

Jim Hitchner's  
Valuation Products and Services

# DO YOU KNOW?

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

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## Do you know...

### ... that one in five small businesses closed in 2020?

"Small businesses are the engine of the economy," said Ahu Yildirmaz, co-head of the ADP Research Institute, a think tank affiliated with the payroll processor ADP. "In past recessions, they were the ones really fueling the economy." Roughly one in five small businesses has closed, according to the data firm Womply. [1]

Not all businesses have been affected in the same way. Restaurants, bars, beauty shops, and other retailers that involve face-to-face contact have been hardest hit as consumers practice social distancing.

In a survey of small businesses conducted September 27 to October 3, 2020, the U.S. Census Bureau found that 21.6% of businesses expected to need financial assistance or additional capital in the next six months. About 44% expected it would take more than six months to return to a normal level of operations relative to a year ago. Only 27.8% said they had cash on hand available to cover three or more months of operations. [2]

Small business valuations make up the majority of engagements for many firms. Valuation analysts are grappling with the implications on value of the COVID-19 pandemic. It is important to understand the risk factors for small businesses and how they differ from large companies and to answer key questions such as whether COVID-19 was a factor at the valuation date, what disclosures about COVID-19 may be required in a valuation report, and how government assistance programs may impact value. It is also the case that the economic and industry analysis that is part of every valuation will be more detailed for valuation dates in 2020.

The pandemic recession has hit the small business sector hard. Be sure that you understand the implications for 2020 valuations.

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[1] Associated Press, "Pandemic hammers small business vital to economic recovery," October 14, 2020.

[2] U.S. Census Bureau, Small Business Pulse Survey, September 27-October 3, 2020.

For additional COVID-19 resources, visit our website at <https://www.valuationproducts.com>

## Upcoming Webinar

# Valuing Small Businesses During COVID-19

Webinar Date: **December 2, 2020, 1:00-3:00 p.m. EST**

Presenter: **Gregory R. Caruso, JD, CPA, CVA**

The effects of COVID-19 on the economy have magnified risk and uncertainty for small business – making the job of valuers more difficult. This risk is magnified with micro and very small businesses. This webinar will focus on valuing these businesses in the times of COVID-19. Presenter Greg Caruso will dive into problematic areas of small business valuation cases to review theory and apply it to best practices and professional judgment. This program will emphasize practical approaches. Questions from the audience are encouraged.

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