



Business News

Power in numbers

By: Melinda Sherwood, Staff Writer

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Numeria takes a group approach to valuing businesses.

When it comes to the big decisions in life — our health, family, finances — most people welcome a second opinion.

So if you had a chance to get not just one, but multiple opinions on your company's worth, would you take it?

Peter Leitner is counting on it.

A valuation adviser for roughly two decades, Mr. Leitner recently founded Numeria, a secure online market in which a group of expert analysts compete to provide the most accurate valuation of a company.

Whereas most independent or institutional valuation analysts sift through a company's financial reports and come back to the client with a final dollar figure, Numeria gives clients a window into the valuation process. Through its secure Web and telephony platform, Numeria lets clients watch in real time as several analysts discuss and debate with each other their initial pricing rationale and change their valuations as new information emerges. The final valuation outcome reflects the consensus of the analysts' conclusions.

Numeria offers clients the power of numbers, says Mr. Leitner. "I suppose first and foremost and greatest advantage they (clients) have with us is multiple valuations as opposed to one," he said.

Numeria also empowers analysts to learn from each other and modify their judgments accordingly.

"That's really the magic of what Numeria does — it gives each analyst the incentive to do their best work early on, but as soon as they have the opportunity to see how they could have done better, or see how their colleagues approached it, they can change their opinions," said Mr. Leitner. "It's the same as if you were buying a house and then you find out that a highway is going to run through your back yard — new information causes you to change your valuation."

A corporate valuation is a determination of the value of a business based upon an extensive analysis of the financial records of the organization, the environment in which it operates and the risk associated with an investment in the organization. Valuations are typically sought when a firm needs to raise capital, is forming a new entity, alliance or joint venture, acquiring or divesting another business, or for regulatory and legal purposes. They can also be used to evaluate key business decisions in a strategic and corporate development planning.

Mr. Leitner is also the managing partner and founder of Waterford

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Advisors, a strategic and corporate finance advisory service for public and private emerging, growth and mature firms, founded in 1993 in New York City and currently located in Princeton Forrestal Village. Mr. Leitner has been responsible for advising clients ranging from technology start-ups to firms listed on the New York Stock Exchange on corporate valuation, strategy, mergers and acquisitions, restructurings and private placements.

He decided to start Numeria because he says he saw a need for a more objective, market-based approach to valuations.

"I've been valuing companies for about 20 years either as an investor or adviser to a company and I can tell you it's a mix of art and science," he said.

Numeria employs a network of analysts from diverse backgrounds, including corporate finance advisers, investment bankers, corporate development officers and traditional appraisers. Many are employed by valuation firms, while others are self-employed.

When a client comes to Numeria, their financial reports are submitted to each analyst, who then prepares an independent valuation. It is then distributed among the other analysts and they meet online. "They begin to debate and dissect each other's work," explained Mr. Leitner. "They are vetting each other's written words. They learn something and we give them the opportunity then to adjust their valuation figures."

The analysts' diverse backgrounds may result in a range of valuations, as it did in the case of a Numeria client given the code name "Alpha" — one analyst valued the company at \$65 million, while another came in with a \$17 million figure.

Such a large disparity is typical when you get analysts employing different methodologies, Mr. Leitner said. "It's almost a rule of thumb that strategic acquirers will pay more for a business," he said, whereas "investment bankers are deal guys — what's it going to take to get the deal done, and what's going to fly in the marketplace."

An appraiser with a tax background, on the other hand, tends to look at a company more conservatively, he continued.

Had the client hired any one of the analysts individually, Mr. Leitner points out, it would be random whether they got a \$65 million appraisal or a \$17 million appraisal.

"By putting those five people in one virtual trading room, they get to understand each other's approaches, and voila! We saw the average price go from \$35 million to \$31 million," he said, referring to the final number all analysts agreed on.

Larry Prober, a certified valuation analyst and assistant professor of accounting at Rider University, says all certified valuation analysts, working independently or within a firm, are trained to be objective and typically have built-in degrees of review, so Numeria doesn't necessarily have a monopoly on objectivity.

Nonetheless, he says, "I do believe having more information is potentially better, and I do think this facilitates more understanding (for the client) because they see how this involves more than just the final number, but a range around that number.

"I believe the concept of several independent and objective analysts working together on a valuation project and sharing their insights with clients is a good one," he continued. "Without knowing in more detail the specific procedures I would expect the person or firm in need of this service to investigate in more depth whether this process is appropriate for their needs."

For more information on Numeria, visit www.numeria.us or call (609) 951-2233.

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