



The principle that “things are worth only what someone is willing to pay for them” is a fundamental concept in economics, playing a crucial role in the valuation of goods and assets. (© Chatchawal Phumkaew / Shutterstock.com).

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## **Valuation of assets in the manufacturing industry: challenges and solutions according to EBA/GL/2020/06**

The guidelines EBA/GL/2020/06 for lending and monitoring, published by the European Bank Authority (EBA) on 29 May 2020, represent a comprehensive framework for data management, lending standards, and customer relations within the European banking sector. These guidelines aim to address identified deficiencies in existing lending processes, thereby significantly contributing to the strengthening of the EU banking system's stability.

However, national implementation is not yet complete everywhere. As of the last update of the *Guidelines Compliance Table* in mid-2023, only 15 out of 27 member states had completed all their homework.

### **Risk minimisation through precise valuation: section 7 of EBA/GL/2020/06**

Section 7 of EBA/GL/2020/06 addresses the correct valuation of real estate and movable assets serving as collateral, such as aircraft, ships, machinery, and equipment. Precise valuation is crucial in the lending process as it minimises risk for both borrowers and lenders.

According to the new guidelines, banks must establish internal procedures that consider both advanced statistical models and traditional valuation methods. Therefore, for valuation based on statistical models, institutions should have appropriate IT procedures and competencies as well as sufficient and accurate data.

### **Valuation by expertise: the role of qualified experts**

Qualified experts are also allowed according to Section 7 of EBA/GL/2020/06 for the valuation of collateral in the lending process. Experts must not only possess the necessary professional competencies but also be capable of unbiased, transparent, and objective valuations. The final valuation must be documented in a detailed report that transparently lays out all relevant aspects and parameters. Moreover, each bank must create a list of all internal and external approved appraisers.

The requirements for experts are thus high. For example, a medium-sized automotive supplier wants to invest in expanding its production capacities. Its specialised and high-quality machines and equipment serve as security. The production line includes CNC machines, robotic arms for assembly, and specialised welding and painting plants. Particularly, the valuation of complex mobile assets like entire production lines poses a challenge for the bank, which external appraisers can effectively resolve.

### **Incorporating external experts into the valuation process**

The challenge of finding suitable experts, especially in specific areas like machine valuation, often leads banks to external partners like [Valuplex](#). As

part of [Surplex](#), a leading European online auction house for trading used machines, Valuplex provides independent, professional valuations. Companies like Valuplex can play a crucial role in implementing EBA/GL/2020/06 as they offer several advantages:

- **Increased quality and objectivity:** External experts introduce an objective perspective into the valuation process, free from internal conflicts of interest and independent from bank processes. Valuplex operates independently of potential follow-up orders and possible cooperations, ensuring unbiased valuations. To always comply with current legal requirements, Valuplex commits to continuous requalification. Moreover, Valuplex adheres to high professional standards and is certified according to relevant quality norms.
- **Specialisation and expertise:** Expertise is particularly indispensable for complex or unusual assets, which internal teams may not have the necessary expertise for. Valuplex is distinguished by its specialised knowledge in areas like value trend analysis – specifically in the valuation of machines, plants, and entire production sites. This expertise is reinforced through continuous technical and professional training. The use of comprehensive databases and current market information allows Valuplex to determine the value of goods based on real market trends and sales figures.
- **Time and resource savings:** Collaborating with external appraisers like Valuplex can relieve internal resources and allow banks to focus on their core competencies.

### **Valuplex and Surplex: a partnership for precise valuations**

Valuplex benefits from access to extensive disposal results and market information from Surplex, leading to well-founded and market-appropriate valuations. Since nearly 25 years, up to 55,000 items per year have been auctioned off via the Surplex.com auction platform. Simultaneously, independence is guaranteed as Valuplex operates unaffected by potential follow-up orders or cooperations.

Valuplex has established itself as a reliable partner for over 125,000 customers, assisting them in decision-making processes for succession arrangements, M&A processes, sale-and-lease-back procedures, and investor

searches. With an interdisciplinary team of 20 experts at 16 European locations, Valuplex delivers over 2,500 data and experience-based valuations annually. This comprehensive expertise, combined with Surplex's rich database on used machines and industrial goods, enables Valuplex to provide precise and market-appropriate comparative value reports – of immense value to banks and other financial institutions in implementing EBA/GL/2020/06.

3D tour of a printing company dissolved in 2022: The large offset printing machine along with control systems (right), robotics technology and the automated packaging unit (back left), which palletises the print products, along with other operational inventory, were auctioned off via Surplex. (© Surplex).

Evaluating a complex production line, with its myriad of highly specialised machinery and equipment such as those found in a traditional automotive manufacturing line, poses a challenge. It requires not only an understanding of each component but also of their interplay within the entire production process. (© Jasen Wright / Shutterstock.com).

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## About Surplex

Surplex is one of Europe's leading industrial auction houses and trades worldwide in used machines and factory equipment. The 18-language auction platform [Surplex.com](https://www.surplex.com) is visited around 50 million times every year. It sells more than 55,000 industrial products per year in over 800 online auctions. The company is based in Düsseldorf and has offices in 16 European countries. Over 220 employees from 20 different nations generate an annual turnover of more than 100 million euros.

## About Valuplex

Valuplex, a blend of 'Value' and 'Exchange', represents expertise in asset valuation. Valuplex offers professional and market-appropriate industrial appraisals that have already assisted 125,000 registered clients in making more informed decisions, particularly regarding succession planning, mergers

and acquisitions, and investor searches in the context of restructuring or insolvencies. With a multidisciplinary team of 20 experts across 16 European locations, we provide over 2,500 data- and experience-based valuations annually.

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