

DO YOU KNOW?

ISSUE 45 - MAY 2020

A free periodical to promote education and alert you to important areas of interest in the financial valuation, fraud, and litigation services profession.

Do you know...

... whether the impact of COVID-19 on U.S. business valuations was “known or knowable” as of December 31, 2019?

I believe that the impact of COVID-19 on U.S. business valuations was **NOT** known or knowable on December 31, 2019. An analysis of events and three stock indexes helps prove this point.

Date	DJIA	S&P 500	Russell 2000
12/31/19	28,538	3,231	1,668
1/16/20	29,297	3,317	1,705
2/12/20	29,551	3,379	1,689
2/19/20	29,348	3,386	1,693

As of April 1, 2020, the highs (from the December 31, 2019 index prices) for the DJIA, S&P 500, and Russell 2000 were on 2/12/20, 2/19/20, and 1/16/20, respectively. The increases from the December 31, 2019 index prices were 3.5%, 4.8%, and 2.2%, respectively.

On February 24, 2020, the DJIA was down 2.0%, the S&P 500 was down 0.2%, and the Russell 2000 was down 2.4%. On February 25, 2020, the DJIA was down 5.1%, the S&P 500 was down 3.2%, and the Russell 2000 was down 5.8%. As of February 25, 2020, the following events had been announced:

- **2/25/20** - S&P 500 down 3%. Trump's top economic advisor, Larry Kudlow, assures investors the administration has the virus “contained.” Says it may be a “human tragedy” but won't be an “economic tragedy.”

- **2/24/20** - Trump asks Congress for \$1.25 billion for response to coronavirus. U.S. has 35 cases, no deaths. Dow Jones Industrial Average drops 1,000 pts; worst in two years. Fears virus will weaken economy.
- **2/23/20** - Italy surges to 150+ cases and locks down towns.
- **2/21/20** - Secretive South Korean church linked to surge of infections there. Government shuts kindergartens, nursing homes, community centers. Virus now in Iran, unknown source.
- **2/20/20** - WHO reports 76,000 global cases.
- **2/19/20** - 443 passengers leave the Diamond Princess in Japan; 621 infected remain onboard. S&P 500 HIGH.
- **2/15/20** - China reports 143 deaths, drop in new cases. WHO says China has "bought the world time." *Qiushi*, Communist Party journal, reveals Chinese President Xi knew about virus two weeks prior to commenting publicly.
- **2/14/20** - France reports first death in Europe, an 80-year-old Chinese tourist.
- **2/13/20** - More than 14,000 new cases in Hubei Province.
- **2/12/20** - China death toll at 1,113; confirmed cases at 44,653; 3,893 cases outside China in 24 countries. DJIA HIGH.

I believe this clearly indicates that the COVID-19 impact on business valuations was **NOT** known or knowable as of December 31, 2019.

For additional information on the impact of events on the three stock indexes, download the full, complimentary COVID-19 timeline for the first quarter of 2020 at <https://www.valuationproducts.com>.

On March 14, 2020, **Jim Hitchner** will present a webinar titled "**COVID-19 and Business Valuation: What to Do NOW! Valuing Small, Medium, and Large Businesses.**"

This webinar will show you how to deal with these unprecedented times. We'll give you tools and data to help you prepare a valuation and conclude to a supportable value.

Special Guest **Harold Martin** will share detailed examples of how to deal with risk and cash flows in the discounted cash flow and capitalized cash flow models in the current uncertain environment

[Click here for more information or to purchase the webinar.](#)

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