchase agreement

Can you please provide more information about stock versus asset sales?

To answer this question, we quote a couple of authors

Scott Gabehart and Richard J. Brinkley write:

"The main point is that because of the greater risk of buying a company's stock rather than assets, the purchase price reflects this risk in the form of a lower value.

Generally speaking, the sale of stock is treated primarily as a capital gain, whereas the sale of assets generates a substantial gain (typically) that is taxed in large part as ordinary income. Ordinary income tax rates can be as much as twice as high as the current capital gains tax rate.

For the sake of clarity and understanding, review the following major differences between an asset sale and a stock sale.

Asset Sale

- Seller keeps cash and receivables but delivers company free of any debt.
- Seller keeps corporate entity to later dissolve or use for new endeavor.
- Seller pays combination of capital gains tax and ordinary income.
- Buyer and seller agree to allocation of purchase price between IRS asset categories.
- Buyer may re depreciate fixed assets based on allocation.
- Buyer avoids assuming both known and unknown liabilities.
- If price is greater than identifiable, tangible assets, the excess is allocated to one or more intangible assets (written off over fifteen years for tax purposes and up to forty-two for book purposes).

Stock Sale

- Seller pays primarily capital gains tax rather than higher ordinary income tax rate.
- Seller endorses stock certificates over to new owner.
- Buyer assumes all assets and liabilities unless specifically excluded.
- Buyer takes on risk associated with unknown liabilities.
- Buyer inherits tax depreciation schedules as they are (for better or mostly worse).
- Buyer may inherit tax loss carryforwards to shield future income.
- There is no allocation of purchase prices or goodwill related to transaction."

Gabehart, Scott and Richard J. Brinkley. *The Business Valuation Book: Proven Strategies for Measuring a Company's Value*. New York: AMACOM a division of American Management Association, 2002. pp. 198-199.

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Liabilities Assumed

If when looking at a specific stock transaction where an MVIC is listed, but no information is noted in the Debt Assumed field, is it safe to assume that there may have been interest-bearing liabilities involved?

If the Debt Assumed field is labeled N/A, it is assumed that the purchaser did not assume any of the seller's interest-bearing financing liabilities, or that the amount of interest-bearing financing liabilities assumed was immaterial relative to the consideration paid.

I have come across several transactions that are noted as stock transactions and have interest expense noted, however there is no amount listed in the Debt Assumed field.

The income data reported by Public Stats™ is the latest full fiscal year reported before the date of the closing of the sale. It would be incorrect to extrapolate that the sale included the assumption of interest-bearing liabilities from the fact that interest expense was reported for the business before the date of the sale.

I would like to know if the above information means that no interest-bearing liabilities were assumed in the deal (seems odd for a stock transaction that implies the

acquisition of an entity) or information is simply not available on interest-bearing liabilities assumed with the deal.

In a transaction indicated as a stock sale, the purchase price is assumed to include the operating assets and operating liabilities (current liabilities) of the acquired business.

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Technical Help

Why don't I see my SIC code of interest in the search engine's list of SIC codes?

The Web site's search engines use the underlying data to create the list of SIC codes. If your SIC code is not listed in the search engine, this means there are no transactions with that SIC code in the selected database. You may want to search the other databases to see if they have any helpful data. You can search all databases at the same time, by SIC code, by either clicking [here](#) or selecting the "Search All" menu option at the top left. The results of this search engine will display the number of transactions contained in each BVMarketData database. If you click on each databases' representative number, the Web site will display a summary of the data in that database. If you are a subscriber to the selected database, the Web site will display the subscriber search results. If you are not a subscriber to the selected database, the Web site will display the visitor search results.

How can I expand my 4-digit SIC search to a 3-digit search or 2-digit search (select more than one SIC code)?

By pressing and holding down the LEFT mouse button, you can highlight a series of SIC codes (either by two digit SIC codes, three digit SIC codes or any series you want [all of manufacturing, for example]).

By holding down the CONTROL button on the keyboard (and clicking with the LEFT mouse button), you can highlight a noncontiguous group of SIC codes.

Can I print more than one transaction at a time?

To print a group of transactions (the current group size is 10); on the search results page in the list of transactions, utilize the icon that looks like a red piece of paper – it is labeled "Print Detail Report Package". When printing more than a couple of detailed transaction reports, this will save you time.

I want the transaction reports to fit onto one page, instead of two. What can I do to make this possible?

The best solution is to maximize your print margins. In Internet Explorer the default margin size is 0.75 inches. When you print transaction reports, reduce the print margins to 0.25 inches and most will fit on a single page. Also, you should remove any header/footer information that Internet Explorer includes in web page printouts. The print margins and header/footer settings can be found under File -> Page Setup in Internet Explorer.

Each time after I alter my search of the database and I ask for a printable format, the results of my very first search continues to show in the printable format window. Is there something different that I can do so that I can print the results of the most current search?

Assuming you are using Microsoft Internet Explorer, please do the following:

- In Internet Explorer, go to the Tools/Internet Options menu
- On the General tab, in the Temporary Internet Files section, click "Delete Files"
- On the General tab, in the Temporary Internet Files section, click "Settings"
- If it is not already clicked, click the "Every visit to the page" radio button, then click "OK"

I am unable to get the printable format window to appear when clicking on "Printable Format" or the Excel download when I click "Excel Format."

Check your browser version and update to the latest. Also, check if you have some sort of **pop-up window blocker**, you need to **disable** the pop-up window blocker.

Some of the more advanced pop-up window blockers will allow you to customize the specific pop-ups you would like to allow. Otherwise they will need to disable the program in order to view the printable format.

Some pop-up blockers can be temporarily disabled by holding the "Ctrl" and "Alt" keys on the keyboard when you are attempting to allow pop-ups.

Why don't I see Excel Export as an option when I use Mozilla Firefox?

Currently the Excel Export feature on BVMarketdata.com is only supported in Internet Explorer. The Excel Export uses VBScript which is only supported in Internet Explorer. We are in the process of updating the export function to be compatible with other web browsers. An alternative would be to use the Email to Me option which will email the data to you in a comma separated file.

When I click on the Excel Format button I am asked "Do you have Microsoft Excel installed?" I answer yes and then nothing happens. What is the fix for this?

This typically happens when the subscriber is using a pop-up blocker. To bypass the pop-up blocker, press down on either your "Shift," "Control," or "Alt" key (try both) prior AND during clicking on the Excel Format button – this should bypass the pop-up blocker. If you are able, you may also add www.BVMarketData.com as a "trusted" site in your pop-up blocker program – this would negate the need to hold down your Control button when you next use the Excel Format button.

We are Windows users and are not successful in downloading the data to Excel format.

If you are using Outlook to browse the internet, you may experience this problem. Apparently web browsing within Outlook has problems passing data from one page to another. To solve this, exit Outlook and use Internet Explorer to access our website.

Another possibility is that you may have a pop-up blocker that is preventing the new window from appearing. To solve this, disable your pop-up blocker by **(1)** turning the pop-up blocker off until you are done exporting the data **(2)** holding shift, control, or alt (dependant on your pop-up

blocking software) which allows you to temporarily allow pop-ups while the button is pressed, and then reverts to blocking pop-ups once the button is depressed or **(3)** find the options or settings on your pop-up blocker and choose to allow pop-ups from our website.

We are Mac Users and are not successful in downloading the data into Excel format.

Make sure your are using the most recent version of Internet Explorer for Mac. Here's a link to download the most recent version of IE for Mac.

<http://www.microsoft.com/mac/download/default.asp#IE>

If you are running Office 2001 for Mac, make sure you have the latest version. Click the link below to download it and install it.

<http://www.microsoft.com/mac/downloads.aspx#office2001> and click on Microsoft Office 2001 Combined Update 9.0.4

If you have any further questions please contact the Webmaster via e-mail at: nathans@bvresources.com or phone at 888-287-8258 and ask for Nathan.

I am having trouble viewing the Excel Exported data in Excel 2000. Can you please help with this?

If you are having trouble viewing the Excel exported data from BVMarketData.comsm and are using Excel 2000 (other versions of Excel have not exhibited this problem), please read the following.

In the original version of Office 2000 there was a bug when passing Excel data over the web. This problem was fixed in a service pack released by Microsoft. Once you install this service pack update on your computer you should not have any trouble viewing the Excel data from BVMarketData.comsm.

To update your Office 2000 to the latest service pack release, please locate your Office 2000 CD or Excel 2000 CD and then visit the following web site at Microsoft.com:

<http://office.microsoft.com/ProductUpdates/default.aspx>

At the top of the page click on the following link:

Check for Updates

You will then be taken through a process of updating your Office 2000 install on your computer. This will update your Excel application as well. During the install, it will ask for your Office 2000 CD.

If you have any questions please e-mail Nathan Struk at: nathans@bvresources.com
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