



GREGG DIGHT

ASA, SENIOR APPRAISER AT EQUIPMENT APPRAISAL SERVICES

T: (203)-644-0006 | E: gregg@equipmentappraisal.com



www.equipmentappraisal.com

To hear about valuation services in the US, *Finance Monthly* speaks to Gregg Dight, ASA, Senior Appraiser for Ohio-based Equipment Appraisal Services (EAS). Working from a satellite office in Redding, Connecticut, Gregg has been with EAS for 3½ years and in addition to his work in the US, he's also completed appraisal assignments through the UK, Western Europe, Mexico, Puerto Rico and the Dominican Republic. Below, he discusses the appraisals that his company works on and offers his insights into the world of valuations.

Q What are the types of appraisal that you offer?

We provide machinery and equipment appraisals across all industries and markets for banks, leasing and finance companies, insurance, end-user business or asset acquisitions (purchase and sale), accounting purposes, and litigation support within all these markets, involving collateral review, business disputes, bankruptcy, casualties, liability issues, divorce, donations, property tax, and investment risk management.

At EAS, approximately 50% of the work I do involves some level of litigation or potential for legal intervention. In many of these engagements, I am directly hired by one of the law firms involved with the case.

Q What does a typical valuation process involve?

The process begins with an in-depth client discussion to better understand the overall scope and purpose of the appraisal within their larger project. Gaining a 'big picture' perspective allows us to assist the client in defining the appropriate approach to take within the valuation scope that best fits their project needs. For example, definition/premise of value and effective date.

We then review the specific assets involved and discuss the importance or relevance of

completing an on-site inspection of the facility and associated equipment as part of the scope. We typically suggest a physical inspection as part of the process, however, in certain instances this may not be feasible or critical, and we therefore, complete a desktop analysis based on the data provided to us from the client.

searches of similar assets in the used and new equipment marketplace, both recently sold or available on the market, and discussions with manufacturers and dealers in the new and secondary markets, ultimately arriving at an appraised value that best fits the subject machines valued.

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Once the scope is fully defined, we estimate a fee level for the client, enter an engagement agreement and complete the work within an efficient time frame, usually 10-15 business days, depending on the size of the project.

Field work involves meeting with company personnel familiar with the assets to gain an understanding of the business operation and specifics of the underlying machinery and equipment pertinent to the appraisal. The research and analysis is then completed through

Certain assets have more market information available to review than others, and we therefore determine how much reliability there is to the market data while complementing the research with variables such as the normal useful life, effective age, typical physical deterioration levels and obsolescence (usually technology related) of the equipment. These two approaches are referred to as the 'Sales Comparison Approach' and the 'Cost Approach'. There is a third approach called the 'Income Approach' to value involving discounted cash flows and

review of related internal financial data, however, this approach is used primarily in the overall business valuation of a company as opposed to the appraisal of individual assets. We can, however, complete a Fair Rental Value analysis on specific assets, which estimates current and future equipment values along with market lease rates.

The final deliverable product to our clients is a narrative report summarising the work with a detailed appendix of equipment descriptions and associated values. These values may be defined under 'Fair Market', 'Liquidation' or 'Fair Value' premises depending on the needs of the client. Photographs and industry data is also included in the final product.

Q To what level do you guarantee the accuracy of the valuations you provide?

Given there is always a degree of subjectivity to any appraisal, and reliance on external data not identical to the subject assets being appraised, there is no guarantee behind an appraiser's values. We state in our reports that an appraisal is an estimation of value based on the data provided and researched, so there is no ability to guarantee the equipment will ultimately sell for any exact amount. The variables involved with the actual sale of an asset can be quite different from the appraisal's assumptions at the time of the valuation.

I am an ASA (American Society of Appraisers) Senior Accredited Appraiser which carries a high degree of experience and reliability behind it. We are governed under the Uniform Standards of Professional Appraisal Practice (USPAP) and we state that the work undertaken is thorough and reasonable for the assignment. If you ask three appraisers to value the same group of assets at the same time under the same premise and scope, it is entirely possible they will arrive at three different conclusions. The hope is they

will be within a reasonable range of each other (+/- 10-20%), however, this is not always the case. This is where the subjectivity level of the final conclusion comes into play and the reason why appraisers can be on opposite sides of a legal case or business transaction, while being required to explain their findings in an effort to prove the reliability of their work.

This ASA accreditation and associated experience is critical if the client needs a formal, reliable valuation that will hold up to any level of scrutiny.

Q How important are your valuation opinions to lenders and investors, when they are considering a transaction? Are they able to override your opinion?

The importance of any appraisal is ultimately determined by the users of the report and their overlapping case or project involved. Typically, the appraisal is one part of a larger business deal or legal case which will assist in establishing a value perspective within the framework of a larger transaction. As examples, in an equipment investment approval, the pricing, profitability and credit rating of the client's customer will factor in as much or more than the collateral value of the assets. In legal cases, establishing and proving liability is often the most important factor in a case. Once that is decided, the damages portion of the dispute will involve a review of the appraisal.

Q Which sectors do you work with most? How do you overcome the problems presented by working with a number of different sectors?

Being a 'Generalist' in the machinery and equipment appraisal world is common as there is simply not enough work for a valuation firm within a single industry. There are appraisers who specialise in certain markets, however, they usually have a resale component to their business that supports the revenue of the company.

A typical year of valuation work in my present capacity will cross into construction/contracting equipment, transportation, including truck/tractor, rail, and marine, manufacturing equipment of all kinds including machine tool production and packaging, mining operations, material handling, infrastructure of various kinds, high tech, including IT and semiconductor, medical equipment, and general personal property (office and warehouse furniture fixtures and equipment (FF&E)). I do my best to become more versed in these markets during the course of the engagement by getting current in the industry and the equipment available. In today's climate, data is more accessible to be able to learn what you need to quickly and efficiently. After 34 years of working across multiple industries, I have retained enough of the key factors involved in most of these markets to minimise the time it takes to bring myself up to speed.

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