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International Valuation Standards Council (IVSC)  
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July 6, 2016

**Subject: Comments on IVS 105: Valuation Approaches and Methods Exposure Draft**

Dear Sirs,

Ryan Netherlands B.V. (hereinafter referred to as "Ryan") is pleased to comment on IVS 105: Valuation Approaches and Methods Exposure Draft (hereinafter referred to as "exposure draft" or "draft").

First of all, Ryan is enthusiastic on the exposure draft as it provides additional guidance on various valuation approaches and methods applicable to all valuations. Ryan supports the IVSC's leadership efforts to promote and maintain a broad international consensus on streamlining valuation practices across both established and emerging markets and is convinced the exposure draft is a step forward in this matter.

Our comments on the exposure draft are as follows:

**Valuation selection process (§10.2)** - The exposure draft introduces a selection process to consider when selecting the appropriate valuation method. Considerable attention is made to highlight the importance of this selection process. Ryan believes that the introduction of the selection process is a good opportunity to provide more guidance on what valuers should consider when making valuations. To further improve this selection process, Ryan suggests adding an additional step in between the first two steps where the appropriate valuation approach is determined. During this step, the assets should be evaluated to determine if they are worth more as a going concern than if they were to be liquidated. If the assets are worth more as a going concern, then the respective valuation methods should be considered with their strengths and weaknesses evaluated. If the liquidation approach (forced or orderly) is to be selected, then the cost method is generally applied as the preferred valuation method.

**The use of one or more valuation methods (§10.4)** - The exposure draft mentions the preference of a single accurate and reliable method for the valuation of an asset, or the use of more than one method when there are insufficient factual or observable inputs for a single method to produce a reliable conclusion. Based on our experience, the use of more than one method is not necessarily due to insufficient factual or inputs to produce a reliable conclusion. For example a secondary method may be used to support and/or test the reasonableness of the selected primary method. Additionally the use of two or more valuation methods in combination with the application of a weighted average of those methods is a generally accepted practice. The current wording suggests that the use of a single method should become a standard. We would welcome adjusted wording to avoid such suggestive language.

**Open market price considered the strongest evidence of value (§10.8)** - The exposure draft points to the importance of the open market price as the strongest evidence of value, with or without subjective adjustments. Even though there is reference to adjustments the guidance is limited. The draft does not discuss the potential premiums and/or discounts that may be embedded in an open market price due to specific facts and circumstances. For example, the existence of a special interest purchaser premium or a marketability discount/premium should be taken in to account when using an open market price. We would welcome more wording in this regard to highlight the importance of an assessment of potential embedded premiums or discounts.

**Income approach methods (§50)** - The exposure draft discusses the DCF method under the income approach. Although this method is primarily used under the income approach, Ryan believes that other methods should also be referred to as well such as the capitalisation of net earnings, capitalisation of EBIT and/or capitalisation of EBITDA methods. In this regard, we would like to point out that the German tax regulations (Funktionsverlagerung) prescribe the use of an income approach that uses income before tax as a basis. Although the use of a basis other than cash flows may have its disadvantages that should be assessed and described, its use is not per definition incorrect.

**Illustrative examples** - Ryan would welcome illustrative calculation examples for valuation methods to be added in the same document but in separate appendices at the end of the document. Currently, examples of the income and cost approaches are included in separate technical information papers only.

Ryan is pleased to provide these comments to contribute to the further development of the proposed inclusion of IVS 105 into IVS 2017.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'R. Veldhuizen', is written in a cursive style.

Roderick Veldhuizen and Zakry Hamid

*On behalf of Ryan Netherlands*