



THE DIVORCE VALUATION THAT CHANGED EVERYTHING

The Situation

Divorce cases involving privately held businesses are emotional, complicated, and often unfairly one-sided. We were hired by a business owner after his spouse's expert had already completed an appraisal valuing his concrete services company at roughly \$1 million.

The business, named after the owner, looked strong on paper. But that's the problem with surface-level valuations: they often ignore what's really driving value.

Our Approach

We started fresh. Using standard valuation methods like the discounted cash flow and market approach, we developed a preliminary range between \$900,000 and \$1 million. But we don't stop at formulas, we dig into context.

During due diligence, the real story unfolded:

- The company name was the owner's name and every sale came through his personal relationships.
- The website listed his cell phone as the company number.
- He handled every estimate, every sales call, every job.
- There were only a few employees while the rest were subcontractors.
- And the business carried over \$600,000 in debt.

Those details changed everything. Debt reduces value dollar-for-dollar, but the bigger factor was personal goodwill — the portion of value tied solely to the owner's skill, name, and relationships. That kind of goodwill can't be transferred or sold, and in a divorce, it isn't subject to division.

Using the multi-attribute utility model, we separated the personal goodwill from the enterprise goodwill. The result: a true business value between \$75,000 and \$150,000, not \$1 million.

The Outcome

Our findings brought clarity to an emotionally charged situation. Once both parties saw the data, they were able to reach a settlement without court intervention. The opposing expert's numbers fell in line, and the case was resolved amicably.

The Lesson

Not every dollar of value belongs to the business. In owner-driven companies, much of the worth is tied to the individual – their expertise, reputation, and effort. Recognizing personal goodwill early can prevent overvaluation, reduce conflict, and create a fair outcome for everyone involved.

At Sofer Advisors, our job isn't just to produce numbers. It's to help people understand them and use them to move forward with confidence.

