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9 Ways to Improve Your BV Report Writing

By Rod Burkert, CPA/ABV, CVA

I started doing business valuations in the mid-1980s. Since that time, I have prepared and reviewed more valuation reports than many practitioners and fewer than some others. Still, my experience to date has allowed me to identify, and admire, a well-crafted BV report when I see one.

When I look at any report, I consider both content and structure. (*Note:* the best content is not effective if it is mired in boilerplate writing or buried deep in the hinterlands of the report.) This article shares some of the best report writing tips I've garnered on my own and captured from others—with the goal of helping you prepare your BV reports more efficiently and effectively.

1. Start with a template, not the last report you prepared.

Grab all of your old reports and your file of reports prepared by other appraisers, and develop a report template for your firm. If you haven't guessed, the template should include all possible methods, scenarios, language, and models (i.e., your valuation schedules) so you don't waste time sifting through past reports looking for just the right wording or recreating the way you did something the last time. Your template becomes a dynamic document. It should always represent the culmination of all your prior work and art.

2. Write for the ultimate end user of the report.

When it comes to writing about valuation theory and practice, the IRS is an informed reader, but a shareholder, party to a buy-sell agreement, may not be. The IRS does not need the theory behind developing the cost of capital, a benefit stream, or valuation discounts. They get it. The IRS is more interested in the actual steps or assumptions you made in arriving at these valuation parameters. That shareholder, on the other hand, may need to be educated about the theory before she can understand the practice. So, write a report tailored to the purpose of the engagement, the needs of the client, and the documentation requirements of third-party users—no more, no less.

3. Write a complete story about the company.

Generally speaking, most third-party users of valuation reports don't have the benefit of your management interview and site visit. Thus, your company history and background should paint a picture that shows the reader the who, what, when, where, why, and how of what the company is and does. Remember this: everything you do in a business valuation is predicated upon understanding the company and the situation it finds itself in as of the valuation date. You need to convey that understanding and situation in your report.

4. Relate required report content to the actual valuation.

The company background, economic overview, and industry analysis are all required to be included in a properly prepared BV report. But it's not enough to parrot back, verbatim, the information you obtained from a reliable third-party source. You need to take that information and relate it to your valuation. For example, a complete national, regional, and local economic

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overview may run to five to eight pages of mind-numbing narrative. You're a better person than I am if you've ever read through one of these write-ups without getting up from your desk at least once. And when you get to the end of it, what does it mean? How does it impact the number crunching in your valuation? To tie it all together, I use the heading "Effect of Economic Overview on the Valuation" to bullet point a list of specific factors from those five to eight pages of narrative that will have an impact on my valuation, e.g., the estimate of projected cash flows or company-specific risk. I also do this for my sections on the company background and industry analysis.

5. Put your findings, opinions, and conclusions in the body of your report; put your research in an appendix.

The body of my report is strewn with findings, opinions, and conclusions; the support is all in appendices. I don't want the flow of my report to be interrupted by valuation theory or supporting data. If you have just the most exquisite write-up on the theory and development of the weighted average cost of capital that you couldn't possibly strike from your report (been there!), put it in an appendix. But within the confines of the body of the report, limit your narrative to the explanation of how you estimated the actual components of the WACC. The above-mentioned economic overview and industry analysis? Mine goes into appendices. My explanation of their effect on the valuation? That's in the body of the report. If the reader of my report concurs with my conclusion, he didn't have to wade through a morass of detail to get to it. If the reader disagrees, he can drill down into the detail that is in an appendix.

6. Add more explanatory footnotes to your Excel schedules.

It is laborious for a reviewer or reader of a report to flip back and forth between the body of the report and the Excel schedules to see where this number came from or why that assumption was made. In my opinion, it's much better for an Excel schedule to stand on its own, if possible. And your footnotes can be a substitute for writing tedious content in your report. This practice works especially well when the reader of your report is an informed user like the IRS.

7. Say it once—don't repeat yourself.
Say it once—don't repeat yourself.

No one needs to read that the report can be used only for the stated purpose in the transmittal letter, the body of the report, and the statement of assumptions and limiting conditions. As appraisers, I think we get a bit paranoid when it comes to CYA. But really, I think saying something once should be enough.

8. Include a section identifying your most critical valuation assumptions.

Does this sound scary to you? Doing it will help you see the weakest links in your valuation so you know where to allocate your time to buttress your support. It may force you to prepare a sensitivity analysis for certain variables to see the impact of change on your conclusion of value. It will force you into reaching the best possible conclusion. It also streamlines the report review process—both in-house and by the ultimate end user.

9. Less is more, and more is way too much.

When you commence writing, force yourself into seeing if you can prepare the report in "x" number of pages, where "x" is based on your last similar report. Writing a report that is clear and concise is a daunting task, but it causes you to focus on that task. Use active voice where possible. Eliminate flowery adverbs and adjectives that may get you in trouble: "The industry analysis *clearly* indicates that ABC Company will have difficulty in adopting the new technology." Clearly? Are you really that sure? I leave you with a quote from Mark Twain: "I would have written a shorter letter but I didn't have enough time." The point? It's easy to write a report that meanders on forever, eventually getting to THE END. It's much more difficult to write in a style that makes every sentence of every paragraph count toward your conclusion.

Rod Burkert *is a cofounder of Burkert Valuation Advisors LLC. He recently launched StandardOfValue.com, where he blogs about valuation insights for business owners and appraisers.*