

# Control Premiums:

A DEEP DIVE INTO THE NEW DATA ON  
INVESTED CAPITAL PREMIUMS

A BVR  
BRIEFING

EXCERPT

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## About This Briefing

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This BVR Briefing is based in part on a portion of a webinar, Evaluating and Applying Control Premiums, conducted on March 31, 2021, by Timothy J. Meinhart and Nate Novak, who are both with Willamette Management Associates.

The full webinar presents a comprehensive discussion of the proper quantification and application of acquisition premiums and control premiums. They also discuss the benefits of using market-based invested capital premiums rather market-based equity premiums in certain situations. A recording of the entire webinar is available at [sub.bvresources.com/TrainingEvent.asp?WebinarID=1635](http://sub.bvresources.com/TrainingEvent.asp?WebinarID=1635).

**Timothy J. Meinhart** is a managing director of Willamette Management Associates and is the director of the firm's Chicago office. His practice includes valuation and economic analysis for a wide range of business entities and asset types. He has served two terms on the Business Valuation Committee of the American Society of Appraisers. He is also the past president of the ASA's Chicago chapter and currently is a director of the Business Valuation Association of Chicago.

**Nate Novak** is also with Willamette and is a vice president also with the firm's Chicago office. He specializes in the valuation of intangible assets for transaction taxation litigation and other purposes. He publishes and lectures frequently on topics related to best practices in the valuation of intangible assets.

## Control Premiums: A Deep Dive Into the New Data on Invested Capital Premiums

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*Editor's note: This is based on a portion of a webinar, *Evaluating and Applying Control Premiums*, conducted on March 31, 2021, by Timothy J. Meinhart and Nate Novak, who are both with Willamette Management Associates. A recording of the entire webinar is available at [sub.bvresources.com/TrainingEvent.asp?WebinarID=1635](http://sub.bvresources.com/TrainingEvent.asp?WebinarID=1635).*

For years, the valuation profession has debated the definition of a control premium, including its distinction from an *acquisition* premium. What began years ago as a relatively simple question—if there is a control premium, what should it be?—now includes analyzing such concepts as invested capital premiums and equity-based premiums, transaction synergies and strategic values, marketability, and levels of control. All are “key points” to keep in mind throughout the quantification of a control premium, say Tim Meinhart and Nate Novak (Willamette Management Associates). “The way we think about these premiums is a little different now than the way we did 10, 15, maybe 20 years ago.”

### Expanded, Enhanced Control Premium Study

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Importantly, the underlying empirical data by which valuers determine a control premium have also evolved over the years. In fact, the recently improved FactSet Mergerstat/BVR Control Premium Study, historically the most reliable, comprehensive transactional database, now provides an invested capital premium as well as the corresponding implied minority discount. (For more on the enhanced functionality of the Control Premium Study, including more frequent updates and expanded fields, see the accompanying sidebar.)

“Now, especially with the BVR/Mergerstat database,” says Meinhart, “there is just a lot more information on invested capital premiums than there was years ago.” Armed with these new data, business appraisers can broaden the initial inquiry to ask: “Why use an invested-capital premium over an equity-based one? How do the two compare and contrast?” Here, Novak and Meinhart will clarify the differences, take a deeper dive into the variables that go into the selection of a control value, and conclude with practical examples of applying equity-based and invested capital premiums using two takes on the traditional discounted cash flow methodology.

## New Platform, New Data, New Fields in FactSet Mergerstat BVR Control Premium Study

For years, subscribers to BVR's Control Premium Study have expressed a great deal of interest in access to invested capital premiums—and now they have it, along with the following improvements to the online platform functionality and access to data:

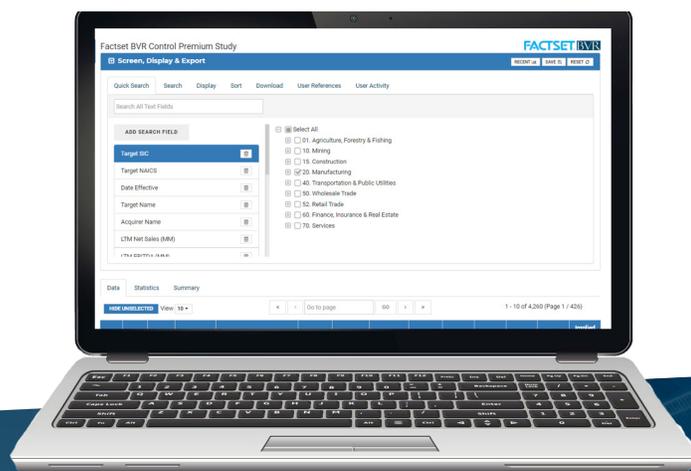
- *New platform:* The enhanced, more flexible platform features enhanced search/filter capabilities, customized display and Excel downloads, the ability to save searches, and access the full data for 24-hour periods, using the new “day pass” option;
- *Invested capital premiums/discounts:* A Mergerstat invested capital premium and the corresponding implied minority discount will now be included along with the equity premiums/discounts;
- *More timely data:* The CPS will now be updated weekly, providing the most timely, comprehensive access to new controlling interest purchases. In addition, we've enhanced and expanded the quarterly, digital report; to view the ;
- *Additional fields:* Whether you want to verify an invested capital premium or calculate a target company's enterprise value (by subtracting cash from invested capital), you now have access to the target's cash and equivalents, interest-bearing debt, book value of preferred stock, and more; and
- *Day pass:* Instead of just purchasing the data for a single day or an individual industry, you can access the full data set for an entire 24-hour period with our new day-pass option.

For more information on all the new enhancement and improvements, contact Adam Manson, [adamm@bvresources.com](mailto:adamm@bvresources.com).

# FactSet Mergerstat Control Premium Study

**Minimize your research time with the most trusted source to calculate control premiums and implied minority discounts.**

Rely on more than 20 years of detailed transaction data with **FactSet Mergerstat/BVR Control Premium Study**. This robust tool provides empirical support for quantifying control premiums, implied minority discounts, and public-company valuation multiples. Easily search over 14,000 transactions that detail up to 62 data points including the control premium, the implied minority discount, and up to five valuation multiples for each transaction.



## Harness this state-of-the-art platform with:

- **New!** Includes invested capital premiums and discounts, in addition to the existing discounts and premiums
- Easily search the database by SIC or NAICS codes, industry, financial performance ratios, sale details, and other criteria and export the data directly into Microsoft Excel
- Get a detailed transaction report with transaction details, premiums, discounts, sale details, target financial data, and target pricing multiples
- Stay current—includes the quarterly **Control Premium Study** report PDFs as well as access to historic issues

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