

# EUROPEAN BUSINESS VALUATION STANDARDS

1<sup>ST</sup> EDITION – 2020



# CONTENTS

Preface.....	9
Introduction.....	13
Members of the European Business Valuation Standards Board, Contributors, Acknowledgements.....	19
<b>I. European Business Valuation Standards</b>	<b>23</b>
<b>EBVS 1 Market Value and Bases of Value Other than Market Value.....</b>	<b>25</b>
1. Introduction	26
2. Definition of Market Value and commentary	27
3. Bases of value other than Market Value	35
4. The specific definitions of Basis of Value under Commission Delegated Regulation (EU) 2018/345 of 14 November 2017	40
<b>EBVS 2 The Valuation Process.....</b>	<b>43</b>
1. Introduction	44
2. Scope	44
3. Terms of Engagement	45
4. Liaison with client's advisers, auditors and others	46
5. Commentary	46
6. Supporting the valuation	52

<b>EBVS 3</b>	<b>The Valuation Approaches and Methods.....</b>	<b>55</b>
1.	Introduction	56
2.	Purposes of valuation	56
3.	Scope	57
4.	Overview of the business valuation approaches and methods	57
5.	General observations	58
6.	Applications	61
7.	Conclusion on opinion of value	70
<b>EBVS 4</b>	<b>Reporting the Valuation.....</b>	<b>73</b>
1.	Introduction	74
2.	Scope	74
3.	The Valuation Report	74
4.	Valuation review	80

## **II. European Business Valuation Guidance Notes** **83**

---

<b>EBVGN 1</b>	<b>Control Premium, Discount for Lack of Control and Discount for Lack of Marketability.....</b>	<b>85</b>
1.	Introduction	86
2.	Definitions of premiums and discounts	86
3.	Scope	87
4.	Application of premiums and discounts	88
<b>EBVGN 2</b>	<b>Discount Rates in the Discounted Cash Flow Method.....</b>	<b>93</b>
1.	Introduction	94
2.	Scope	94
3.	Commentary on discount rates	95
4.	Capital Asset Pricing Model (CAPM)	96
5.	Build-up method	103

<b>EBVGN 3 Valuation of Intangible Assets.....</b>	<b>105</b>
1. Introduction	106
2. Scope	106
3. Commentary on intangible asset categories	107
4. Data, documentation and information sources	111
5. Usual bases of value	112
6. Income Approach	113
7. Market (Comparison) Approach	117
8. Asset-based Approach	118
9. Reconciliation processes	120
10. Legal aspects in valuation of intellectual property	120

### **III. Business Valuation and Sustainability 123**

---

1. Introduction	125
2. Sustainability	128
3. Sustainability and Business	133
4. Valuation and Sustainability	140

### **IV. European Business Valuers' Code of Conduct 149**

---

### **V. European Union Legislation and Business Valuation 153**

---

1. General Introduction	156
2. Valuation for EU Company Law	159
3. Valuation of Credit Institutions	165
4. Valuation of Insurance and Reinsurance Institutions	167
5. Valuation for Investment Funds	169
6. Valuation for Taxation Legislation	171
7. Valuation for Transfer Pricing	175
8. Valuation for State Aid Rules	179
9. Valuation for Enforcement of Intellectual Property Rights	184
10. Valuation for Insolvency Proceedings or Restructuring Plans	185
11. Schedule of EU Legislation	187

<b>Membership of TEGOVA.....</b>	<b>193</b>
<b>Glossary of terms.....</b>	<b>201</b>