

# CASE STUDY



**Lifemarket Limited**



## **Lifemarket Limited valuation**

On 1 October 2009 The High Court handed down a Judgment on the value of Lifemarket Limited. This was pursuant to an order made, by consent, that a 40% shareholder be bought out following a petition under section 994 of the Companies Act 2006 for unfair prejudice.

Lifemarket had four brands: (1) Lifesystems (medical and health care equipment); (2) Lifeventure (general travel equipment); (3) Littlelife (equipment such as carriers and cots for children); and (4) Mountain Paws (accessories for use with dogs).

## **The date of valuation**

The Judgment gives a helpful summary of the law relating to the date of valuation, when presented with alternative dates such as that of: the alleged act of unfair prejudice; the date of the petition; and the date of the hearing. The finding in this case was that the fair date should be the date of the hearing.

## **Expert evidence on value**

Expert evidence on behalf of the petitioner was put forward by Thayne Forbes, of Intangible Business Limited, quantifying the value of Lifemarket based on discounted cash flows and multiples of profits. Expert evidence on behalf of the respondent was put forward by Mr Sat Plaha of BDO Stoy Hayward LLP. The trial judge, Mr Guy Newey QC (sitting as a Deputy High Court Judge) found the evidence of each expert to be very helpful.

The discounted cash flow methodology was not accepted by the Judge to value Lifemarket Limited in the circumstances of this case. He did however accept a valuation methodology using price/earnings (P/E) ratios. This therefore represents a practical application by the court of a business valuation methodology, by reference to P/E ratios, to calculate a company value.



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