

LETS DISCUSS YOUR BUSINESS PURCHASE OR SALE NEEDS

**I WOULD BE PLEASED TO DISCUSS YOUR SEARCH OR SALE
REQUIREMENTS.**

**I CAN HELP YOU UNDERSTAND THE VALUE AND SALABILITY OF
YOUR BUSINESS.**

**I CAN LEAD YOUR SEARCH AND PERFORM DUE DILIGENCE ON
ACQUISITION TARGETS.**

**I HAVE A SERVICE PACKAGES TAILORED TO YOUR
NEEDS STARTING AT \$3,500.**

CREDENTIALS OF STEVEN HOLMAN

- 1. BCOM, CPA**
- 2. A NUMBER OF SUCCESSFUL BUSINESS SALES AND VALUATIONS**
- 3. CORPORATE M&A EXPERIENCE**
- 4. 15 YEARS AS VP OF CORPORATE STRATEGIC PLANNING**

BUSINESS VALUATION AND ASSESSMENT PROCESS

1. GATHER AS MANY YEARS OF FINANCIAL STATEMENTS AS AVAILABLE
2. TRANSFER THEM TO AN EXCEL SPREADSHEET
3. ARRANGE THEM HORIZONTALLY SO COMMON LINE ITEMS ARE ALL SPREAD HORIZONTALLY
4. IDENTIFY AND EXPLAIN ANY LARGE CHANGES OR ABERRATIONS
5. ADD A NEW SECTION AT THE BOTTOM OF P&L CALLED "SELLERS DISCRETIONARY EARNINGS" (SDE)
6. STARTING WITH NET PRE-TAX EARNINGS ADD BACK OR DEDUCT :
 - SALARIES OF OWNERS WHO WILL RETIRE ON SALE
 - EXPENSES THAT WOULD BE CONSIDERED OF A PERSONAL NATURE
 - THE PORTION OF EXPENSE ITEMS CONSIDERED ONE-TIME OR ABOVE AVERAGE
7. ONCE THE ADDITIONS AND DEDUCTIONS HAVE BEEN ESTABLISHED WE HAVE A FIRST DRAFT OF THE VALUATION MODEL AND SDE. SDE IN THIS CASE IS A PROXY FOR THE TRUE CASH FLOW OF THE BUSINESS.
8. EXAMINE THE SDE AMOUNTS ACROSS THE LAST 5 YEARS TO UNDERSTAND IF THEY ARE FLAT, RISING, FALLING OR UNSTABLE
9. TAKE AN AVERAGE OF MULTIPLE YEARS, THE MORE THE BETTER, AND AT LEAST 3 YEARS.
10. START WITH THE BENCHMARK MULTIPLE OF 3.0X TO SEE WHAT VALUE IS DERIVED.
11. ADJUST THE VALUATION MULTIPLE USING THE GUIDE ON THE FOLLOWING PAGES
12. PERFORM A SWOT ANALYSIS TO UNDERSTAND THE COMPETITIVE LANDSCAPE
13. VISIT BUSINESS PREMISES AND MEET EMPLOYEES
14. UNDERSTAND THE BREADTH AND DEPTH OF CUSTOMER DATA AVAILABLE
15. DO A MARKET SURVEY OF TRANSACTIONS INVOLVING SIMILAR COMPANIES
16. SYNTHESIZE ALL FACTORS TO SUPPORT A LIST PRICE

BUSINESS VALUATION AND ASSESSMENT PROCESS

FACTORS THAT MAY INDICATE A LOWER MULTIPLE :

1. FALLING OR UNSTABLE SDE NUMBERS
2. NO DISCERNABLE HARD ASSETS
3. BUSINESS NOT SUSTAINABLE WITHOUT OWNER
4. WEAK VALUE PROPOSITION/ LARGE CONTINGENT OF ABLE COMPETITORS
5. LESS THAN 10 YEARS IN BUSINESS
6. CONCENTRATION OF A FEW LARGE CUSTOMERS
7. FEW GROWTH OPPORTUNITIES
8. NEW OWNER NEEDS SPECIAL SKILLS OR LICENSING
9. QUESTIONABLE FINANCIAL RECORD KEEPING AND PUBLICATION
10. UNFAVORABLE LEASE TERMS
11. QUESTIONABLE RATIONALE FOR SALE
12. RISKY REVENUE MODEL (RESTAURANT, BAR, DISCRETIONARY PERSONAL SERVICES)
13. UNFAVORABLE SALE TERMS
14. FEW EMPLOYEES/ HIGH EMPLOYEE TURNOVER
15. EXISTENCE OF CONFLICT WITHIN THE BUSINESS , STAFF, CUSTOMERS OR SUPPLIERS
16. INCOMPLETE CUSTOMER DATA

BUSINESS VALUATION AND ASSESSMENT PROCESS

FACTORS THAT MAY INDICATE A HIGHER MULTIPLE :

1. RISING SDE NUMBERS
2. GOOD QUALITY TANGIBLE ASSETS
3. BUSINESS SUSTAINABLE WITH COMPETENT NON-OWNER MANAGER IN PLACE
4. DEFENSIBLE COMPETITIVE STRATEGY – UNIQUE VALUE PROPOSITION
5. 10+ YEARS IN BUSINESS
6. BROAD BASE OF CUSTOMERS WITH LONG HISTORIES
7. IDENTIFIABLE GROWTH OPPORTUNITIES
8. SOLID CONTRACTS FOR DELIVERY OF PRODUCTS
9. PROFESSIONAL FINANCIAL RECORD KEEPING AND PUBLICATION
10. FAVORABLE LEASE TERMS
11. OWNER RETIREMENT
12. FAVORABLE SALE TERMS
13. DESIREABLE LOCATION
14. EARNINGS SUPPORT A PURCHASE WITH 20% CASH FROM BUYER
15. ABUNDANT CUSTOMER DATA