

# The International Private Equity & Venture Capital Valuation Guidelines

## 2016 update

SANNE

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## Introduction

The International Private Equity and Venture Capital Valuation (IPEV) Guidelines set out recommendations, intended to represent current best practice on the valuation of private equity investments.

The last edition of the International Private Equity and Venture Capital Valuation Guidelines was issued in December 2012 and with the guidelines being updated every 3 years, the IPEV Board has now released the December 2015 edition to give effect to changes in accounting standards and enhancements in best practice.

During those 3 years, IFRS 13, Fair Value Measurement took effect on January 1, 2013 and ASC Topic 820 continued to be applied. This, along with the feedback received as part of the consultation process, has been taken into consideration when updating the December 2015 edition.

## Read the latest guidelines

The December 2015 edition of the International Private Equity and Venture Capital Valuation Guidelines are now available .

[You can download them here](#)

## Latest updates

This 2015 edition includes the following changes from the 2012 edition:

### Clarifying edits made to improve readability and reduce potential confusion

1. Minor edits have been made throughout the document to improve readability and clarity of understanding.
2. The reference to the IPEV Investor Reporting Guidelines has been deleted, as the responsibility for Reporting Guidelines has reverted back to Invest Europe (formerly the European Private Equity & Venture Capital Association).
3. Section II subheadings have been added to improve readability.

### Technical clarifications

1. Update on IASB Unit of Account Progress
2. New guideline 1.6 has been added to emphasize the need for consistency.
3. Footnote 4 of guideline 2.4 has been modified to clarify how to consider the value of debt for purposes of determining the value of equity.
4. Minor edits have been made to guidelines 2.2, 2.4 (iii) & 2.6 to improve understandability.
5. New guideline 2.7 has been added to describe back testing.
6. New guideline 3.2 (ii) has been added to clarify valuation techniques.
7. Guideline 3.4 has been reworded to differentiate between earnings multiples and revenue multiples.
8. Guidelines 3.5 through 3.9 have been reordered to improve the logical flow.
9. The negative bias towards DCF has been removed and accounting guidance with respect to considering the number of valuation techniques has been highlighted.

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### Technical Clarifications (contd.)

10. Section II has a number of clarifying edits and expanded discussion of changes in valuation techniques, calibration, back testing and the use of multiples.

11. The Specific Considerations section has been expanded to include:

- a. 5.10 Non-control minority positions
- b. 5.11 Mathematical Models (guidance updated)
- c. 5.12 Sum of the Parts

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### Contact us for further information

#### Europe

##### Ian Venter

Director | Private Equity - London

t. +44 20 3327 9741

e. [ian.venter@sannegroup.com](mailto:ian.venter@sannegroup.com)

#### Asia

##### Robert Glasspool

Director | Private Equity – Hong Kong

t. +852 3906 5801

e. [robert.glasspool@sannegroup.com](mailto:robert.glasspool@sannegroup.com)

[sannegroup.com](http://sannegroup.com)