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"Ability is what you're capable of doing. Motivation determines what you do. Attitude determines how well you do it."

Lou Holtz

Welcome!

Edition #16 of the Baldwin & Clarke Journal is here! Our e-newsletter is an effort to share valuable thoughts and information across a wide spectrum of financial and business-oriented topics. As always, we appreciate your readership and sincerely hope you enjoy!

B&C Radio: Sean Clarke with Jack Heath on NH Today

In this month's Radio Show, Sean Clarke checks in with Jack Heath on B&C's monthly NH Today radio segment to provide his thoughts in a mid-year market update. Specifically, Sean discusses Q1 versus Q2 rates of return and corporate earnings results given recent macro factors such as the effects of rising inflation, wage growth and the lowest national unemployment rate in 50 years.



[Click here to listen to the Radio Show](#)

B&C Blog: "One Company, Many Values"

Written by Peter Clarke, CM&AA

"What do you think my company is worth?" As a firm that provides both business appraisal and M&A advisory services that is the twenty-four-thousand-dollar question that we get asked all the time. And why not? It's pretty important in any context.

But this is not as straightforward of a question as one might think. What adds to the complexity of the answer is when you wade into the world of privately held middle market companies. Unlike the public markets, where companies are priced 'efficiently' all throughout the day by informed investors with access to financials and a whole host of other disclosures, private companies are more of a black box. There is no ready, liquid market and they are priced at a point in time, not continuously. They also have different corporate structures, more limited access to capital, relatively heightened risk profiles (when compared to their public brethren) and different ownership dynamics.

All these factors, amongst others, lead us to an ambiguous answer to the question posed: a private company can have multiple correct values at any point in time.

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A screenshot of a blog post from Baldwin & Clarke. The header includes the company logo and the text "THE Baldwin & Clarke COMPANIES Multiparty Integrated Solutions". The blog title is "One Company, Many Values" and the date is "July 2018". The main text begins with the question "What do you think my company is worth?" and discusses the complexity of valuing private companies. It mentions factors like corporate structure, risk profiles, and ownership dynamics. A small graphic of a hand holding a stack of coins is visible. The post concludes with a definition of capital and a note about the author's perspective. Contact information for Baldwin & Clarke is provided at the bottom right of the screenshot.

Corporate Finance: "How venture capital is hurting the economy" - Pitchbook

When thinking of valuation and fundamentals, one often goes to thoughts of strong cash flow and profitability as key data points. But in the world of venture capital, which is currently awash with dry powder, the pursuit of the next unicorn may not necessarily imply, or require, the type of financial performance traditionally associated with sustainability. VCs are currently on pace to invest capital to levels not seen since the dot-com bubble. And with financing rounds getting bigger, valuations at unseen levels and exit tables getting extended, the author in this article raises the point that venture capitals' investment orientation towards disruption and market share dominance, as opposed to profitability, is actually harming the economy. While we do not like to paint with such broad brushes, the point is a thought-provoking one and worth checking out.

[Read more](#)



Exit Planning: "Leaving Your Business is Inevitable"

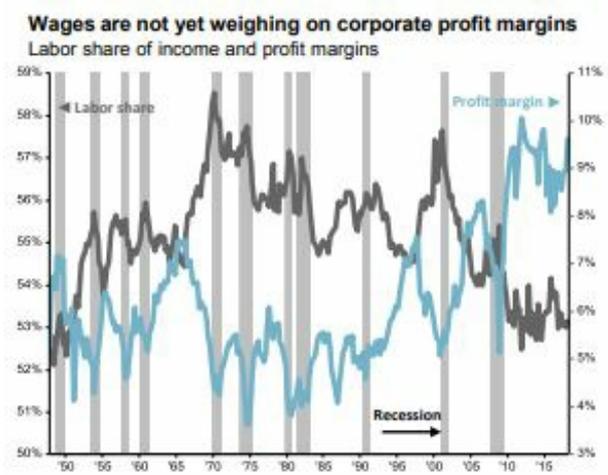
Published by Business Enterprise Institute, Inc. (BEI)

Exit Planning is more than thinking and talking. It is taking the actions necessary to enable business owners to reach all of their Exit Objectives. These Objectives include leaving their business **when they want**, to the **successor they choose**, for the **amount of cash they desire**. Further, Exit Planning takes time. The farther in advance business owners start planning for their exit, the more options they have and the better the outcome is likely to be. In this White Paper, published by Business Enterprise Institute, Inc., our partner in providing our exit planning services, we describe in detail each of the seven steps of the Exit Planning Process - a process that was created over 20 years ago and refined by the experience of thousands of business owners and their advisors. This Process was designed to arm business owners with the all of the tools they need to leave their business in style.

[Click here to learn how to leave your business in style.](#)

JP Morgan's Chart of the Week: Labor Share of Income and Profit Margins

As shown in this chart published by J.P. Morgan Asset Management, corporate profit margins have been responsible for large contributions to continued positive earnings per share growth – as evidenced by the S&P 500 experiencing 8 consecutive quarters of positive earnings growth. While wages slowly grind upwards, we have yet to see an impact on the earnings growth due to corporations' ability to raise prices and maintain or increase consumer demand. Looking forward however, companies have begun reporting that input costs are rising, and along with the Federal Reserve continuing to raise interest rates, that positive earnings trend could become threatened.



Disclosures: Source: BEA, FactSet, J.P. Morgan Asset management. Labor Share of income is measured as employee compensation as a percentage of nominal GDP. Profit margins are measured as after-tax corporate profits with inventory and valuation adjustments as a percentage of nominal GDP.

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