

Business Valuation Companion Guide

Prepared For: ABC Company

The Vant Group

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Date

ABC Company

Address

City, State Zip Code

Dear Mr. Client,

We are pleased to present your customized Business Valuation Companion Guide for ABC Company. This guide is designed to provide a comprehensive yet approachable overview of ABC Company's business valuation. By breaking down complex financial and operational data into clear, actionable insights, we aim to support you in understanding ABC Company's current market position, identifying opportunities for improvement, and preparing for a successful sale or transition.

Purpose of the Business Valuation Companion Guide

- I. Provide a summary guide to the business valuation of ABC Company, including key financial metrics and valuation ranges.
- II. Offer insights from multiple perspectives, including those of lenders, buyers, and strategic acquirers.
- III. Identify areas for operational improvement and recommend strategies to maximize ABC Company's value and marketability.
- IV. Highlight potential risks and propose mitigation strategies to enhance buyer confidence.
- V. Support you in navigating the complexities of a business sale or transition with clarity and confidence.

Below is the summary guide outlining the key sections and considerations included in your business valuation:

1) Executive Summary

- I. **Purpose of the Valuation:** To determine the fair market value of ABC Company to assist in strategic planning and decision-making.
- II. **Valuation Range:** \$135,382,000, based on a weighted average of:
 - i. Market-Based Approach: \$135,244,000 (7.60x EBITDA; 1.59x Revenue; 50%)
 - ii. Income-Based Approach: \$135,521,000 (DCF with 14.29% cost of equity; 50%)
- III. **Strengths:**
 - i. Agile manufacturing with tailored product designs.
 - ii. Strong regulatory compliance and integrated operations.
- IV. **Weaknesses:**
 - i. High reliance on major customers (e.g., Marshalls, Costco).
 - ii. Underdeveloped sales processes and lack of middle management.

2) Lender Perspective

- I. **Financeability:** The valuation supports financeability under current lending conditions with appropriate adjustments for working capital and operational stability.
- II. **Estimated cash down:** Moderate to high, considering asset-based and goodwill components.
- III. **Lender Concerns: Concerns:**
 - i. Revenue concentration poses underwriting risk.
 - ii. Manual inventory system raises working capital uncertainties.
- IV. **Insight:** Lenders may require a stronger working capital position and a plan for tech upgrades to mitigate post-close friction.

3) Buyer Perspective

- I. **Top Selling Points:**
 - i. Strong market position with a diversified product portfolio.
 - ii. High operational efficiency driven by vertical integration.
- II. **Potential Concerns:**
 - i. Overdependence on a limited customer base, notably Marshalls & T.J. Maxx and Costco (over 60% combined revenue).
 - ii. Facility constraints limit near-term scalability.
- III. **Relevant Pitfall:** Customer concentration over 25% flags sustainability risk and can depress offers.

4) Due Diligence Observations

- I. **Red Flags:**
 - i. Inefficient sales strategies, no documented sales SOPs, and reactive approach
 - ii. Lack of middle management.
 - iii. Outdated inventory system (manual tracking, error-prone).
- II. **Recommendations:**
 - i. Implement cloud-based inventory and fulfillment tracking.
 - ii. Develop a structured sales strategy and a scalable sales playbook.
 - iii. Hire or promote middle management to address operational bottlenecks pre-market.
- III. **Pitfall Insight:** Weak SOPs and lack of second-tier leadership trigger buyer discounting and transition risk premiums.

5) Improvement Opportunities

I. Low Effort:

- i. Update sales policies and implement digital sales tools.
- ii. Clean up financial presentation (remove personal expenses)

II. Medium Effort:

- i. Hire key middle-management positions to streamline operations.
- ii. Upgrade inventory systems to improve accuracy and efficiency.

III. High Effort:

- i. Expand or relocate facilities to address space constraints and support growth.
- ii. Implement Enterprise Resource Planning (ERP) system.

6) Saleability Analysis

I. **Positives:** Strong cash flow and high product demand.

II. **Negatives:** Customer concentration and operational inefficiencies.

III. **Recommendation:** Proceed with preparatory steps before entering the market to maximize sale value and attract strategic buyers.

7) Valuation Approaches

I. **Market-Based Approach:** Utilized adjusted EBITDA and revenue multiples of 7.60x and 1.59x respectively, with a valuation of \$135,244,000.

II. **Income-Based Approach:** Relied on discounted cash flow analysis with a cost of equity of 14.29%, resulting in a valuation of \$135,521,000.

III. **Asset-Based Approach:** Not emphasized due to low tangible asset base and high goodwill value.

IV. **Weighting Justification:** Given ABC's earnings quality and market comp alignment, 50/50 Market and Income-based.

8) Strategic vs. Open Market Value

I. **Open Market Value:** Estimated at \$135,382,000 with no premium considerations.

II. **Strategic Value:** Could reach ~\$150M if sold to complementary manufacturer with synergies in logistics or distribution.

III. **Commentary:** Strategic buyers may justify 10–15% premium for route-to-market or production synergies.

9) Cash Flow and Financial Health

I. **Adjusted EBITDA:** \$15,518,000

II. **Adjustments:** Include reclassification of depreciation, removal of non-recurring expenses, and minor owner perks.

III. **Buyer Scrutiny Notes:**

- i. Need clearer SOPs and leadership for sustainable EBITDA.
- ii. Clean documentation of addbacks critical for QoE validation.

IV. **Relevant Pitfall:** Excessive owner perks and lack of clean books erode buyer confidence.

10) Risk Factors

I. **Customer Dependency**

- i. Mitigation: Diversify customer base; lock-in long-term contracts.

II. **Manual Operational Systems**

- i. Mitigation: Invest in automation (inventory, sales tracking).

III. **Lack of Middle Management**

- i. Mitigation: Fill operational leadership gaps pre-market.

IV. **Facility Constraints**

- i. Mitigation: Consider lease options or phased expansion.

V. **Outdated SOPs**

- i. Mitigation: Document workflows; train staff on repeatability.

11) Deal Structure Recommendations

I. **Suggested Structures:**

- i. Seller notes for 20–30% of goodwill.
- ii. Earnouts based on new customer acquisition or margin targets.

II. **Rationale:** Aligns with buyer/lender preferences and mitigates risk aversion from customer dependency.

III. **Caution:** Overreliance on cash at close could narrow buyer pool.

12) Company-Specific Risk Premium Analysis

I. Positive Factors (Decreasing Risk):

- i. Integrated Operations (-1.0%): Streamlined production and cost savings.
- ii. Tailored Designs (-0.8%): Strengthened customer loyalty and market relevance.
- iii. Agile Manufacturing (-0.6%): Adaptability to market changes.
- iv. Strong Regulatory Compliance (-0.6%): Reduced legal and reputational risks.

II. Negative Factors (Increasing Risk):

- i. Revenue Instability (+0.6%): Heavy reliance on a few key customers.
- ii. Real Estate Limitations (+0.3%): Facility constraints affecting scalability.
- iii. Outdated Inventory Systems (+0.1%): Increased inefficiencies and error risks.

III. Final CSRP: 4.0%

13) Additional Considerations

- I. **IP & Brand Equity:** Tailored product designs cater to specific customer demographics, enhancing market appeal.
- II. **Real Estate:** Lease terms may require review for flexibility or expansion rights.
- III. **External Factors:** Potential impact of tariffs on profitability.

Thank you for entrusting us with this important process. We are confident that the Business Valuation Companion Guide will serve as a valuable resource in understanding ABC Company's value and preparing for the next steps. If you have any questions or require further assistance, please do not hesitate to reach out.

The Vant Group Overview

Section 14



Business Description

About The Vant Group

- Experienced M&A firm since 1999
- Specialize in transactions for businesses with revenues up to \$100 Million
- Focused on the Southwest U.S. with a national footprint
- Motivated staff of MBAs and prior business owners
- Authority on Business Transfer having authored two books: EXIT and ENTRANCE
- Innovative Five-Point Advantage

The Vant Group's Mission

"When it comes to buying or selling a business, you can depend on the first-hand experience of The Vant Group – gained through buying and selling businesses for our own portfolio for the last 20 years. This experience coupled with 500+ business transactions provides the knowledge to assist you in every aspect of the business transfer process to obtain the outcome you desire."

Our Values



The Vant Group Team



Alex Vantarakis, *Founder*



Anthony Cullins, *Partner*



Hensay Qualah, *Partner*



Dirk Armbrust, *Managing Director*



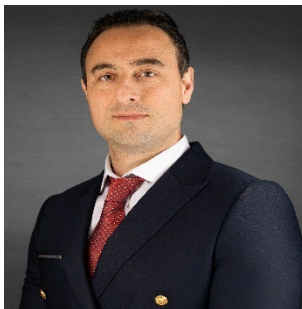
Dwayne Evans, *Managing Director*



Ian Biggs, *Managing Director*



Jacob Davis, *Managing Director*



Ryan Nori, *Managing Director*



Greg Rosar, *Business Development*



David Wang, *Corporate Counsel*



Bob Dohmeyer, *SBA Valuations Banker*

Selected Transaction Experience



Thornhill Catering
has been acquired by
Vant Equity Group



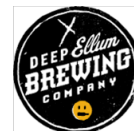
Served as the exclusive sell-side intermediary



Marketing Candy from Rose
Group Companies, LP
has been acquired by
Debby Stillabower



Served as the exclusive sell-side intermediary



Deep Ellum Brewing
Company
Valuation Services
Dallas, TX



The Vant Group provided an Opinion Letter of
Value to Deep Ellum Brewing Company

Electrical Services
Provider

****Name Redacted****

Valuation Services
Grand Prairie, TX



The Vant Group provided an Opinion Letter of
Value to electrical contracting company Keveo
Electrical Inc.



All Tech, LLC
Valuation Services
McKinney, TX



The Vant Group provided an Opinion Letter of
Value to electrical services provider All Tech, LLC



Your Opportunity Engine.

Integrity Staffing Solutions, Inc.
Valuation Services
Tyler, TX



The Vant Group provided an Opinion Letter of
Value to Integrity Staffing Solutions, Inc. for
two franchise locations in LA and TX



Ducon Construction, Inc.
dba Southwest Lath & Plaster
has been acquired by
Kihl Holdings, LLC



Served as the exclusive sell-side intermediary



Champion Life Safety
Solutions, LLC
has been acquired by
Charles "Chuck" Henderson



Served as the exclusive sell-side intermediary



Cantwell Power Solutions, LLC
Valuation Services
Fort Worth, TX



The Vant Group provided an Opinion Letter of
Value to backup power solutions provider
Cantwell Power Solutions, LLC

Selected Industries Represented

Professional Services

Commercial Landscape Janitorial Services	CPA Firm Website Hosting	Medical Billing IT Services	Environmental Consulting Civil Engineering Design
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Consumer Services

Call Center Pest Control	Carpet Cleaning Therapy Practice	Commercial Printer Glass Cleaning	HVAC Service Auto Services
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Manufacturing

Custom Door Pallet	Custom Glass Plastics Products	Electronics Tubular Products	Aircraft Parts & Supplies Commercial Sign
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Wholesale / Distribution

Building Supply Scrap Metal	HVACR Wholesaler Specialty Oxygen	Janitorial Supply Water Filtration	Promotional Products Wholesale Electrical
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Construction

Concrete Foundation Lathe & Plaster	Niche Construction Commercial Concrete	Pool Construction Fire Sprinkler	Stone & Masonry Supply General Contractor
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The Five Point Advantage

Seller Representation	Buyer Representation	Valuation Reports	Advisory Services	Debt Funding
<i>"We've sold 80% of our listings vs. the industry average of 38%"</i>	<i>"Our Buyer Representation goes well beyond merely deal origination"</i>	<i>"Our clients obtain 97% of their appraised price because our business valuations are built on experience"</i>	<i>"Is your business ready to be sold at the maximum value?"</i>	<i>"Growth depends on capital"</i>
<ul style="list-style-type: none"> ▪ Traditional Sale: Synergistic Corporate Buyer or Individual Buyer; financing terms vary 	<ul style="list-style-type: none"> ▪ Corporate Buyer: Increase the revenue and value of an existing business through acquisition 	<ul style="list-style-type: none"> ▪ Opinion of Value: Basic report to gauge value 	<ul style="list-style-type: none"> ▪ Business Health Assessment: Is a business ready to be sold at maximum value?; Implement TVG Advantage if necessary 	<ul style="list-style-type: none"> ▪ Buying a Business: Up to 10%+ down payment, 10-year term, 8% interest rate
<ul style="list-style-type: none"> ▪ Facilitation Sale: Buyer is identified by the seller and requires business transfer expertise 	<ul style="list-style-type: none"> ▪ Individual Buyer: Live the <i>American Dream</i> by becoming a business owner 	<ul style="list-style-type: none"> ▪ Full Business Valuation: Detailed report for exit planning, funding needs, and legal proceedings 	<ul style="list-style-type: none"> ▪ Revenue Growth and Cost-Reduction Services: Ultimately increasing bottom-line profit 	<ul style="list-style-type: none"> ▪ Starting a Business: Up to 30% down payment, 10-year term, 8% interest rate
<ul style="list-style-type: none"> ▪ Employee Buyout: Up to 10% down payment, 0%-10% owner financing, 80%-90% bank financing 		<ul style="list-style-type: none"> ▪ Accredited Business Valuation: Specialty case valuation for certain non-standard purposes 	<ul style="list-style-type: none"> ▪ Employee & Operational Effectiveness: Having all employees moving in the same direction 	<ul style="list-style-type: none"> ▪ Working / Expansion Capital: Terms based on profitability, accounts receivable, and projected revenue
<ul style="list-style-type: none"> ▪ Partner Buyout: Up to 10% down payment, 90%-100% bank financing 			<ul style="list-style-type: none"> ▪ Project-Based & Monthly Consulting: Guidance along the way to implement impactful strategies 	<ul style="list-style-type: none"> ▪ Owner-Occupied Real Estate: Up to 10% down payment, 25

The Vant Group Difference

Experienced in the Art of Business Transfer

- TVG Longevity and high number of closed transactions

Entrepreneurial Mindset

- Buying and selling for our own portfolio for over 20 years

Proactive Approach

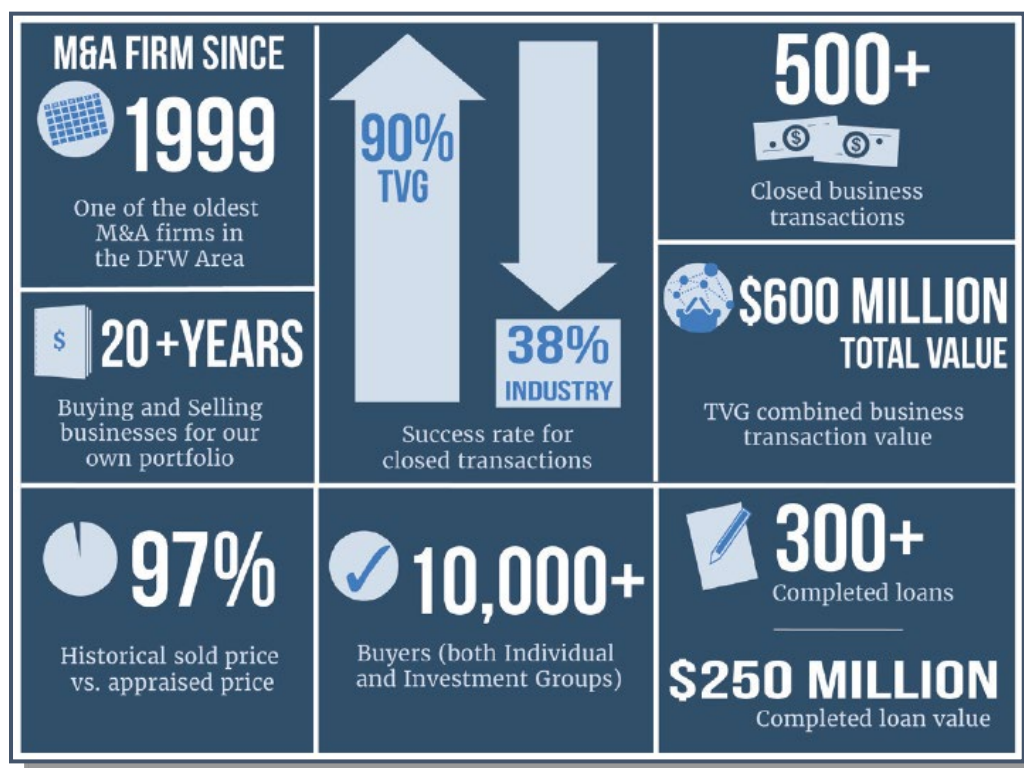
- Anticipating and eliminating “deal killers” before they happen

Proven Methodology

- Systematic approach throughout the entire process

Relationship Driven

- Extensive relationships with buyers, bankers, and professional service providers



The Vant Group

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