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**Acquisition Valuation of a Microenterprise with Intangible Assets Case:
Elinan Kotileipomo Ltd.**

Acquisition Valuation of a Microenterprise with Intangible Assets Case: Elinan Kotileipomo Ltd.

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ABSTRACT

Oulu University of Applied Sciences
Degree programme in international business

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Title of Bachelor's thesis: Acquisition Valuation of a Microenterprise with Intangible assets Case: Elinan Kotileipomo Ltd.

Supervisor: Sanna Oja

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The objective of the thesis is to offer applicable tools and methods for Elinan Kotileipomo Ltd. to assess the value of their enterprise, with special emphasis on the methods used in evaluating the value of the intangible assets of the enterprise. The research was requested by the enterprise because they plan on selling and have trouble estimating the value of their enterprise.

The study will present and offer tools for the successful application of three different valuation methods: future earnings valuation, asset-based valuation, and market value valuation. Additionally, special considerations of acquisition valuation will also be presented.

The research methods chosen for this study are semi-structured interviews with acquisition valuation experts, reviewing literature written on the subject, and analyzing material gathered from Elinan Kotileipomo Ltd., which includes documents and interviews.

The research managed to give some answers for the enterprise regarding its acquisition valuation. In addition, some applicable managerial implications and future options are suggested in the conclusions chapter of the thesis.

The study is done from the perspective of a microenterprise. The study will consider the current difficult conditions caused by the Covid-19 pandemic and the Ukraine war, therefore adding to its relevance and general appeal.

Keywords: Acquisition Valuation, Acquisition, Microenterprise, Intangible Assets, Elinan Kotileipomo

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Opinnäytetyön tavoitteena on tarjota sovellettavia työkaluja Elinan Kotileipomo Oy:lle yrityksen arvonmääritykseen, kiinnittäen erityisesti huomiota menetelmiin, joilla määritetään yrityksen aineettomien hyödykkeiden arvo. Yritys pyysi tutkimusta tehtäväksi, sillä yrityksen myyntiä suunnitellaan ja sen arvonmäärityksen kanssa on ollut hankaluuksia.

Tutkimus esittelee ja tarjoaa työkalut kolmen eri arvonmääritysmenetelmän onnistuneeseen soveltamiseen, jotka ovat tuottoarvo, substanssiarvo, sekä markkinaperusteinen arvo. Lisäksi esitellään erityisiä arvonmääritykseen liittyviä näkökohtia.

Tutkimukseen valitut tutkimusmenetelmät ovat teemahaastattelut arvonmäärityksen asiantuntijoiden kanssa, aiheeseen liittyvän kirjallisuuden tarkastelu, ja Elinan Kotileipomo Oy:ltä kerätyn materiaalin analysointi, johon sisältyy dokumentit sekä haastattelut.

Tutkimus onnistui jossain määrin yrityksen arvonmäärityksessä. Lisäksi johtopäätöksissä esitellään seurauksia yrityksen johdolle, sekä sovellettavia vaihtoehtoja tulevaisuuteen.

Tutkimus on tehty mikroyrityksen näkökulmasta. Se ottaa huomioon nykyiset hankalat olosuhteet, jotka ovat seurausta Covid-19 pandemiasta ja Ukrainan sodasta, täten lisäten sen ajankohtaisuutta ja yleistä kiinnostavuutta.

Keywords: Arvonmääritys, Yrityskauppa, Mikroyritys, Aineettomat hyödykkeet, Elinan Kotileipomo

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1 INTRODUCTION

The role of the entrepreneur is massive in a microenterprise, as they often do enormous amounts of work personally and handle most, if not all responsibility and decision-making related to the enterprise. For these reasons, microentrepreneurs often have a busy and work-filled lifestyle, which they (especially long-term microentrepreneurs) grow to appreciate and want to sustain for as long as possible. This is one of the most important factors for the fact, that in the case of acquisition it can be difficult for the entrepreneur to step down from their position in the enterprise. Other possible factors that affect this decision are personal relationships formed with employees and customers over the years, desire to uphold the established reputation, and to ensure the same high quality in products.

Microentrepreneurs want their enterprises to stay in business for as long as possible, and for the created traditions to live on. This is especially important in fields that are technically difficult such as baking because each enterprise has created its own specific way to produce products, which can be nearly impossible to imitate without the cooperation of the original bakers. Thus, the original entrepreneur often wants to share all their knowledge with the new entrepreneur in the case of an acquisition.

For the entrepreneur, it is preferable to find the next entrepreneur nearby; someone who they are personally familiar with and know to be reliable. This way they can ensure that the new owner is capable to handle all the challenges that are included in entrepreneurship and that they get all the required information to run the business successfully.

It is not uncommon for microentrepreneurs to pass information from generation to generation, for example, have their son or daughter be the next owner of the enterprise. This is because the children of an entrepreneur are familiar with the lifestyle of an entrepreneur and are usually at least somewhat familiar with the enterprise and its operations. Another reason why microentrepreneurs want their children to follow in their footsteps is that after they have yielded their position to their child and quit working at the enterprise on a daily basis, they can still stay in contact with the enterprise, perhaps even continue affecting the decision-making regarding the future of the enterprise.

For long-term microentrepreneurs, it is sometimes almost impossible to find a follower that is able to run the business as well as the current one does. They have had years to perfect the enterprise to be as efficient as possible and know everything there is to know about the enterprise. Also, it may not be possible to keep the deals that have been made with business partners as they are, because long-term entrepreneurs often form personal relationships with their business partners and they might be suspicious towards a new entrepreneur, whom they do not know to be reliable.

Fundamentally, there are two kinds of matters to consider in an acquisition - financial and non-financial matters. Financial matters include acquisition valuation methods, the profitability of the enterprise, etc. The non-financial matters include views, ideas, dreams, emotions, and objectives regarding the enterprise. The importance of non-financial matters is emphasized significantly in the acquisition of a microenterprise compared to the acquisition of a larger enterprise. The non-financial matters affect the decision-making of the microentrepreneur. Eventually, the final decision may be done through emotions rather than rational thinking based on financial matters.

1.1 Introduction to the enterprise

Elinan Kotileipomo Ltd. is a small bakery in Ii, a small town in close proximity to the city of Oulu. The bakery produces gluten-free products and has done so since the year 2005 when a decision was made to specialize in gluten-free products.

The story of Elinan Kotileipomo Ltd. began in the early 1990s when Eliina Niskala started baking traditional Finnish bread for local stores with her husband. The bread was handmade with a special recipe and its demand started growing. The growth in demand was so significant that it was necessary to transform the operations to be more professional. Eliina and her husband decided that it was sensible for them to become full-time bakers and acquire proper facilities for baking. They decided to modify their cattle shed to be suitable for professional baking operations.

In 1994 the required modifications were completed, and professional baking began. During the same year, the bakers began experimenting with different recipes, of which some were recipes for gluten-free products. Some specialty food stores showed interest in these products right away.

Through the years demand for gluten-free products kept growing as more stores and retailers wanted to broaden their selection of specialty foods. (Elinan Kotileipomo Oy 2021.)

In 2005 Elinan Kotileipomo Ltd. decided to begin producing exclusively gluten-free products. The original bakers of Elinan Kotileipomo Ltd. are now retired, but the original recipes and methods are still used. Product development and experiments on new products have been constantly implemented by professional bakers in the enterprise. (Elinan Kotileipomo Oy 2021.)

Elinan Kotileipomo Ltd. became a limited liability company and was registered in the Finnish trade register in 2009. The CEO of the enterprise is Janne Niskala, and the accountant and part-owner Erkki Niskala. The enterprise employs five employees and had a revenue of 262 000 € in 2021. Therefore, Elinan Kotileipomo Ltd. can be classified as a microenterprise since its revenue is below 2 000 000 € and it employs less than ten people (Statistics Finland 2022).

Since 2018, the revenue and the result of the financial year of the enterprise have been declining each year. In the years 2020 and 2021, the result of Elinan Kotileipomo Ltd.'s financial year has had a negative value. (Finder 2022.)

1.2 Research objectives & research questions

The purpose of the study is to offer applicable tools and methods for Elinan Kotileipomo Ltd. to assess the value of their enterprise, with special emphasis on the methods used in evaluating the value of the intangible assets of the enterprise. Elinan Kotileipomo Ltd. has requested this subject to be researched, as they are currently in a position where an acquisition is a rational option for them, because of their financial conditions and personnel-related difficulties.

The research question for the study will be which aspects should be considered when estimating the value of a microenterprise with intangible assets. The first supporting research question will be what steps should be taken to successfully estimate the value of a microenterprise with intangible assets, and the second supporting research question will be which special considerations should be made in acquisition valuation. The objective is to form a comprehensive guide to successful

microenterprise value estimation and to increase knowledge on microenterprise value estimation and the necessary steps required for it to be completed successfully in practice.

The research will focus on value estimation from the perspective of a microenterprise - an enterprise that employs less than 10 employees and has a yearly revenue of 2 million euros or less. To be called a microenterprise, an enterprise must not have a larger enterprise or enterprises own 25% or more of its capital or voting shares. (Tilastokeskus 2022.)

1.3 Methodology

The research methods for this study are qualitative ones because the data the study aims to collect and analyse should be empirical. This is because the study is based on a specific task given by Elinan Kotileipomo Ltd., and the task is to answer questions about what and how. The aim is to offer a solution, that Elinan Kotileipomo Ltd. can implement to practice successfully, by using a selection of different reliable sources to ensure the credibility and applicability of the research.

The study is a qualitative case study, which means that the aim of the study is to find concrete in-depth knowledge of the subject, which can be applied to practice later. The aim is also to explore characteristics and implications from the perspective of this particular enterprise.

Interviewing acquisition valuation experts and the owner of Elinan Kotileipomo Ltd. will be a qualitative data collection method. The interviews used for the study are semi-structured ones because there are specific themes and questions for which answers are sought, but on the other hand, new perspectives are useful for the research. Therefore, open discussion with the interviewees is also welcome.

Interviews were chosen as a significant qualitative data collection method due to their flexible nature. By interviewing people, one can ask questions in the desired order, make sure that the interviewee understands the given questions correctly, and explain the chosen words and terms. In an interview, it is also easy to correct misunderstandings and have an open discussion with the interviewee, which might provide new perspectives and information that can be useful for the study.

The objective of the interviews is to gather as much information as possible about the research subject. (Tuomi & Sarajärvi 2018, 85.)

Another qualitative data collection method used in this study is analysing the documents provided by Elinan Kotileipomo Ltd. A significant data source for this study is literature written about the subject by professionals in the field. The books *Arvonmäärittäminen yrityskaupassa* by Juha Rantanen (which especially studies the valuation of small and microenterprises), and *Arvonmäärittäminen* by Harri Seppänen were used for building the theoretical foundation for the study. These books were chosen because of the relevant information they offer, as the research subject is a process that contains country-specific aspects. The study will also use different relevant and reliable websites and articles as sources of data.

Reviewing literature written on the subject will be used as a qualitative method for the study. The aim of using literature review in the study is to answer the question which special considerations should be made in acquisition valuation.

Triangulation of data is used in the research, to increase the validity of the findings. By searching for data from several different sources the credibility of the research is also increased.

2 ACQUISITION VALUATION METHODS

In this chapter, there will be discussion about the theoretical foundation on which this thesis will be built on. Firstly, there will be discussion regarding different definitions of value from the perspective of a microenterprise. After which, different business valuation methods that are presumed to be useful for the case company will be introduced.

When the different valuation methods have been presented, the definition of goodwill will follow. Lastly, some special considerations of business valuation and valuable intangible assets and attributes which are thought to be relevant to this study are presented.

2.1 The Definition of Value in a Microenterprise

The value of an asset is not a fact, but an opinion according to the International Valuation Standards. This opinion is formed either by the most likely price to be paid in the sale of the asset or by the financial benefit that is gained by owning this asset. So, in the event of an acquisition, the opinions of the parties about the most likely price of the enterprise or the financial benefit gained through the enterprise must not vary from each other for the sale to be successfully completed. Subsequently, the business valuation process is forming this opinion by using all the relevant data available and by considering all relevant factors that affect the value of an enterprise. (Rantanen 2013, 20.)

The purpose of business is to generate more revenue than the amount that has been invested in it. Following the same reasoning, the more profit the business generates with as little monetary investment as possible, the better the business is. These are some basic principles of economic theory and in the case of an acquisition, a consensus on the value should be relatively easy to achieve by pricing the enterprise for sale according to these principles. However, the principles of economic theory do not consider the one factor that often raises the selling price of a small enterprise, which is sentimental value. All the time, hard work, and funds that an entrepreneur has invested in the business they own may and often do significantly raise their subjective value of the business. (Rantanen 2013, 46,47.)

To small business owners maximizing the profit of their enterprise is quite often not the only important value of entrepreneurship. For instance: socioeconomic position, influence, and the work-filled lifestyle of an entrepreneur are values that small business owners often value highly and want to be compensated for in an acquisition. Because in addition to the enterprise they are also giving up on those values. Conversely, the buyer usually does not want the sentimental value to affect the selling price as it is not relevant to the future profit generated by the enterprise. Therefore, if the buyer considers the price request, which has factored in sentimental value, to be too high in relation to the financial benefit they expect to gain from the acquisition, the acquisition will be unsuccessful. (Rantanen 2013, 46,47.)

2.2 Different Valuation Methods

When choosing a valuation method for an enterprise, it is essential to consider questions such as what are the objectives, uses, and moment of time of the business valuation? In addition, establishing the standard of value is crucial for the valuation to be successful. This refers to answering questions like what type of value is defined, from whose perspective it is completed, and what are the prevailing conditions. When these questions have been answered, it is significantly easier to choose a valuation method, that is suitable for both parties and that leads to an objective result. (Seppänen 2017, 29.)

In most cases of business valuation, it is enough to only use one valuation method. However, there are certain situations where it is recommended to use several methods. A situation where it is justified to use several valuation methods is one where the value indication is noticed to be inaccurate. Other similar situations are when the parties deem it necessary to have multiple perspectives of the value of the enterprise in question, or when the parties want to triangulate the outcomes of different methods, to increase the reliability and accuracy of the valuation. (Seppänen 2017, 84.)

2.2.1 Future Earnings Valuation

In the future earnings valuation method, the value of an enterprise is determined by its ability to generate profit. Essential aspects of the value of an enterprise are the possible risks related to it, the forecasted profitability of the enterprise, and the growth opportunities it has. Past financial statements, budgets set by the management of the enterprise, and internal analyses of the industry and market, are examples of data that are used to forecast the future earnings of the enterprise. (Yrityspörssi.fi 2022.)

The aim of the future earnings valuation method is to answer the questions of how much profit and in what time will the enterprise generate in the future.

An example formula for calculating the future earnings of an enterprise:

$$A = T / i$$

A = Future earnings

T = adjusted EBITDA

i = required rate of return, which describes the profit of an alternative enterprise with similar risks.

With limited companies, the required rate of return is usually 15% (Yrityspörssi.fi 2022.)

$$\text{EBITDA} \pm A = \text{Adjusted EBITDA}$$

EBITDA = Earnings before interest, taxes, depreciation, and amortization

A = Adjustments, which refers to either adding non-routine expenses or deducting typical expenses that similar enterprises have, but the enterprise under analysis does not have. (Kenton, Will 2020.)

According to economic theory, the future earnings valuation method is thought to be a rational and relatively reliable valuation method. It is a quite flexible method that can be applied to most valuation processes. In addition, the future earnings valuation method is independent of the market, so if the market in which the enterprise operates is inefficient or entirely absent, the method will provide reliable results. Using the future earnings valuation method always requires forecasting, which is often difficult and might lead to errors and subjective viewpoints of the person performing the

valuation process. The person performing the valuation must be able to analyse macroeconomics, the industry in question, and the future prospects of the enterprise. Hence, it is often recommended to use the services of a professional. (Seppänen 2017, 70.)

2.2.2 Asset-Based Valuation

In the asset-based valuation method, an enterprise's value is determined by deducting liabilities from the current assets, according to the balance sheet of the latest accounting period. It is often used to depict the minimum value of the enterprise. In other words, with asset-based valuation, it is possible to calculate the value of the debt-free assets of an enterprise. This method does not take the value of the business conducted by the enterprise into account in any way. (Yrityspörssi.fi 2022.)

It is common to combine the asset-based valuation method with the future earnings valuation method in acquisition valuation. These two valuation methods offer sufficient information for possible funding to be granted and for defining a well-justified selling price for an enterprise. (Rantanen 2013, 87.)

The asset-based valuation method only considers assets that are relevant to the operations of the enterprise and the generation of profit. Therefore, luxurious investments such as excess cars are not included in asset-based valuation as they do not affect the operations conducted by the enterprise in any way. Only factors of production that are meaningful for conducting the core business of the enterprise will be included in the calculations of asset-based valuation. If the excess investments can be easily liquidated, they can be a part of the acquisition, but this must be agreed upon separately with the buyer. (Rantanen 2013, 87-88.)

2.2.3 Market Value Valuation

The market value valuation method is based on allowing the market to set the price for the enterprise. The principle of this approach is that the market is going to set the prices for enterprises in a rational and efficient way. Furthermore, the prices set by the market reflect the value of all the

relevant valuable assets and attributes of the enterprise precisely and with few mistakes. Above all, the market value valuation method is considered to be an objective one. (Seppänen 2017, 67-68.)

The market value valuation method is also a method that is commonly used and recognized. In the market value valuation method, both parties are expected to act rationally and aim to maximize their financial gain by using all the accessible relevant information. Even though this valuation method does not require subjective forecasts of the enterprise's future which have room for error, rational judgment is still required, and difficult choices must be made. (Seppänen 2017, 67-68.)

There are a few conditions that must be met, for the market value valuation to be applicable. The first condition is that comparable acquisitions have been completed recently on the market, or that comparable acquisitions are completed frequently in an open and functional market. In addition, it is necessary to consider the suitability and the functionality of the market, when deciding whether to use the market value valuation. If these conditions are not met, it is recommended to use other valuation methods in addition to the market value valuation method. (Seppänen 2017, 68.)

2.2.4 Goodwill

The term goodwill refers to the part of an enterprise that generates, sometimes a significant amount of value to the enterprise and that is intangible. Goodwill is a part of the enterprise for which it is difficult to place a monetary value on. Therefore, in most cases, the value of goodwill cannot be found in the balance sheet of an enterprise. Goodwill includes aspects such as the reputation of the brand and the loyal customer base that has been built over the years. In other words, goodwill is the competitive advantage that the enterprise has built for itself, and only profitable and healthy enterprises have it. (Rantanen 2013, 78.)

An example formula for calculating goodwill:

$$F - E - C - I = G$$

F = Future earnings value of the enterprise

E = Equipment and machinery

C = Current inventory

I = Intangible assets (Rantanen 2013, 79.)

2.3 Special Considerations of an Acquisition

There are various special features regarding acquisitions. These features make the already complex processes even more complex. Acquisition valuation is a multi-faceted process, which includes several complicated steps. The person completing the valuation process must know how to complete each of these steps correctly, to be able to achieve an outcome that satisfies both parties of the acquisition. For this reason, it is often recommended to hire or at least consult a professional to complete the business valuation process. This chapter will discuss the special features that are considered to be relevant for the study and the case company. (Rantanen 2013, 12.)

An aspect of acquisition valuation that complicates each valuation process is the fact that each enterprise is unique and has its own special features, that may be difficult to place a monetary value on. As a result, the acquisition valuation process of an enterprise cannot be copied as it is from another enterprise. Some factors that make each enterprise unique, are the business conducted by the enterprise, the future prospects of the enterprise, and the capital required for the enterprise to be able to conduct its business. (Rantanen 2013, 12-13.)

In acquisitions, the buyer often has the upper hand. Therefore, when it comes to the price negotiations between the buyer and seller, the buyer has more leverage to persuade the seller to lower the price. This is particularly true when it comes to the acquisition of a small- or microenterprise, and when the market is a smaller one, such as Northern Finland. As a result, it may be difficult for an enterprise that is in financial trouble to negotiate a high price, because the buyer will not agree to pay more than they expect to financially gain from the acquisition. Furthermore, if the buyer knows they are the only potential candidate for the acquisition, then especially they will not pay a price larger than what they estimate to profit from buying the enterprise. So, for the seller to get as high a price as possible, it is recommended to not inform the buyer that there are no other potential buyers. (Rantanen 2013, 14-15.)

To successfully complete an acquisition, so that both parties are satisfied, functional communications must be established, and information must flow effortlessly between the parties. This is an essential step of the process that should be established during the early stages of an acquisition, to build trust between the parties. For the buyer to gain the trust of the seller, they will need to gain enough information about the enterprise and feel like they are not hiding anything from them. The seller must reach a perfect balance between the information they are going to share with or withhold from the buyer. This is essential for their success in the upcoming price negotiations because they must give out a sufficient amount of information to the buyer so that they know what they are buying, but on the other hand, they must not reveal everything and give away their competitive advantage. It serves the best interest of both parties, for the seller to prepare high-quality information that is presented to the potential buyer in a clear manner. Consequently, the potential buyer has less research to do and gains more knowledge of the enterprise. This is a way for the seller to justify the price they have set for their enterprise. (Rantanen 2013, 21,23.)

The person or the people in charge of the business valuation process have a great responsibility. Their consideration plays a large role in the outcome of the process. Therefore, they are required to consider all the relevant aspects, use professional and reasonable discretion, and act in a financially rational manner. (Rantanen 2013, 32.)

2.4 Valuable Intangible Assets & Attributes

One of the most valuable attributes an enterprise can have is competitiveness in relation to the market they are in, and the ability to adapt to changes. Being able to withstand difficult times without too large sacrifices, will reflect stability and reliability, thus increasing the value of the enterprise. It is difficult to define monetary value for competitiveness and adaptability, as they are somewhat subjective attributes. Nonetheless, by researching the history of an enterprise it is possible to find signs such as fast growth and stable position in the market, that indicate the competitiveness of the enterprise. (Rantanen 2013, 118-119.)

A good geographical location will give an enterprise advantage in logistics and marketing. Inexpensive delivery costs and shorter delivery times will lead to more profit for the enterprise. Also,

by locating themselves near other services and where people live densely, an enterprise will ensure its accessibility to customers and make it easier to find competent employees. (Rantanen 2013, 125.)

An intangible asset that has the potential to multiply the value of an enterprise, is the brand/reputation of the enterprise. By branding an enterprise well, it is possible to save significantly on the marketing budget and create loyal customer relationships, thus increasing the value of the enterprise and its brand. (Rantanen 2013, 127.)

An important role in forecasting the future of an enterprise is played by the history and past experiences of the enterprise. By studying the decisions made in the enterprise in the past it is easier to plan a vision for the future. Therefore, it is important to study the good and bad decisions that have been made, to not repeat the same mistakes, and to know which decisions were favourable for the enterprise. When an enterprise has a long history filled with successful decisions made in the enterprise, it has credibility, which furthermore leads to the increased value of the enterprise. (Rantanen 2013, 127,129.)

The investments recently made by an enterprise increase its value. More specifically, the amount that has been invested will not transfer to the value of the enterprise necessarily, but the increase in production that has been enabled by the investment will be the added value of the enterprise. The value of the recently made investments may be challenging to calculate, especially the intangible ones such as innovations or employee training because they might not appear as increased production immediately. (Rantanen 2013, 130.)

The craftsmanship of the employees can be a factor that gives an enterprise a competitive advantage in contrast to similar enterprises in the same market, meanwhile also increasing the value of the enterprise. In an acquisition, craftsmanship can increase the selling price significantly, but only if it can be utilized by the new owner in the future. In other words, if the employees will be part of the acquisition or if the know-how they have can be somehow transferred to other employees. (Rantanen 2013, 134.)

3 EXPERT PERCEPTIONS OF VALUATION

The majority of qualitative data collected for this thesis was conducted in the form of expert interviews, to be able to collect as much information as possible for the specific problem, the thesis aims to answer. Most of the data was collected in the form of semi – structured interviews to get answers for specific questions, meanwhile also enabling open discussion with the interviewees, in order to obtain information as broadly as possible.

The interviews were conducted in Microsoft Teams and recorded. Afterwards, all the relevant data from the recordings was collected as notes, which were organized and categorized to facilitate their analysis later.

Triangulation of data was used in the study to increase the credibility and validity of the findings. In addition to the interviews, qualitative data was collected from literature written on the subject and from Elinan Kotileipomo Ltd. in the form of documents and interviews.

3.1 Expert interviews

The first interviewee was Mr. Terho Jylhälehto, who works as a business teacher at the Oulu University of Applied Sciences. He has first-hand experience with the research subject, as he has been the owner of some microenterprises and has been a part of a microenterprise acquisition, therefore being able to give advice from the seller's perspective.

The second expert chosen for an interview was Mr. Juha Tall. He is one of the few authorized business brokers in Finland and has 20 years of experience in acquisitions, both domestic and international, as a developer, researcher, and expert. Mr. Tall has participated in numerous acquisition valuations and knows the process throughout.

The third and final interviewee was Mr. Petteri Aro, who also works as a business teacher at the Oulu University of Applied Sciences. In addition to being a teacher, he is also involved in the management of three separate enterprises currently. He has also participated in some acquisitions

earlier and has in-depth knowledge and experience of them from the perspective of a microenterprise.

3.2 Co-operation with the case company

Throughout the whole research process, close collaboration with the case company was maintained. Communication was frequent and several short discussions were arranged to stay up to date on the process and to discuss potential changes in the situation of the case company. The aim of constant communication with the management of Elinan Kotileipomo Ltd. was to ensure that the research caters to their needs as well as possible and can be applied to practice.

Different documents received from Elinan Kotileipomo Ltd., such as income statements from the latest accounting periods, were also used as a significant source of data. The documents were firstly studied and discussed with the representative of Elinan Kotileipomo Ltd., to facilitate their analysis, calculations, and forecasting of the future development of the operations of Elinan Kotileipomo Ltd.

3.3 Literature review

The books *Arvonmääritys yrityskaupassa* by Juha Rantanen, and *Arvonmääritys* by Harri Seppänen were used for building the theoretical foundation for the study. These books were chosen as a source for the study because they contain relevant and credible information regarding the subject of the research.

In addition, to being the main source for the theoretical foundation of the study, the literature is also a research method that answers the supporting research question: which special considerations should be made in acquisition valuation?

4 RESULTS & CONCLUSIONS

A fact that became evident during the collection of qualitative data is that there is no single acquisition valuation method suitable for each different enterprise and situation that can be applied to all acquisitions. This is because each enterprise and its valuation process are unique – varying in structure and the type of assets they own for instance. Eventually, the final selling price is going to be agreed upon by the negotiating parties considering the results of the acquisition valuation and all the other information available about the subject for sale.

Before the implementation of the acquisition valuation methods, there will be a brief analysis of the key figures of Elinan Kotileipomo Ltd. from the last four accounting periods i.e., the years 2018-2021. The reason for conducting this analysis is to gain information on the overall operations and profitability of Elinan Kotileipomo Ltd. In addition to gaining information from the past, conducting key figure analysis facilitates forecasting the future of the enterprise. Therefore, being an essential step of the process, as the future profitability of the enterprise for sale is a significant aspect of acquisition valuation.

The future earnings valuation method will be utilized in forecasting the future profitability of Elinan Kotileipomo Ltd. More specifically, the purpose of the method is to justify the price set to the enterprise by demonstrating that the enterprise will be able to generate profit equal to the selling price in a reasonable time. After determining the future earnings value of Elinan Kotileipomo Ltd., it will also be possible to calculate the value of goodwill of the enterprise.

The asset-based valuation method will be used to examine the ratio of assets and liabilities of Elinan Kotileipomo Ltd. The most valuable assets of Elinan Kotileipomo Ltd. are intangible. Therefore, it is not recommendable for the seller to only use this valuation method, as it only places value on tangible assets.

The market value valuation method will be used in forming a general understanding of the price level of enterprises such as Elinan Kotileipomo Ltd. in the current market. If there are enough comparable enterprises for sale on the market currently, it will facilitate the pricing of Elinan Kotileipomo Ltd. significantly, because this will enable the estimation of a price range for the enterprise.

In the case of acquisition valuation of Elinan Kotileipomo Ltd., the utilization of three different valuation methods can be justified – in fact, it is recommended. The combination of these three valuation methods will give credibility to the selling price that will be set by the owner of Elinan Kotileipomo Ltd.

4.1 Analyzing the development of profitability of Elinan Kotileipomo Ltd.

The income statements from the last four accounting periods of Elinan Kotileipomo Ltd. are presented in Table 1. As the table shows, the revenue of the enterprise has been on a constant decline in the last few years. The decline has also been quite significant, especially in the year 2020 when the revenue decreased by 12,5% compared to the last year.

Decreasing revenue would not necessarily be a problem if the expenses of the enterprise had decreased at the same rate, but in this case, they have not. Even though there were some efforts to cut expenses for instance by reducing staff expenses, Elinan Kotileipomo Ltd. has not been able to keep the business profitable in the last three years. As the revenue decreases and expenses stay nearly the same, a decrease in profitability cannot be avoided. In 2019 the result of the financial year of Elinan Kotileipomo Ltd. fell under the break-even point, after which the loss has been bigger year by year.

Table 1. Income statements of Elinan Kotileipomo Ltd. from the last four accounting periods.

| | 2018 | 2019 | 2020 | 2021 |
|---|-------------|-------------|-------------|-------------|
| Revenue (€) | 341 324,56 | 322 155,67 | 281 729,63 | 261 892,52 |
| Revenue change | | -5,6% | -12,5% | -7,0% |
| Other income (€) | 2 741,92 | 1 320,36 | 10 534,20 | 1 270,69 |
| Materials & services (€) | -56 567,65 | -54 756,04 | -46 207,91 | -51 950,73 |
| Staff expenses (€) | -216 600,60 | -196 890,75 | -191 582,19 | -171 121,16 |
| Depreciation and reduction in value (€) | -4 200,25 | -7 774,60 | -6992,59 | -5 358,91 |
| Other expenses (€) | -60 869,43 | -63 236,03 | -50 302,26 | -45 857,37 |
| Operating profit/loss (€) | 5 828,55 | 818,61 | -2 821,12 | -11 124,96 |
| Financial income & - expenses (€) | -992,03 | -907,64 | -1 020,89 | -956,88 |
| Profit/loss before appropriations and taxes | 4 836,52 | -89,03 | -3 842,01 | -12 081,84 |
| Appropriations | 48,49 | 43,14 | 38,64 | 450,24 |
| Taxes | -977,00 | 0 | 0 | 0 |
| Profit/loss of the financial year | 3 908,01 | -45,89 | -3 803,37 | -11 631,60 |

4.2 Future Earnings Valuation of Elinan Kotileipomo Ltd.

In this case, the utilization of the future earnings valuation method aims to answer the questions of how much profit the enterprise is going to generate and in what time. By answering these questions, it is possible to set a reasonable selling price for the enterprise, which the buyer will be able to gain back through the profits of the enterprise during the following years.

Calculating the future earnings of Elinan Kotileipomo Ltd. begins with determining the adjusted EBITDA. This can be done by deducting depreciation and reduction in value from operating profit or loss, after which follows deducting or adding the adjustments.

In the case of Elinan Kotileipomo Ltd., the adjustments refer to deducting the owner's salary from its EBITDA, as it is not included in the current value, and it is a typical expense that similar enterprises often have. According to Mr. Janne Niskala, the gross salary that was paid to him as the owner of Elinan Kotileipomo Ltd. earlier was 2 200 € per month.

The operating profit/loss of Elinan Kotileipomo Ltd. in 2021: - 11 124,96 €

Depreciation and reduction in the value of the assets of Elinan Kotileipomo Ltd. in 2021: - 5 358,91 €

Operating profit – depreciation & reduction in value = - 11 124,96 € - 5 358,91 € = -16 483,87 €

EBITDA of Elinan Kotileipomo Ltd. In 2021 = - 16 483,87 €

Adjustments (the owner's salary): 12 * 2 200€ = 26 400 €

EBITDA +/- Adjustments: - 16 483,87€ - 26 400€ = - 42 883,87 €

The adjusted EBITDA of Elinan Kotileipomo Ltd. In 2021 = - 42 883,87 €

Once the adjusted EBITDA has been determined, follows the calculation of future earnings of Elinan Kotileipomo Ltd. This will be done by dividing the adjusted EBITDA of Elinan Kotileipomo Ltd. by the required rate of return. The required rate of return will be 15% as that is the rate that is often used when calculating the future earnings of limited companies.

$$A = T / i$$

A = Future earnings

T = The adjusted EBITDA of Elinan Kotileipomo Ltd. In 2021 = - 42 883,87 €

i = The required rate of return = 15%

A = - 42 883,87 € / 0,15 = - 285 892,47 €

By using the future earnings valuation method Elinan Kotileipomo Ltd. Is valued at - 285 892,47 €

4.3 The value of goodwill of Elinan Kotileipomo Ltd.

The value of goodwill of Elinan Kotileipomo Ltd. is calculated by deducting the values of current tangible and intangible assets from the future earnings value of the enterprise.

Future earnings value of the enterprise: - 285 892,47 €

Current tangible assets: 22 159,72 €

Intangible assets: 3 700,13 €

Goodwill of Elinan Kotileipomo Ltd. = - 285 892,47 € - 22 159,72 € - 3 700,13 € = - 311 752,32 €

4.4 Asset-Based Valuation of Elinan Kotileipomo Ltd.

Asset-based valuation in its simplest form can be established by deducting the provisions, and long-term -and short-term liabilities from the current assets of the enterprise. With this calculation, one can determine the value of debt-free assets an enterprise has. The value of debt-free assets owned by Elinan Kotileipomo Ltd. will be calculated according to the last complete accounting period, which in this case is the year 2021.

Table 2. Assets and liabilities of Elinan Kotileipomo Ltd. from the last accounting period.

| | | | |
|--------------------|--------------------|---------------------------|---------------------|
| Assets | | | |
| | Non-Current assets | | |
| | | Intangible assets | 3 700,13 € |
| | | Tangible assets | 22 159,72 € |
| | Current assets | | |
| | | Debtors | 34 590,07 € |
| | | Cash in hand and at banks | 1 366,01 € |
| | | | 62 121, 98 € |
| Liabilities | | | |
| | Creditors | | |
| | | Long-term | 15 900 € |
| | | Short-term | 42 110,61 |
| | | | 58 010,61 € |

Assets - Liabilities = Debt-free assets

$$62\,121,98\text{ €} - 58\,010,61\text{ €} = 4\,111,37\text{ €}$$

By using the asset-based valuation method, the value of the debt-free assets of Elinan Kotileipomo is 4111,37 €.

4.5 Market Value Valuation of Elinan Kotileipomo Ltd.

The market value valuation method will be used to gain information on the price levels of similar enterprises that are currently for sale. Another aspect that can be determined with the market value valuation method is how large selection of enterprises such as Elinan Kotileipomo Ltd. are there currently for sale on the market, therefore gaining information on potential competition.

Websites that were used as a source of data for this valuation method are yrityskaupat.net, yrittyspörssi.fi & firmakauppa.fi. These websites were chosen as data sources because they are among the largest business broker websites in Finland. Also, they were chosen for the fact that

these websites do not have restrictions regarding the size of enterprises to be listed, thus also allowing the listing of microenterprises.

During the research period of June to August 2022, there were no similar gluten-free bakeries listed on these websites. Therefore, it is justifiable to do research on regular bakeries that are approximately the same size as Elinan Kotileipomo Ltd., to gain some data about the current price levels on the market. Even though the research scope was expanded to include also regular bakeries and recipes owned by bakeries, only three somewhat relevant listings were found from the chosen websites during the research period. These three listings will be used to gain some information on enterprises that are currently for sale in market areas that are approximately the same size as that of Elinan Kotileipomo Ltd.

The first subject chosen for price comparison, is a listing of a small bakery located in Central Finland. This listing was posted on the firmakauppa.fi website. The bakery employs 1-2 people and generates a revenue of 100 000 € - 200 000 €. The asking price for this microenterprise is 55 000 € and it includes all the necessary equipment for baking, has established a loyal customer base, and has a 55 square meter rentable business premises. (firmakauppa.fi 2022.)

The second subject chosen for comparison is a listing on the firmakauppa.fi – website, in which a bakery wants to sell its recipes. This bakery is in Southwestern Finland and has valued their recipes to be worth 25 000 €. The website to which the listing has been posted is one designed for the sale of microenterprises. Therefore, it can be said that the enterprise is approximately the same size as Elinan Kotileipomo Ltd. and has a product selection of approximately the same size. (firmakauppa.fi 2022.)

The third and final subject chosen for comparison is a listing posted on the yrityspörssi.fi – website, which aims to sell a traditional bakery in Northern Finland. The bakery employs 6-9 full-time employees and generates a revenue of 800 000€ - 1 000 000 €. They claim to have established a very loyal customer base and to have created a broad selection of their own recipes, which would be included in the acquisition. All the facilities and equipment required for a bakery would also be included in the selling price, which is set at 135 000 €. (yrityspörssi.fi 2022.)

4.6 Conclusions

By looking at the key figures of the past accounting periods of Elinan Kotileipomo Ltd., a distinct downward trend in the profitability of the enterprise can be noticed. As the enterprise has not been able to generate profit in the last years it is obvious that some fundamental changes to the business model of the enterprise must be introduced, for the enterprise to keep operating in the future.

In the case of the acquisition valuation of Elinan Kotileipomo Ltd., the market value valuation method should not be emphasized significantly. This is because the number of relevant enterprises comparable to the case company was not sufficient. Also, an argument can be made of whether the markets of subjects chosen for comparison are suitable and functional. Therefore, it can be said that the method is not completely applicable, but it still can be utilized as a directional tool for pricing the enterprise.

When conducting market value valuation, it is essential to differentiate whether the price of the subject of comparison is a listing price or the price of a completed acquisition. In this case, the only relevant comparison subjects were listings made on business broker websites and therefore requested prices of the enterprises, one should remember that the values may be somewhat overestimated and there might be room for bargaining.

Calculating the future earnings of Elinan Kotileipomo Ltd. resulted in a negative value, which means that the enterprise is not able to generate profit and very likely will not be able to generate any in the future without fundamental changes in its operations. It is not recommendable for Elinan Kotileipomo Ltd. to use the future earnings valuation method for setting the selling price, because the value that was determined with the calculations is a negative one and distorted. Therefore, it would be beneficial from the perspective of Elinan Kotileipomo Ltd. to emphasize the importance of the other valuation methods during the sales negotiations.

Having a negative future earnings value complicates the potential acquisition of Elinan Kotileipomo Ltd. As the enterprise is not able to demonstrate the value the enterprise has above the value determined with an asset-based valuation through mathematical calculations, justifying a selling price above that value is significantly more difficult.

As the future earnings valuation method resulted in a negative value, naturally the value of goodwill of Elinan Kotileipomo Ltd. is also negative and distorted. The calculations suggested that the value of goodwill of Elinan Kotileipomo Ltd. is - 311 752,32 €, which can be deemed inaccurate as goodwill cannot have a negative value. Since the future earnings value and the goodwill of an enterprise are intertwined together as concepts, it is difficult to justify the value of goodwill to potential buyers in a situation where the future value of the enterprise is negative.

The debt-free assets of Elinan Kotileipomo Ltd. were determined to be worth 4111,37 € by using the asset-based valuation method. Therefore, if all the outstanding debts of Elinan Kotileipomo Ltd. were paid and all the assets liquidated, the enterprise would be left with 4 111,37 €, which can be considered the minimum value of the enterprise. The asset-based valuation method does not take into account the value of doing business at all. Therefore, to be able to place a price for the enterprise much higher than the value of its debt-free assets, it is necessary to find a way to demonstrate the value of the business conducted by the enterprise.

After viewing all the results from the three different valuation methods chosen for the acquisition valuation of Elinan Kotileipomo Ltd., it can be said that Elinan Kotileipomo has little to no value to offer for potential buyers if the operations of the enterprise continue as they have. However, depending on the nature of the operations that the buyer has already in action, Elinan Kotileipomo Ltd. has some assets that can be utilized in a profitable way.

The low volume of sold products and fast-paced rise of expenses are aspects that affect the profitability of microenterprises such as Elinan Kotileipomo Ltd. significantly currently. Being a specialty bakery that only produces gluten-free products narrows down the potential customers significantly, which in turn narrows down the potential for growth of operations of Elinan Kotileipomo Ltd. Consequently, the raw materials are ordered in small shipments which can be relatively much more expensive than ordering the materials in large shipments. In addition to this, due to the current situation of the economy, raw material prices are rising, and consumers have less money to use, which can be seen as a decrease in the consumption of specialty products, which already have quite expensive prices.

With all this knowledge gathered and analysed from Elinan Kotileipomo Ltd., it is realistic to assume that there will not be many offers to acquire the enterprise. For instance, the inconvenient location of the bakery, declining profitability, small size of the market, and difficulties in finding capable

employees, are factors that will undoubtedly affect the enthusiasm regarding the acquisition of the enterprise as it is. In addition to these factors, there are macroeconomic factors that negatively affect the prospects of Elinan Kotileipomo Ltd. Consumers and enterprises are still affected by the consequences of Covid-19., meanwhile the war between Russia and Ukraine has caused an energy crisis and a significant food price increase. Naturally, these factors considerably affect the profitability of the enterprise and consumer behaviour. Similarly, as consumers have begun practising more cautious consumer behaviour, enterprises will also be more careful with investing and acquiring other enterprises.

The management of Elinan Kotileipomo Ltd. could consider separating the tangible and intangible assets of the enterprise. As the enterprise does not have a significant value as it is, it would be logical to approach larger enterprises of the same industry about the purchase of intangible assets of Elinan Kotileipomo Ltd. A larger bakery that already has established well-functioning operations such as facilities and logistics, could find significant value with the utilization of the intangible assets of Elinan Kotileipomo Ltd. For instance, by introducing gluten-free products to their selection a bakery can reach a new customer base and a larger market than Elinan Kotileipomo Ltd. was able to due to a lack of resources. This aspect is essential to an enterprise that produces specialty products because of limited growth potential.

Perhaps the most profitable option for Elinan Kotileipomo Ltd. in its current situation could be putting its intangible assets up for sale. The sale could include, for instance, the recipes and the employees to ensure that the expertise is also transferred in the sale. Depending on the buyer, Elinan Kotileipomo Ltd. could tailor the offer to fit the needs of the buyer as well as possible, to achieve an outcome that benefits both parties the most. After the sale has been completed, the remaining assets would be liquidated and lastly, Elinan Kotileipomo Ltd. would be closed down.

Elinan Kotileipomo Ltd. could begin selling the whole enterprise or the intangible assets owned by it, on a business broker website such as yrityspörssi.fi or firmakauppa.fi. They could also do some research on the other enterprises on the market, to find enterprises that could potentially benefit from what they have to offer and approach those enterprises regarding the potential sale.

The final option of Elinan Kotileipomo Ltd. is closing down the enterprise straight away. Other options should be explored first, as this is a process that takes time and money. It is preferable for Elinan Kotileipomo Ltd. to pursue other options to gain some financial benefit from its assets that

can still generate value and to aim to preserve the years of product development and the long customer relationships that have been built over the years.

5 DISCUSSION

The topic chosen for the study was successful because finding literature and other research that has been done on the subject proved to be quite difficult. Acquisition valuation in itself is a subject that has plenty of literature written about it. The process is clear and easily applicable for larger enterprises, but when it comes to microenterprises and especially the valuation of intangible assets, there is not that much information to be found.

A significant number of findings were discovered through the expert interviews. Therefore, it can be said that earlier experience is highly valuable when it comes to acquisition valuation. The process of acquisition valuation is a complex one that requires in-depth knowledge of the subject and the enterprise that is going to be sold. Therefore, in most cases of acquisition valuation, a professional is consulted. In addition to the ability to complete the process in such a way that produces a realistic result, it is beneficial for both parties of the acquisition to hear the opinion of an objective person.

The experts chosen for the interviews have acquired practical experience by for instance being part of a successful acquisition or by being the objective party that completes that acquisition valuation itself. Therefore, it is safe to say that the findings made with the expert interviews are valid.

An evident and unavoidable weakness of the research is the inability to produce clear numerical estimations of value for Elinan Kotileipomo Ltd. Despite all the research and calculations, the only valuation method that resulted in a realistic and exact value was the asset-based valuation method. Therefore, it can be said that the research partly did not reach a satisfactory result, as one of the purposes was to get information from several perspectives by concurrently using different valuation methods.

The research question chosen for the study were which aspects should be considered when estimating the value of a microenterprise with intangible assets. The supporting research questions were what steps should be taken to successfully estimate the value of a microenterprise with intangible assets and which special considerations should be made in acquisition valuation. These questions were answered successfully in the study. In addition, the study succeeded in forming an applicable guide for all the required steps of the process, even though the result for the case company was not necessarily what the study was aiming to answer.

Despite the fact that some of the valuation methods led to results that are partly or fully not applicable for Elinan Kotileipomo Ltd., the research was able to give some options for how to continue for the enterprise. In addition, the research was able to find a relevant new problem and research idea for future studies. The question is how to estimate and demonstrate the value of an enterprise or its goodwill with negative future earnings value. The question may seem purposeless at first, since why would an enterprise have value in addition to its tangible assets if it is not able to generate profit? The case company is a perfect example of a microenterprise that has proven to have a valuable business idea, since it has been operating professionally since the year 1994 but has not been able to adapt to the changing economy in recent years.

Aspects that increase the relevance of the question presented earlier are the fact that enterprises in a similar situation as Elinan Kotileipomo Ltd. are not uncommon in Finland currently, and the fact that the future earnings valuation method is one of the most used methods in acquisition valuation and it is not able to estimate the value that enterprises such as Elinan Kotileipomo Ltd. possess. This raises the question mentioned earlier, that the research was not able to find an answer for.

What adds to the general appeal of the research, is the fact that other microenterprises such as Elinan Kotileipomo Ltd. are struggling with similar difficulties as they are. These difficulties are direct consequences of the Covid-19 pandemic and the Ukraine War. Increasing price levels and consumers having less money to spend are aspects that will very likely force some microenterprises to explore the option of being acquired. Therefore, facing the challenge of placing a realistic price for the enterprise. Depending on the structure of the enterprise and the

objectives of the owner of the enterprise, the difficulty of the acquisition valuation may differ, but it is recommended to use the help of an objective professional to reach an outcome that satisfies everyone.

Personally, I have learned a variety of research-related aspects during the thesis process. The importance of forming a thorough research plan and schedule was understood in the early stages of the thesis process. Another essential aspect that I learned was choosing the correct research questions for the research to get the best outcome of the research.

Semi-structured expert interviews and analysing the results gathered from them were new research methods for me. This proved to be an excellent method for information gathering. Although, it is essential to choose the right questions and offer the opportunity for free discussion.

Writing the thesis was a laborious process that required lots of time. The process took longer than was predicted earlier because gathering and analysing the information was a complex process. In conclusion, it can be said that I have learned to plan my research, gather findings, analyse them, and report them in the correct form.

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APPENDICES

Appendix 1. Elinan Kotileipomo Ltd. income statement 2019.

| ELINAN KOTILEIPOMO OY | | TULOSLASKELMA | |
|---|------------------|----------------------|------------------------|
| | | 01.01. - 31.12.2019 | |
| | | 2019 | 2018 |
| LIKEVAIHTO | | 322 155,67 | 341 324,56 |
| Liiketoiminnan muut tuotot | | 1 320,36 | 2 741,92 |
| Materiaalit ja palvelut | | | |
| Ostot tilikauden aikana | -54 756,04 | | -56 567,65 |
| Ulkopuoliset palvelut | <u>0,00</u> | <u>-54 756,04</u> | <u>0,00</u> |
| Henkilöstökulut | | | |
| Palkat ja palkkiot | -157 008,23 | | -174 840,85 |
| Eläkekulut | -32 539,10 | | -33 798,23 |
| Muut henkilösivukulut | <u>-7 343,42</u> | <u>-196 890,75</u> | <u>-7 961,52</u> |
| Poistot ja arvonalentumiset | | | |
| Suunnitelmanmukaiset poistot | | -7 774,60 | -4 200,25 |
| Liiketoiminnan muut kulut | | <u>-63 236,03</u> | <u>-60 869,43</u> |
| LIKEVOITTO | | 818,61 | 5 828,55 |
| Rahoitustuotot ja -kulut | | | |
| Korko- ja rahoitustuotot muilta | 5,00 | | 5,12 |
| Korko- ja rahoituskulut muilta | <u>-912,64</u> | <u>-907,64</u> | <u>-997,15</u> |
| VOITTO ENNEN TP SIIRT. JA VEROJA | | -89,03 | 4 836,52 |
| Tilinpäätössiirrot | | | |
| Poistoeron muutos | | 43,14 | 48,49 |
| Tuloverot | | <u>0,00</u> | <u>-977,00</u> |
| TILIKAUDEN VOITTO | | <u><u>-45,89</u></u> | <u><u>3 908,01</u></u> |

Appendix 2. Elinan Kotileipomo Ltd. income statement 2020.

ELINAN KOTILEIPOMO OY

TULOSLASKELMA

01.01. - 31.12.2020

| | 2020 | 2019 |
|--|-------------------------|----------------------|
| LIKEVAIHTO | 281 729,63 | 322 155,67 |
| Liiketoiminnan muut tuotot | 10 534,20 | 1 320,36 |
| Materiaalit ja palvelut | | |
| Ostot tilikauden aikana | -46 207,91 | -54 756,04 |
| Ulkopuoliset palvelut | <u>0,00</u> | <u>0,00</u> |
| | -46 207,91 | -54 756,04 |
| Henkilöstökulut | | |
| Palkat ja palkkiot | -157 695,36 | -157 008,23 |
| Eläkekulut | -28 241,27 | -32 539,10 |
| Muut henkilösivukulut | <u>-5 645,56</u> | <u>-7 343,42</u> |
| | -191 582,19 | -196 890,75 |
| Poistot ja arvonalentumiset | | |
| Suunnitelmanmukaiset poistot | -6 992,59 | -7 774,60 |
| Liiketoiminnan muut kulut | <u>-50 302,26</u> | <u>-63 236,03</u> |
| LIKETULOS | -2 821,12 | 818,61 |
| Rahoitustuotot ja -kulut | | |
| Korko- ja rahoitustuotot muilta | 15,00 | 5,00 |
| Korko- ja rahoituskulut muilta | <u>-1 035,89</u> | <u>-912,64</u> |
| | -1 020,89 | -907,64 |
| TULOS ENNEN TP SIIRT. JA VEROJA | -3 842,01 | -89,03 |
| Tilinpäätössiirrot | | |
| Poistoeron muutos | 38,64 | 43,14 |
| Tuloverot | <u>0,00</u> | <u>0,00</u> |
| TILIKAUDEN TULOS | <u><u>-3 803,37</u></u> | <u><u>-45,89</u></u> |

Appendix 3. Elinan Kotileipomo Ltd. income statement 2021.

| ELINAN KOTILEIPOMO OY | | TULOSLASKELMA | |
|--|------------------|--------------------------|-------------------------|
| | | 01.01. - 31.12.2021 | |
| | | 2021 | 2020 |
| LIKEVAIHTO | | 261 892,52 | 281 729,63 |
| Liiketoiminnan muut tuotot | | 1 270,69 | 10 534,20 |
| Materiaalit ja palvelut | | | |
| Ostot tilikauden aikana | -51 950,73 | | -46 207,91 |
| Ulkopuoliset palvelut | <u>0,00</u> | <u>-51 950,73</u> | <u>0,00</u> |
| Henkilöstökulut | | | |
| Palkat ja palkkiot | -139 092,41 | | -157 695,36 |
| Eläkekulut | -27 046,58 | | -28 241,27 |
| Muut henkilösivukulut | <u>-4 982,17</u> | <u>-171 121,16</u> | <u>-5 645,56</u> |
| Poistot ja arvonalentumiset | | | |
| Suunnitelmanmukaiset poistot | | -5 358,91 | -6 992,59 |
| Liiketoiminnan muut kulut | | <u>-45 857,37</u> | <u>-50 302,26</u> |
| LIKETULOS | | -11 124,96 | -2 821,12 |
| Rahoitustuotot ja -kulut | | | |
| Korko- ja rahoitustuotot muilta | 25,69 | | 15,00 |
| Korko- ja rahoituskulut muilta | <u>-982,57</u> | <u>-956,88</u> | <u>-1 035,89</u> |
| TULOS ENNEN TP SIIRT. JA VEROJA | | -12 081,84 | -3 842,01 |
| Tilinpäätössiirrot | | | |
| Poistoeron muutos | | 450,24 | 38,64 |
| Tuloverot | | <u>0,00</u> | <u>0,00</u> |
| TILIKAUDEN TULOS | | <u><u>-11 631,60</u></u> | <u><u>-3 803,37</u></u> |

Appendix 4. Elinan Kotileipomo Ltd. balance sheet 2021.

| ELINAN KOTILEIPOMO OY | | TASE | |
|--------------------------------|-------------------|------------------|-----------|
| | | 31.12.2021 | |
| VASTAAVAA | 2021 | 2020 | |
| Pysyvät vastaavat | | | |
| Aineettomat hyödykkeet | | | |
| Aineettomat oikeudet | 3 700,13 | | 3 700,13 |
| Aineelliset hyödykkeet | | | |
| Rakennukset ja rakennelmat | 7 857,21 | 8 448,61 | |
| Koneet ja kalusto | <u>14 302,51</u> | <u>19 070,02</u> | 27 518,63 |
| Sijoitukset | | | |
| Muut pitkäaikaiset sijoitukset | 306,05 | | 306,05 |
| Vaihtuvat vastaavat | | | |
| Lyhytaikaiset saamiset | | | |
| Myyntisaamiset | 34 590,07 | 34 747,90 | |
| Siirtosaamiset | <u>0,00</u> | <u>1 968,57</u> | 36 716,47 |
| Rahat ja pankkisaamiset | | | |
| Pankkisaamiset | <u>1 366,01</u> | <u>2 558,53</u> | 2 558,53 |
| | <u>62 121,98</u> | <u>70 799,81</u> | |
| VASTATTAVAA | | | |
| Oma pääoma | | | |
| Oma pääoma | | | |
| Osakepääoma | 2 500,00 | 2 500,00 | |
| Edellisten tilikausien tulos | 13 242,97 | 17 046,34 | |
| Tilikauden tulos | <u>-11 631,60</u> | <u>-3 803,37</u> | 15 742,97 |
| Tilinpäätössiirtojen kertymä | | | |
| Kertynyt poistoero | 0,00 | | 450,24 |
| Vieras pääoma | | | |
| Pitkäaikainen | | | |
| Pääomalainat | 15 900,00 | | 15 900,00 |
| Lyhytaikainen | | | |
| Lainat | 18 000,00 | 6 000,00 | |
| Ostovelat | 2 797,04 | 4 633,51 | |
| Verovelat | 6 040,81 | 7 154,13 | |
| Velat osakkaille | 0,00 | 0,00 | |
| Siirtovelat | <u>15 272,76</u> | <u>20 918,96</u> | 38 706,60 |
| | <u>62 121,98</u> | <u>70 799,81</u> | |

Appendix 5. Interview questions.

1. Will you allow this interview to be recorded?
2. Will you allow the use of your name in the references of the thesis, or do you want to be an anonymous source?
3. What is your current title and where do you work? Have you worked with acquisitions in your earlier positions?
4. What kind of experiences do you have with acquisitions and acquisition valuations?
5. Which acquisition valuation method/methods would you recommend for this particular enterprise?
6. How can one estimate the value of intangible assets owned by an enterprise?
7. In which order would you recommend completing the required steps of the acquisition valuation process? And how much time should one allocate for the process?
8. Would you recommend using several different valuation methods?
9. Are there any possible issues that may occur during the valuation process?
10. How long does it usually take for an acquisition to be completed entirely?
11. Do you have any other tips for the business valuation process?