

EBOOK

Valuing SMEs: Science, Experience & Perceptions



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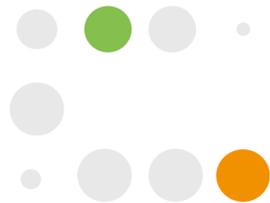
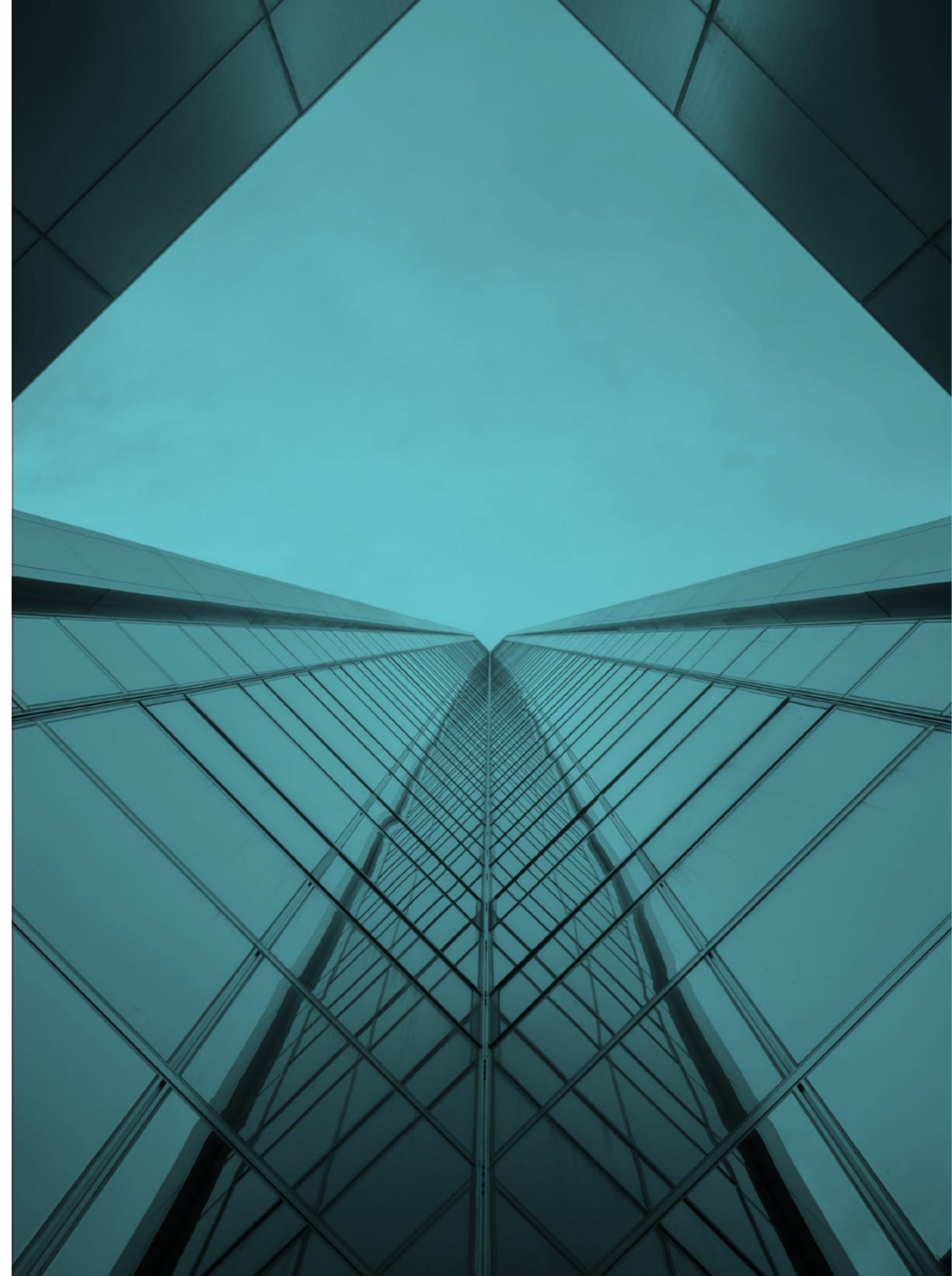


Why “fair price” is architecture, not arithmetic

Across Europe, a historic handover is underway. Over the next decade, trillions of euros in SME ownership will change hands as founders retire, families reorganise and new investors enter the scene. At the centre of each transfer sits a deceptively simple question: what is this company worth – and will everyone accept that price?

In practice, the answer is rarely found in a single spreadsheet. A price that looks “fair” in a report can still be impossible to finance – or emotionally unacceptable to the people who built the firm. Real-world SME valuation rests on **three layers** that must line up: **Science, Experience and Perception.**

When those three layers are misaligned, deals stall, financing breaks – or families simply walk away.





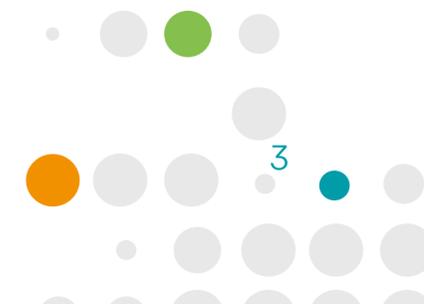
1. Science: the corridor, not the point

The first layer is the familiar one: the **science** of valuation.

Discounted cash flows, market multiples, risk premia and size adjustments all help us define a **defensible corridor** for value. This analytical work matters. It anchors expectations, disciplines discussions and creates a common language between advisors, banks and investors.

But science on its own is never the whole story. A discounted cash-flow can suggest eight times EBITDA; if lenders cap leverage at 3.5x and the buyer cannot fill the equity gap, that price will simply never clear. Science tells us what is *reasonable*. It does not tell us what is *possible*.

So what? Science defines a corridor of reasonable values
– it does not guarantee a deal.



2. Experience: the ceiling and the floor

That is where the second layer comes in: **experience**.

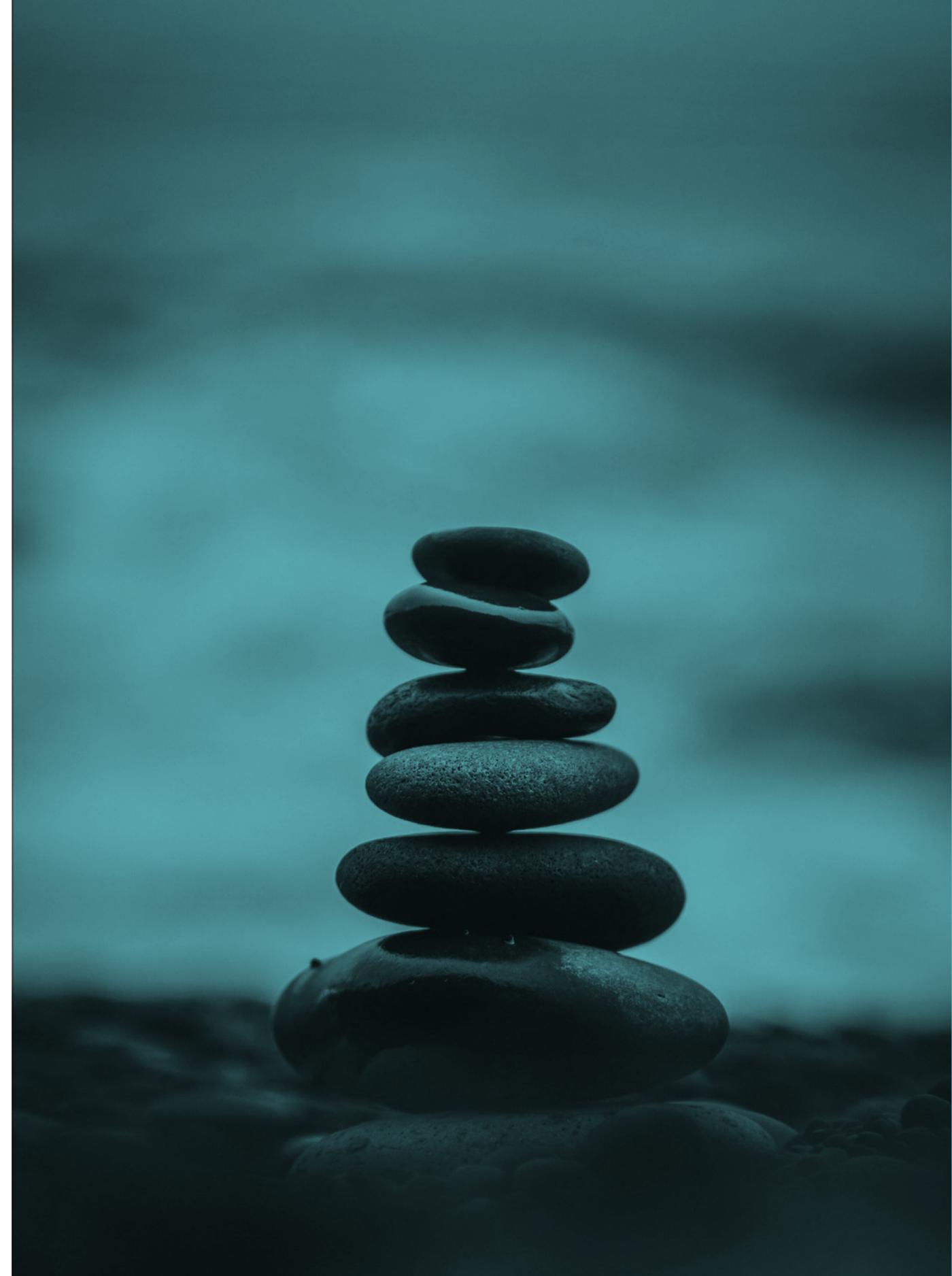
Experience is the quiet voice that says: "In this sector, in this country, with this risk profile, here is how much debt the business can really carry. Here is how working capital behaves. Here is how long regulatory approvals actually take."

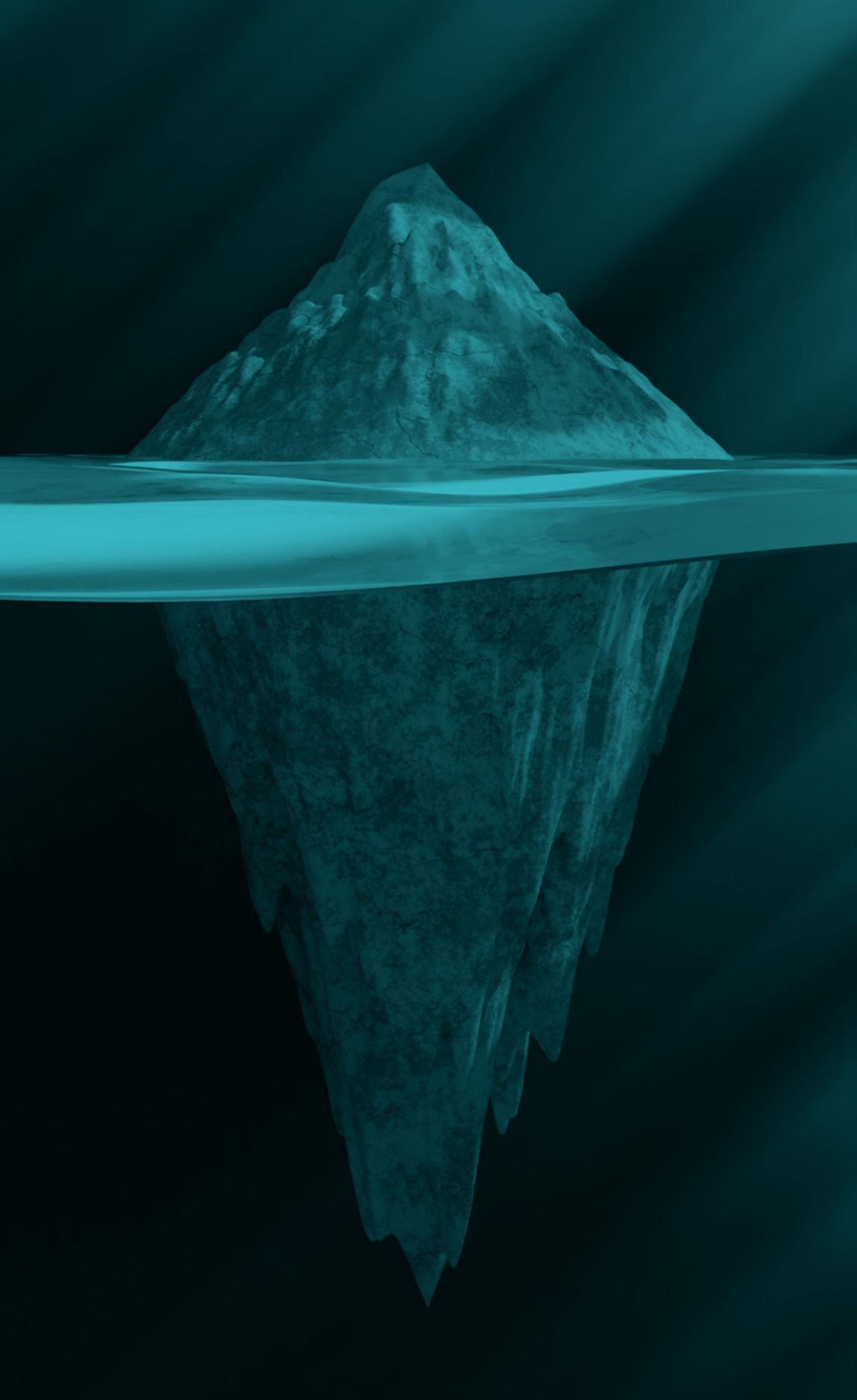
It is experience that sets the **ceiling and the floor of a deal**:

- the ceiling imposed by debt capacity, market appetite and bankability;
- the floor below which a seller will simply refuse to engage, because the deal no longer justifies the effort and disruption.

When we combine science and experience, we move from a theoretical valuation to a number that is both **defensible and financeable**.

So what? Experience narrows that corridor to what is truly financeable and credible in the market.





3. Perceptions: the “EBITDA of the heart”

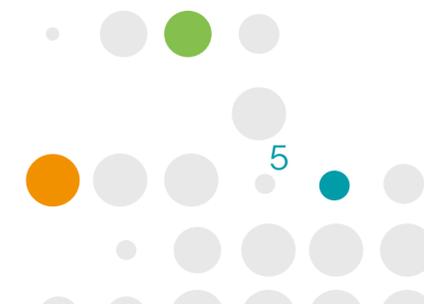
The third layer is the most volatile – and the one most often underestimated: **perception**.

Founders and families do not think in WACC. They think in identity, sacrifice and legacy. Behavioural research shows consistent patterns: the **endowment effect**, where owners overvalue their life’s work; **anchoring**, where a rumour or a 2021 multiple becomes a fixed reference point; fear of regret, of letting the business go “too cheaply” or to the “wrong” buyer.

In our work, we sometimes joke about the **“EBITDA of the heart”**: the emotional premium a seller carries inside, on top of any financial model. The gap between a fair analytical price and an accepted deal is often bridged by a handful of **psychological adjustments**: reframing legacy, clarifying fairness between heirs, securing a role in governance, or simply giving time and space for the decision.

Deal structure is the architect’s toolbox here: earn-outs, vendor loans, staged exits, co-investment and governance seats all help align risk, reward and identity on both sides of the table.

So what? Perceptions explain why two analytically ‘fair’ prices can have very different chances of being accepted.



4. The “un-automated advisor”

AI and better data will continue to transform the **science** layer of valuation. Models will get faster, benchmarks richer, red flags easier to spot. But there is one thing algorithms cannot yet do: sit with a founder on a Sunday evening and help them choose between the highest price and the buyer who will best protect their people.

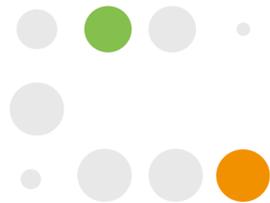
For Transeo members, that is not a threat – it is an opportunity. As the technical baseline improves, the real premium shifts to the **human side of valuation**: judgment, empathy and the ability to design structures that respect both numbers and narratives.

In the end, SMEs are not sold on spreadsheets alone.

They are transferred when **science, experience and perceptions** line up – and when advisors manage to turn “a fair price” into a deal that is financeable, acceptable and worthy of the legacy behind it.

Three questions before your next valuation

- 1 Are we clear on the **value corridor** for this business – not just a single number?
- 2 Is the price we have in mind **realistically financeable** in today’s market?
- 3 What must happen for the key shareholders to **feel** this outcome is fair?



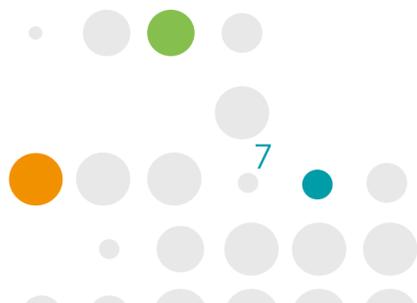


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About Ventures4Growth

Ventures4Growth is a boutique corporate finance firm focused on mid-market M&A, succession, and growth capital in BeNeLux and Northern France. The firm helps entrepreneurs and families buy, sell, or reorganise their businesses through carefully structured acquisitions, buy-outs, divestitures, and ownership transfers. With a lean partner model and a success-fee driven approach, Ventures4Growth combines deep transaction expertise with a long-term builder's mindset – going beyond what most traditional advisors can offer.





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About Transeo



Transeo is an international community of experts in transfers and acquisitions of small and medium-sized businesses from Europe & beyond.

Transeo encourages transfers and acquisitions of SMEs in Europe and beyond.

Transeo...

- serves as a platform for exchanging **good practices** on a variety of operational issues;
- develops academic and professional **knowledge** on transfers and acquisitions of SMEs;
- provides its Members, who are experts from all over the world, with a range of activities, alongside **networking** and **dealmaking opportunities**, to help them become stronger in their local ecosystem;
- is involved in **advocacy** on business transfer issues to keep them at the top of political agendas by raising awareness among policymakers, and acting as a reference expert in the field.

Thank you



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