

How to Effectively Value a Business

4th Quarter Best Practice Webinar

November 17, 2020



Mike Gola, Director of Strategic Accounts

Agenda

- ① The 3 ways to gather and enter data
- ② A refresher on the 7 step process
- ③ Walking through the 29 page valuation report

3 Ways to Gather and Enter Data

Valuation Fact Finder

3

Income & Expenses

	2020 <small>(projected)</small>	2019	2018
Revenue			
Pretax income			
Officer compensation			
Interest expenses			
Non cash expenses			
One-time/non-operating expenses/losses			
One-time/non-operating revenues/gains			

4

Assets

Balance sheet data will be compared to industry benchmarks and the valuation will be adjusted accordingly.

	2020 <small>(projected)</small>	2019	2018
Cash			
Accounts receivable			
Inventory			
Other current assets			
Fixed assets			
Intangible assets			

2

Confidential

- 1 You or someone on your team gets the tax form and income statement and enters the information

Full checklist can be found in “Success Center”

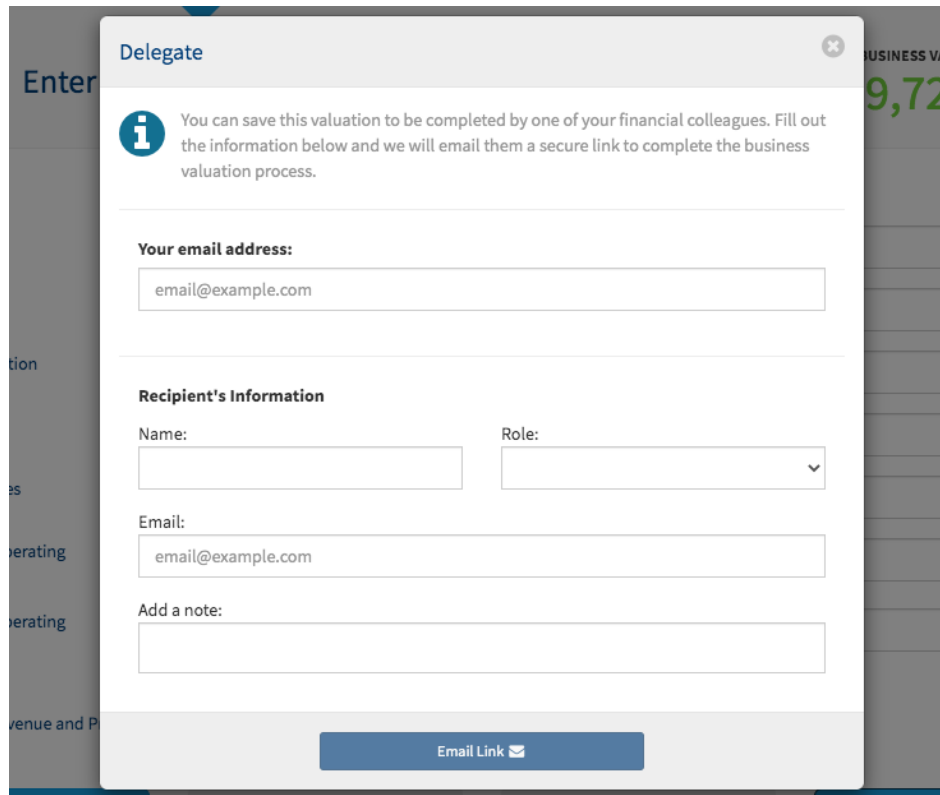
- 2 Use the “Fact Finder”

Found in “Success Center”

- 3 Secure Smart Link

Found on each step on 7 step process

What Happens When I Email the Secure Smart Link?



The screenshot shows a 'Delegate' modal window. At the top, it says 'Delegate' with a close button. Below is an information icon and text: 'You can save this valuation to be completed by one of your financial colleagues. Fill out the information below and we will email them a secure link to complete the business valuation process.' The form has three main sections: 'Your email address:' with a text input field containing 'email@example.com'; 'Recipient's Information' which includes 'Name:' and 'Role:' (a dropdown menu), and 'Email:' with a text input field containing 'email@example.com'; and 'Add a note:' with a text area. At the bottom is a blue button labeled 'Email Link' with an envelope icon.

- Can select whose email to send from
- Enter the recipient's information and a note for the email
- Recipient receives link and can enter the data for you
- Once data is entered, you will receive an email

7 Step Valuation Porcess

Step 1: Start Your Valuation

The image shows a screenshot of the BIZ|EQUITY website's valuation form. The header features the logo "BIZ|EQUITY" in blue and green, with the tagline "What's Your Business Worth?™" in green. Below the logo, it says "Start a Valuation" and "Fill out your information below to begin the patented 7 step process". The form has three input fields: "Sample LLC" (business name), "19130" (zip code), and "dentist" (industry code). The zip code field is followed by the text "Philadelphia, PA". A blue "Continue" button is to the right of the industry code field. Below the "dentist" input, a dropdown menu is open, showing a list of industry codes and descriptions: "62121 Offices of Dentists" (highlighted in dark blue), "56111 Office Administrative Services", "81392 Professional Organizations", "42345 Medical, Dental, and Hospital Equipment and Supplies Merchant Wholesalers", and "33911 Medical Equipment and Supplies Manufacturing".

BIZ|EQUITY
What's Your Business Worth?™

Start a Valuation
Fill out your information below to begin the patented 7 step process

Sample LLC 19130
Philadelphia, PA

dentist **Continue**

- 62121 Offices of Dentists
- 56111 Office Administrative Services
- 81392 Professional Organizations
- 42345 Medical, Dental, and Hospital Equipment and Supplies Merchant Wholesalers
- 33911 Medical Equipment and Supplies Manufacturing

- Enter in business name
- Enter Zip Code of the Business
Location will impact value
- Industry Code
Very important factor in determining value. Please email support@bizequity for assistance in identifying code

Step 2: Basic Information

2

Set the basic information for the business

YOUR ESTIMATED BUSINESS VALUE ?

First Name

Last Name

Email

Phone

Business Structure

Business Structure

Inception Year

Business Address

Business Address 2

City

State

State


Zip Code

19130

Tax Form

Tax Form

Number of Employees



Please select your reasons for running a valuation:

☐ Business Valuation Only

☐ Insurance and Risk Planning

☐ Retirement, Succession, or Estate Planning

☐ Selling or Buying a Business

☐ Loan or Equity Financing

☐ 409-A Valuation Pre-assessment

- Items on this step will not impact valuation calculation
- Be sure to select correct business structure as this will let you know the appropriate tax form to assist with steps 3-5 (financial inputs)
- Enter in your email address or leave blank

Steps 3-5 (Income, Assets, Liabilities)

3 Enter as much income data as you have

YOUR ESTIMATED BUSINESS VALUE
\$5,357,423

	2020 (Projected)	2019	2018
Gross Receipts or Sales In your Forms 1120S, you will find this in section Income, on line 1a	\$	\$ 4,000,000	\$
Pretax Income*	\$	\$ 3,000,000	\$
Officer Compensation	\$	\$ 190,000	\$
Interest Expense	\$	\$	\$
Non-Cash Expenses	\$	\$ 55,000	\$
One-Time/Non-Operating Expenses/Losses	\$	\$	\$
One-Time/Non-Operating Revenues/Gains	\$	\$	\$

- To the left of each line item, there is a paper icon. Hover of this to see where to locate on the tax form
- Note: only input 2020 information for FULL year projection
- Input as many years worth of financial information as you can (up to 3 years). Only one year's worth of financial information are necessary for full valuation.

Step 6: Growth

6

How is the business growing?

YOUR ESTIMATED BUSINESS VALUE [?](#)
\$5,893,165

▶

Projected Revenue Growth
Annualized Growth Rate

0%

100%

▶

Long Term EBITDA Margin
EBITDA = Earnings Before Interest Taxes
Depreciation & Amortization

0%

100%

▶

Percent of Business Recurring

0%

100%

▶

Do you have Intellectual Property, including Trade Secrets or Patents?

☐ Yes ☐ No

- All sliders are industry specific with their weighting
- 'Projected revenue growth' is looking at compound annual growth rate (CAGR) over 5 years

Step 7: Operations

7

Expand the details about operations

YOUR ESTIMATED BUSINESS VALUE ⓘ

\$5,598,507

Including real estate \$6,598,507

1

What percentage of sales comes from your top three customers?

0%

100%

1

If the owner of the business left, how would your profits and revenues be impacted?

Remain the same

Plummet

1

Does your current life or key person insurance coverage and risk management program cover the business valuation quotation above?

☐ Yes

☒ No

1

Do you rent or own?

☐ Rent

☒ Own

What is the fair market value of your property?

\$1,000,000

1

What is the remaining mortgage on the property?

\$

What is the square footage?

- Third question regarding insurance will not impact value

- Important distinction with real estate is how the ownership is structured

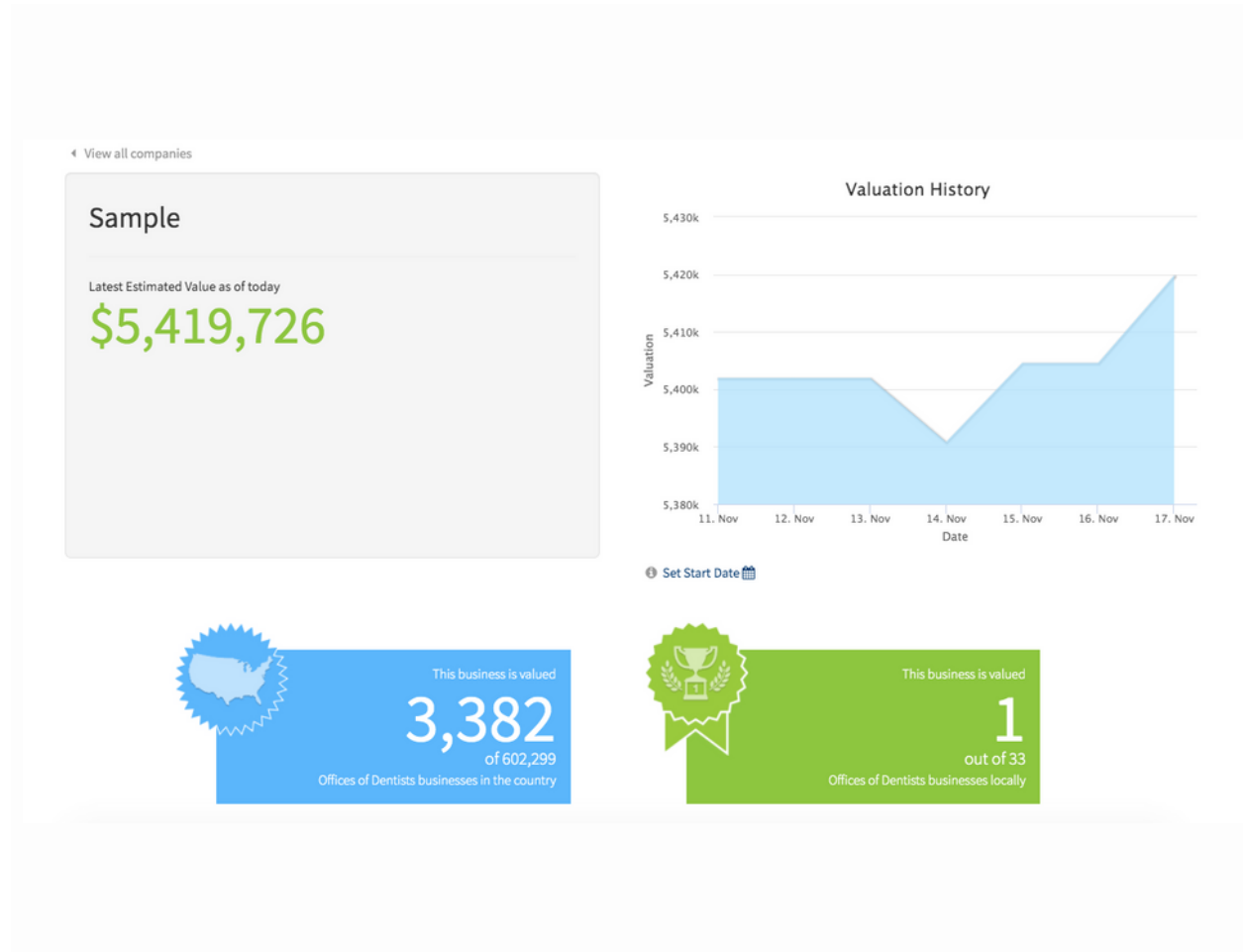
Individual ownership will not impact value but will add a new figure underneath valuation: “including real estate”

If the business is owned by an entity please select one the bottom two options

- Hit 'Save and Continue'

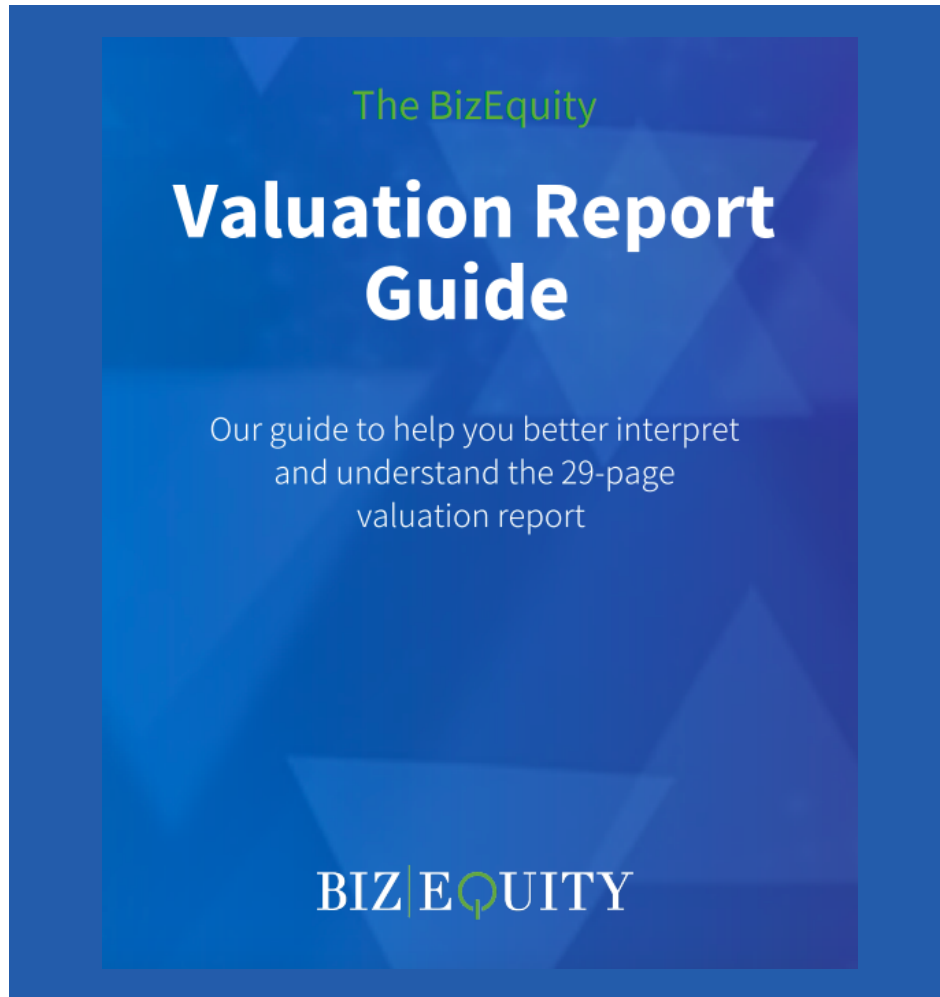
Company Detail

Interactive Dashbaord



- Valuation History
- Rankings
- Edit or Add Information
- 12 KPI's
- Generate Reports

Walking Through the Valuation Report



- Breakdown of Report
- Methodology
- 12 Key Performance Indicators
- Which conclusion of value is most important

BizEquity Client Success Team



Jack Oakes

Client Success Lead

P: (610) 263-7296

E: jack@bizequity



Mike Gola

Director, Strategic
Accounts

E: mgola@bizequity.com



Scott Gabehart

CVO (Chief Valuation
Officer)

E: scott@bizequity.com



James Magner

Marketing &
Communications Man
ager

E: jmagner@bizequity.com



Jason Early

CRO (Chief Revenue
Officer)

E: jason@bizequity.com



**BizEquity Support
Contact Information**

P: (610) 263-7299

E: support@bizequity.com



Mike Gola

Director of Strategic Accounts @ BizEquity

 support@bizequity.com

 610-263-7299