

V A L U A T I O N

What Happened in Vegas? Highlights From The NACVA And The CTI'S 2018 Annual Consultants' Conference

By Nancy McCarthy, Senior Editor, The Value Examiner

The National Association of Certified Valuators and Analyst (NACVA) and the Consultant's Training Institute (CTI) 2018 Annual Consultants' Conference took place in Las Vegas this past June. It covered a variety of topics and provided members with opportunities to meet one another, share a meal, a cocktail, or even see a show.

Our keynote speakers both, in different ways, showed us how the past informs the future. Tim Urban, co-founder of the website, *Wait But Why*, left attendees wondering not if or how artificial intelligence (AI) would affect us—it is already here and changing how we act and think—but how humans should cope with the exponential growth of AI. Chris Mercer, CFA, FASA, ABAR, founder and chief executive officer of Mercer Capital, explained how the valuation profession has grown over the years, highlighted some of the challenges that have, and still do, test us, and demonstrated how the torch is passing to a new generation of professionals.

Each session raised some interesting issues. Here are some of the session highlights, courtesy of *BV Wire*:¹

- If you have a valuation between the dates President Trump was elected (Nov. 8, 2016) and when the new tax law was passed (Dec. 27, 2017), should you factor in “pre-enactment expectation” into your valuation? There is no definite answer, but it is something to think about.
- Duff & Phelps says all of the backup material from the *Valuation Handbook Guide to Cost of Capital* is now

viewable, and printable, in the *Cost of Capital Navigator*, which is replacing the hardcover version.

- How can two highly qualified valuation experts come up with such different conclusions? Different legitimate assumptions, for one thing. It was suggested that valuation professionals can inadvertently fall into an advocacy role if a client or attorney leads the expert astray.
- A case study illustrated the nightmare of an ambiguous buy-sell agreement; a good opportunity out there for valuers to help craft these, and also do an annual valuation.
- The weighted average cost of capital is the most widely used discount rate for valuing a business, said one speaker, but not many in the audience said they use it.
- The most important piece of advice when calculating the value of business interruption is to read the policy; including the fine print. What the policy says will dictate what you do from a valuation standpoint.
- Valuing a cannabis firm? Examine the “four Ls”: license rights, lease, location, and legislative environment.
- Do not get blindsided by the opposing expert doing a forensic analysis and making large normalization adjustments; include forensics in your own analysis.
- In some states, financial expert witnesses are required to turn over their personal financial information to determine whether or not they are a “professional witness;” check your state’s rules on this.
- Some valuation experts will not get involved with calculation engagements, but we saw no evidence of that stance here. A number of presenters and audience members felt that calculation reports “have their place” and gave several examples of how they use them in their practice.

¹ *BV Buzz at NACVA's Annual Conference*, BVWire Issue #189-4, June 27, 2018.

- If you are involved in a lost profits engagement on the plaintiff side, make sure you include any intervening causes in your analysis, or the opposition will strongly challenge you on it.
- The median age of business valuation (BV) practitioners is in the mid-50s; opening the door for Gen Xers and Millennials.
- The days of the BV generalist are over.
- An attorney tells the BV audience: “Do not assume we are as smart as you think we are. Keep it simple.”
- When testifying as an expert witness, there is a big difference between saying “I don’t know” and “I don’t remember.”
- When estimating damages, use different discount rates for projected losses with different risk factors.

As for organizational news, NACVA unveiled a number of initiatives to enhance the profession and benefit its members. One is an arrangement with the Expert Witness Exchange, which matches up experts with attorneys. NACVA has also set up a program in which members can offer their services to attorneys doing pro bono work who are looking for an expert

willing to do the same. In conjunction with this initiative, a mentoring program has been set up for fledgling valuation analysts who may also need support with the pro bono work.

For more coverage, see the August issue of *Business Valuation Update*. **VE**



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