

SAMPLE BUSINESS VALUATION REPORT

APEX BICYCLE SHOP

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PREPARED NOV. 22, 2022



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About Your Valuation Report

This dynamically driven and customized report was generated to provide the business owner, and entrepreneur, with general estimates of fair market value and liquidation value under relevant transaction conditions assumed for **Apex Bike Shop, LLC** at a fair price and in real-time. The results presented will provide the reader with estimates which reflect both the "sale of assets" and "the sale of equity" (on a going concern basis) as well as estimates which reflect the "liquidation value" and the so-called "enterprise value" of the subject company. For more specific information about business valuation, please see our About Business Valuation pages.

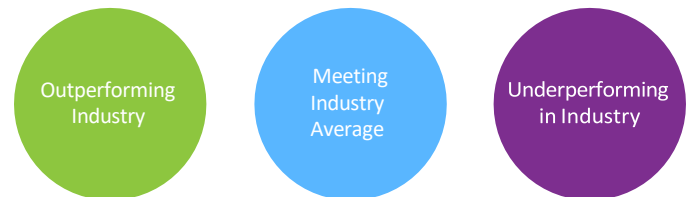
In analyzing your business, we have generated four distinct and useful estimates of value in addition to as many as 13 performance related metrics:

Asset Value	Equity Value	Enterprise Value	Liquidation Value
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Key Performance Indicators

The metrics known as Key Performance Indicators (KPIs) were calculated based on the analysis of company-specific data which you input to various industry-specific averages linked to millions of other businesses. These KPIs are useful measures of the overall financial and operational health and growth of your business, and they should be checked regularly in order to identify meaningful trends or "red flags" which require corrective action. These same measures are commonly utilized by business coaches, financial professionals and potential business acquirers in a variety of real-world settings.

Throughout this valuation, the following color system is used to denote business performance:



Neri Capital Partners, founded in 2006, provides Investment Banking and Mergers and Acquisition Services throughout the United States. To date, our firm has completed over 700 business valuations and closed over 165 Sell-side and Buy-side Business Transactions.

About Business Valuation

In understanding and interpreting the "value" of a business, it is important to recognize that there are many different "types" and "levels" of value. The most common scenario involves the estimation of "fair market value on a going concern basis" for the entire company, e.g., a 100% interest in the subject equity or assets/enterprise.

Fair Market Value

(International Glossary of Business Valuation Terms)

The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

Going Concern

An ongoing operating business enterprise.

Liquidation Value

The net amount that would be realized if the business is terminated and the assets are sold piecemeal. Liquidation can be either "orderly" or "forced."

When valuing the entire company (100% control interest), it is necessary to distinguish between the value of "assets" (asset deal) and the value of "equity" (stock deal). In practice, privately owned and operated businesses are either sold on an "asset sale basis" or an "equity sale basis," with the purchase agreement reflecting each scenario's unique aspects.

A variety of factors will determine the chosen type of sale, with buyer and seller negotiating price and an array of other "terms and conditions," including the type of sale.

The majority of small private firms are sold as an asset sale, while the majority of lowermiddle-market transactions involve the sale of equity.

The "asset sale" value will always differ from the "stock sale" value due to the specific group of assets and liabilities that are included or excluded in each format.

In determining which estimations of value are of most relevance to the business owner, the reason behind the valuation will typically address this question. Business brokers hired to assist buyers and owners most commonly value businesses under the "asset sale" scenario through multiples of discretionary earnings while valuations for divorce or estate taxes will be based primarily on the "equity sale" scenario.

About Business Valuation *(continued)*

The general differences between the asset and equity transaction structure is:

Asset Sale (Asset Value)

Includes ONLY inventory/supplies, fixed assets and all intangible assets. Excludes all liquid financial assets and all liabilities. Buyer operates from newly formed legal entity.

Equity Sale (Equity Value)

Includes the assets listed above PLUS liquid financial assets LESS all liabilities (ST/LT). Involves the full transfer of the legal entity including all account balances and current tax attributes.

Naturally, the "value" associated with these two distinct transactions can be substantially different. In practical terms:

Asset Sale

The seller keeps the cash and receivables but delivers the business free and clear of all debt.

Equity Sale

The buyer is acquiring ALL the assets and liabilities, on and off the balance sheet.

In the "real world", there are many variations in these basic structures, e.g., an asset sale might include accounts receivable, or an equity sale might exclude long-term debt, etc. The values provided in this report are stated in terms of the baseline case as defined above. They are both "fair market value on a going concern basis" estimates, but one reflects the asset sale, and one reflects the equity sale.

Enterprise Value

In middle-market transactions, it is also helpful to distinguish between "equity value" and "enterprise value". Enterprise value is a reflection of the firm's value as a functioning entity, and it is helpful in that it facilitates the comparison of companies with varying levels of debt.

Which Business Value Conclusion is Most Important?

The answer to this question depends chiefly upon the purpose of the valuation engagement. If you are negotiating the sale/purchase of a business via an asset sale, then it is the asset value that is most relevant. If you are filing an estate/gift tax return, the equity value is the most important. Equity and enterprise value will be useful when evaluating lower middle-market companies for M&A purposes. If your business is rapidly deteriorating and you are contemplating a reorganization, liquidation value may be most relevant.

Neri Capital Partners' Methodology

NCP Valuation Methodology

While this valuation was generated considering as many similar market sector companies, geographic locations, and specific details as provided by **Apex Bicycle Shop** as possible, the value presented in this report is an automated estimation of the Fair market value of the business and its assets and liabilities. This report may not consider some events and circumstances that might impact a specific business's overall valuation.

Valuation methods from the income, market and asset approach have been utilized to reach the valuation results for **Apex Bicycle Shop**. This report's opinion of value is based on information provided by **Apex Bicycle Shop**, and other sources. This information input is assumed to be accurate and complete. However, Neri Capital Partners has not audited or attempted to confirm this information of accuracy or completeness.

Essentially, our focus is to try to provide a proprietary but real-world oriented valuation approach for small, midsize and emerging businesses. In doing so, we include methods from the following valuation approaches utilized by professional business appraisers today:

Market Approach

This involves analyzing the recent sales of comparable businesses. In a way, this is similar to how residential real estate is valued, i.e., the firm is valued by way of "market comps".

Income Approach

The income approach methods seek to transform measures of profits or cash flow into estimates of value by way of multiples, capitalization rates and discount rates.

Rules-of-Thumb

These are simple but often powerful valuation methods that are utilized by market participants on a regular basis. Some business types are bought and sold almost exclusively by way of these "industry-specific" rules of thumb.

Your Valuation

APEX BICYCLE SHOP, LLC

Industry: 45111 - Sporting Goods Stores

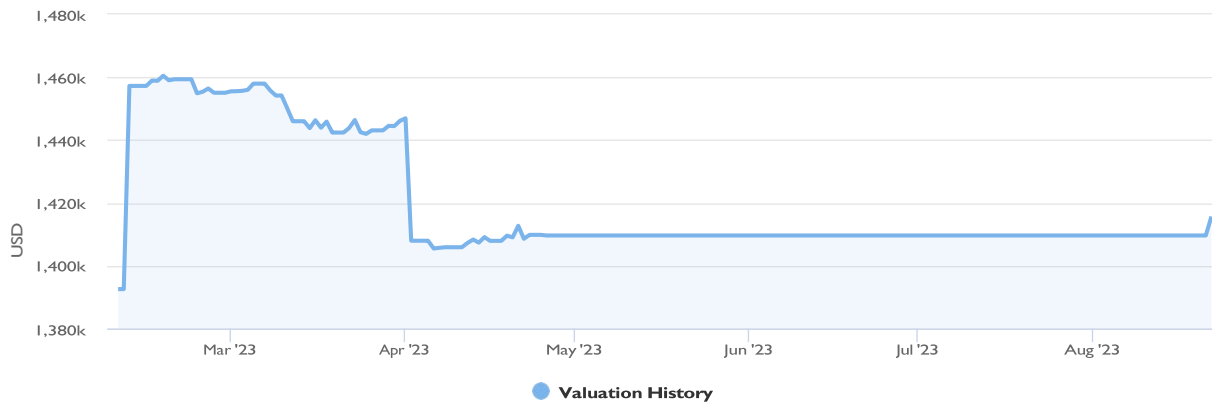
Equity Value *(Latest Valuation)*

\$1,415,676

This fair market value conclusion is the value of the company available to its owners or shareholders and incorporates all the assets included in the "asset value" plus the firm's liquid financial assets (cash, A/R, deposits, etc.) and minus its liabilities (ST and LT)

Valuation History

Valuation History



Asset Sale Value

\$1,781,803

This common transaction-oriented fair market value conclusion includes the firm's inventory, furniture, fixtures and equipment and all intangible assets ranging from customer base to goodwill.

Enterprise Value

\$1,280,473

This fair market value estimate is equal to the "total value of the firm" or the value of the firm's equity plus its long-term debt, e.g., it reflects the value of the entire capital structure (equity holders and debtholders) or "enterprise".

Liquidation Value

\$757,227

The liquidation value conclusion is based on the key assumption of insolvency and the immediate sale of all assets (on or off the balance sheet) at or near "fire sale" level coupled with the nearly simultaneous retirement of all liabilities. This figure does not include accounts receivable.

Financial Summary

APEX BICYCLE SHOP, LLC

2022

Income

Revenue

\$3,942,470

Pretax Income

\$182,982

Officer Compensation

\$293,567

Interest Expense

\$0

Non-Cash Expenses

\$5,018

One-Time Expenses

\$0

One-Time Revenues

\$0

Assets

Cash

\$135,203

Accounts Receivable

\$0

Inventory

\$1,601,984

Other Current Assets

\$41,837

Fixed Assets

\$112,800

Intangible Assets

\$0

Liabilities

Accounts Payable

\$449,641

Other Short-Term Liabilities

\$96,477

Bank Loans

\$0

Other Long-Term Liabilities

\$0

Contingent Liabilities

\$0

Financial Summary (Yearly)

APEX BICYCLE SHOP, LLC

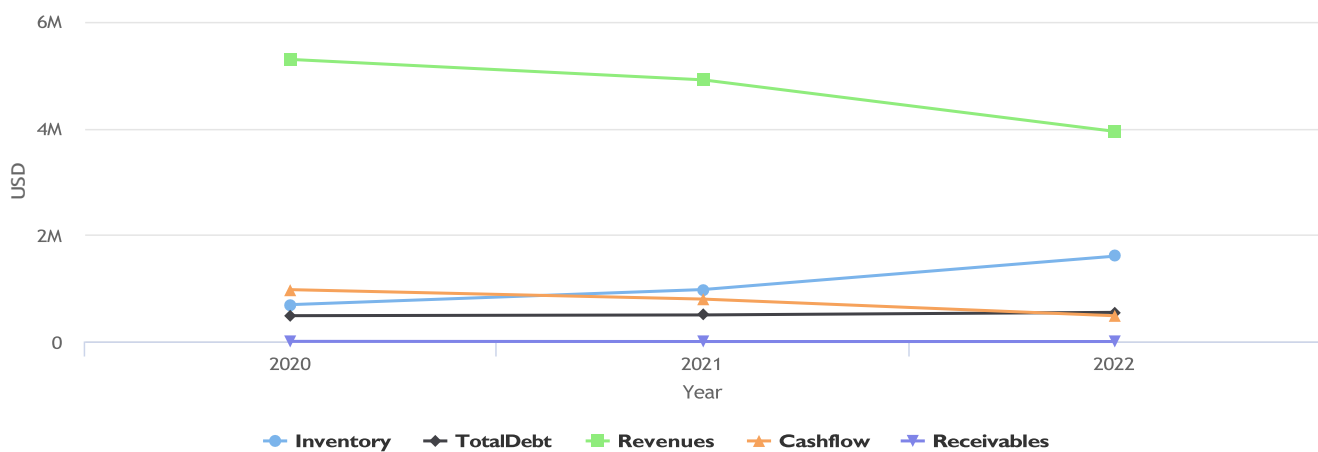
		2022	2021	2020
Income	Revenue	\$3,942,470	\$4,911,084	\$5,294,205
	Pretax Income	\$182,982	\$423,246	\$592,718
	Officer Compensation	\$293,567	\$345,617	\$293,750
	Interest Expense	\$0	\$0	\$0
	Non-Cash Expenses	\$5,018	\$26,323	\$85,590
	One-Time Expenses	\$0	\$0	\$0
	One-Time Revenues	\$0	\$0	\$0
Assets	Cash	\$135,203	\$567,054	\$653,410
	Accounts Receivable	\$0	\$0	\$1,503
	Inventory	\$1,601,984	\$974,474	\$691,173
	Other Current Assets	\$41,837	\$56,480	\$31,728
	Fixed Assets	\$112,800	\$112,800	\$149,000
	Intangible Assets	\$0	\$0	\$0
Liabilities	Accounts Payable	\$449,641	\$395,481	\$261,696
	Other Short-Term Liabilities	\$96,477	\$102,131	\$222,014
	Bank Loans	\$0	\$0	\$0
	Other Long-Term Liabilities	\$0	\$0	\$0
	Contingent Liabilities	\$0	\$0	\$0

In order to better understand your company’s operations, we have calculated a variety of Key Performance Indicators (KPIs) for your review and comparison to industry benchmarks. In terms of valuation outcomes for your firm, key factors include size, profitability, and growth.

The next three pages provide an Overview of KPIs; the subsequent group of pages go into further detail about individual Indicators.

Cash Flow-to-Revenue	12%
Cash-to-Revenue	3%
Receivables (Conversion)	N/A
Inventory-to-Revenue	41%
Fixed Assets-to-Revenue	3%
Total Debt-to-Revenue	14%

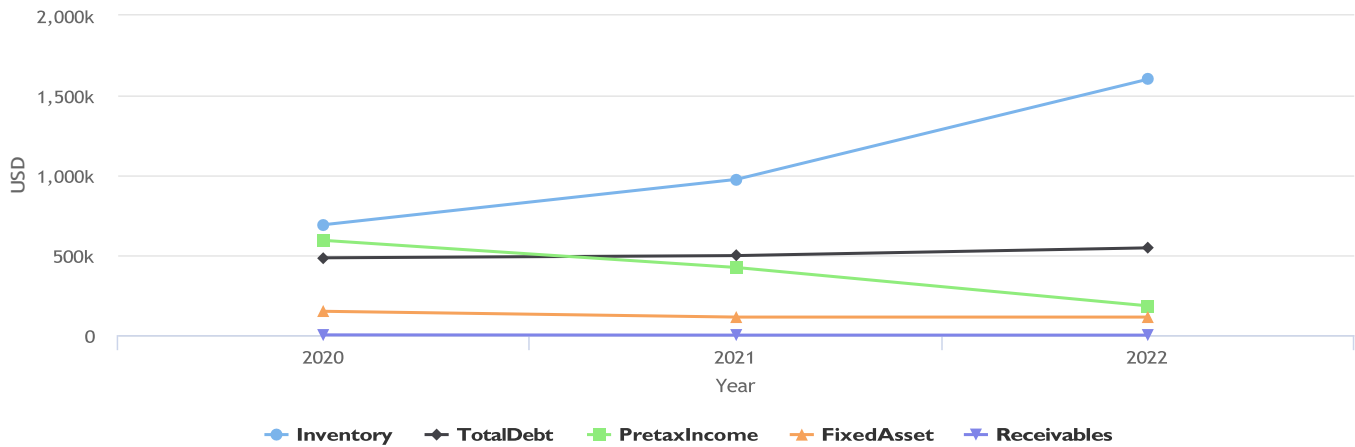
Financial Metrics Compared to Revenue



This chart shows you Pre-tax Income in comparison to some key financial items.

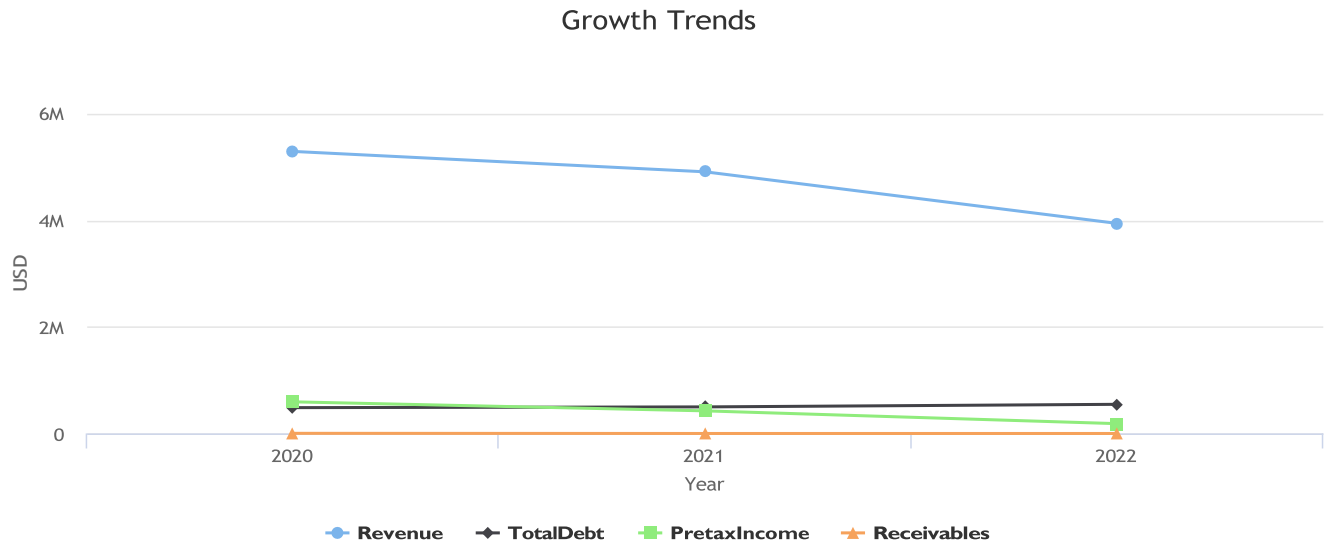
Receivables-to-Income (Pre-Tax)	N/A
Inventory-to-Income (Pre-Tax)	875%
Fixed Assets-to-Income (Pre-Tax)	62%
Total Debt-to-Income (Pre-Tax)	298%

Financial Metrics Compared to Pretax Income



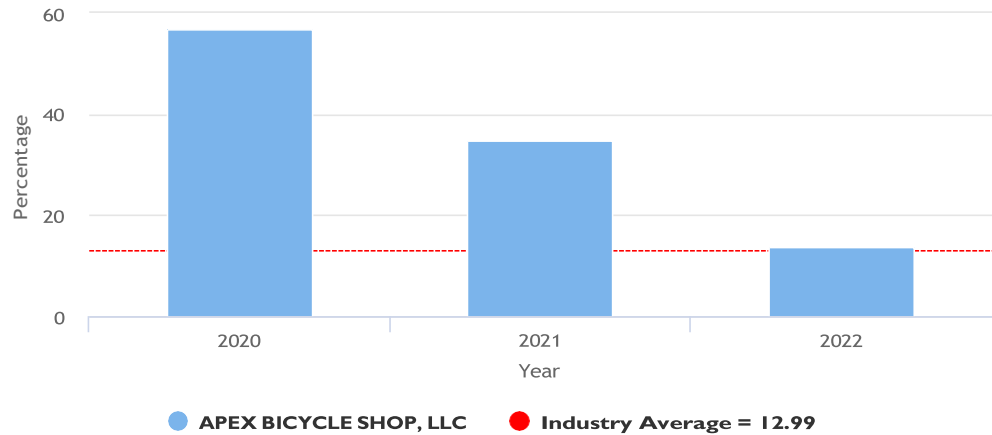
With this chart, you can get an indication of the growth trends of the important drivers of the valuation of your business.

Growth Trends of Drivers of Valuation





Meeting Industry Average



Return on Equity (ROE) Over Time

RoE compares profitability to the equity value of a company. Indication of the strength of the business model.

Year	%	Under-Performing	Industry Average	Out-Performing
2022	14%	●		
2021	35%			●
2020	57%			●

What does it mean?

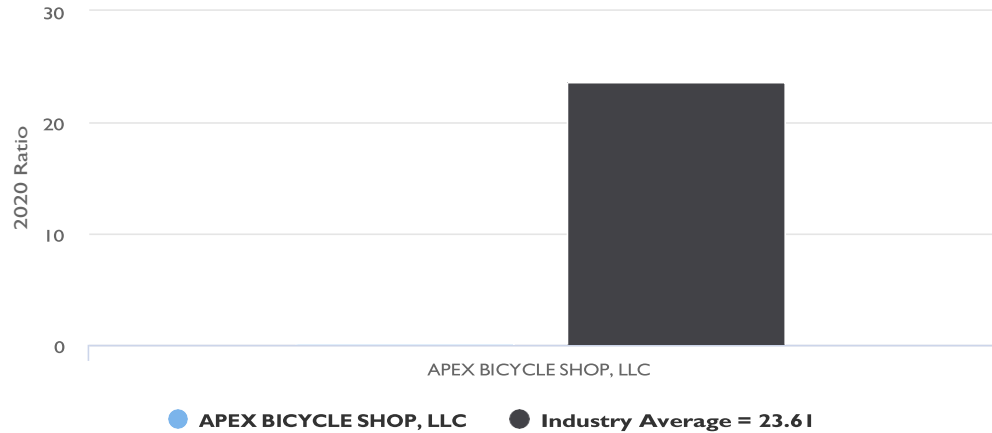
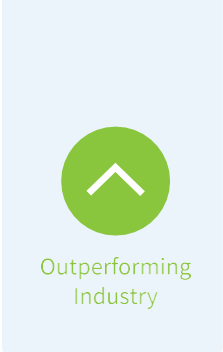
This is the amount of net income generated as a percentage of shareholder's equity. Return on Equity (ROE) measures a company's profitability by depicting how much profit a company generates with money shareholders have invested.

Why should it matter?

ROE is a universal and very useful measure to compare a company's profitability to that of its peers in the same industry. High growth companies tend to have a high ROE.

Give me an example.

If an E-Commerce company has an ROE of 0.48 this means it generates 48 cents in net income for every \$1 the shareholder has invested.



Receivables (Conversion) Over Time

Increases over time could signal difficulty in collecting from customers.

Year	Days	Under-Performing	Industry Average	Out-Performing
2022	N/A			
2021	N/A			
2020	1			●

What does it mean?

The time period shows the number of days it takes a company to collect its accounts receivables.

Why should it matter?

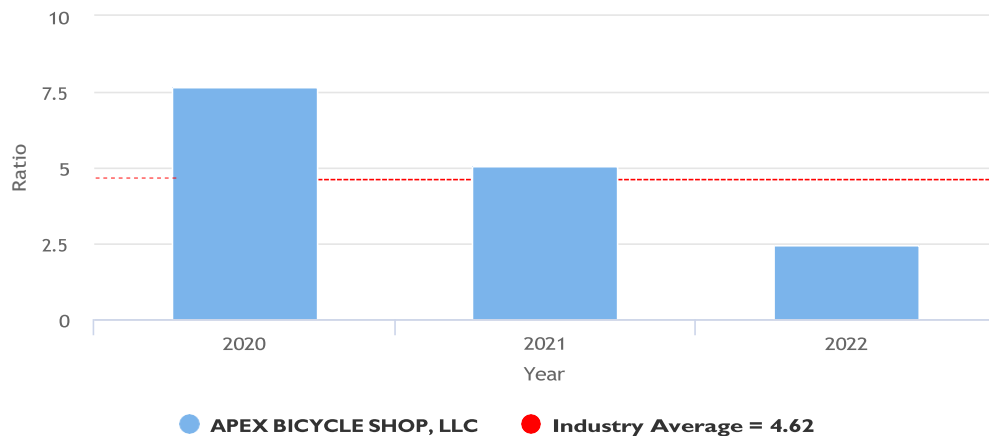
A lower time period indicates that a company relies mainly on cash or is efficient in imparting credit and collecting its debts. On the other hand, a higher time period could mean some inefficiency in collecting the account receivables and require a review of the current credit and collections policies of the company. The quicker receivables are collected, the sooner cash is available to meet other business needs (thereby reducing the need to borrow funds).

Give me an example.

If a lumber wholesaler has a receivables conversion of 24 days, it means it takes 24 days on average to collect its account receivables. If the firm's credit terms are "net 30 days", this would be considered a positive result.



Underperforming
in Industry



Inventory Turnover Over Time

How long it takes to sell inventory on hand.

Year	Ratio	Under-Performing	Industry Average	Out-Performing
2022	2.461	●		
2021	5.04		●	
2020	7.66			●

What does it mean?

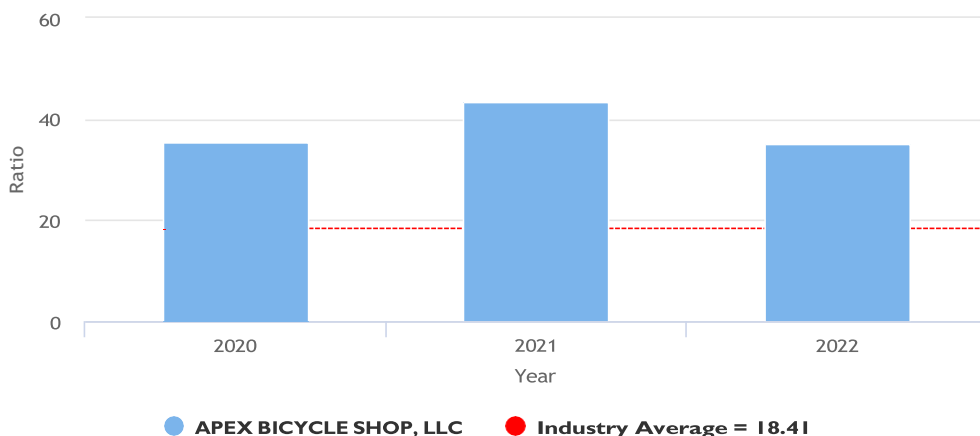
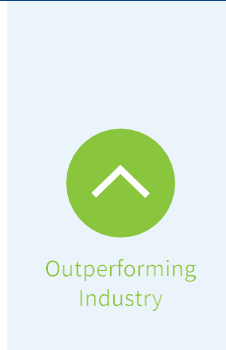
This activity or "turnover" ratio addresses how efficiently goods are sold by calculating how many times a company's inventory is sold and replaced in a given time period.

Why should it matter?

A lower ratio could mean poor sales and excessive inventory, possibly due to pricing policies. A higher ratio may indicate a too narrow selection of products and possibly lost sales. Companies selling perishable goods have a very high inventory turnover. Keeping inventory balances to a minimum will reduce costs but may reduce sales volume.

Give me an example.

If a soda manufacturer had an inventory turnover of 5.7, this means it sold all of its average inventory 5.7 times each year.



Fixed Assets Turnover Over Time

Shows how productive a company's assets are.

Year	Ratio	Under-Performing	Industry Average	Out-Performing
2022	34.951			●
2021	43.538			●
2020	35.532			●

What does it mean?

This activity ratio shows the company's ability to generate net sales from their investments in fixed assets.

Why should it matter?

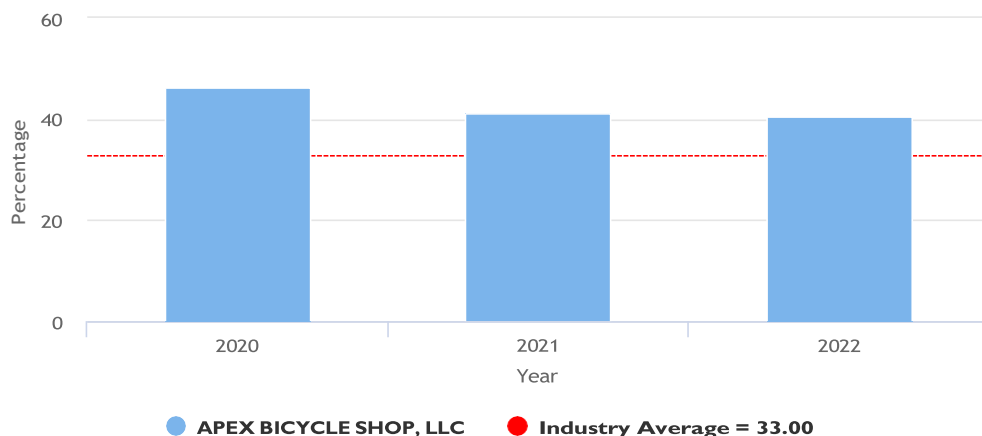
A higher ratio shows productive fixed asset investment. This ratio is more vital and useful to the manufacturing industry.

Give me an example.

If a manufacturing company had a fixed asset turnover of 3.8, this means the company generated sales worth \$3.8 for every \$1 of investment in fixed assets.



Underperforming
in Industry



Debt-to-Equity Over Time

Shows the extent of the debt load, in comparison to a company's equity value.

Year	%	Under-Performing	Industry Average	Out-Performing
2022	41%	●		
2021	41%	●		
2020	46%	●		

What does it mean?

This solvency ratio is a function of the firm's "capital structure" (all assets must be financed by either debt or equity) and provides a measure of the company's financial leverage. It often takes into account the total liabilities of the company while some versions include only long-term debt. It indicates the proportion of equity (owner investments and retained profits) and liabilities the company is using to finance its asset base.

Why should it matter?

A higher ratio generally means that the company has been aggressive in financing its growth with debt and the creditors are assuming a higher risk. A lower ratio generally indicates that the company is "safer" (better equipped to withstand an economic downturn) due to lower mandatory principal and interest payments, but it may also suggest an overly cautious ownership. Capital intensive industries tend to have a higher debt to equity ratio than others.

Give me an example.

If a machinery manufacturer has a ratio of 2.8. This means that for every \$1 owned by the shareholders the company owes \$2.8 to its creditors

*The interest coverage chart is not available.
Additional Interest Coverage data is needed to generate this chart.*

Interest Coverage Over Time

Shows how much cushion a company has in paying its interest expenses.

Year	Ratio	Under-Performing	Industry Average	Out-Performing
2022	N/A			
2021	N/A			
2020	N/A			

What does it mean?

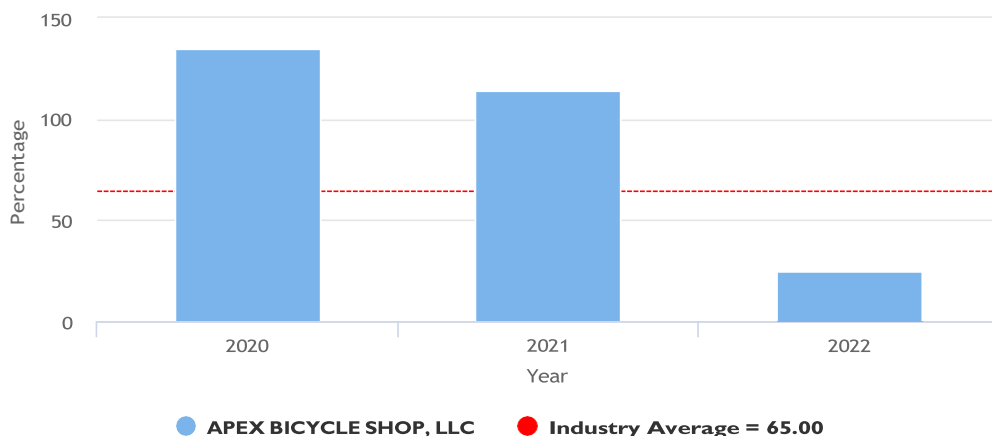
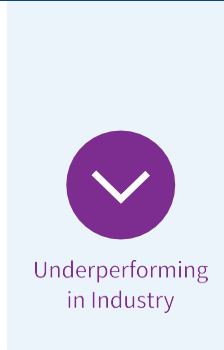
Also referred to as “times interest earned”, this solvency ratio is equal to earnings before interest and taxes (EBIT) divided by interest expense, and it is used to determine the ease by which your company can pay interest on outstanding debt obligations.

Why should it matter?

A lower ratio may cast doubt on the company’s ability to meet ongoing principal and interest burdens. The higher the ratio, the easier it is for the firm to repay its current debt and take on additional debt if necessary. Bankers, creditors and even investors often calculate and analyze this ratio to gauge the firm's solvency position. Similar to most ratios, averages will differ by industry.

Give me an example.

If a software company has an interest coverage ratio over 2 times, this suggests that it has the ability to meet its interest payments two times over and may qualify for additional debt.



Cash-to-Debt Over Time

Shows the ability to pay off existing debts.

Year	%	Under-Performing	Industry Average	Out-Performing
2022	25%	●		
2021	114%			●
2020	135%			●

What does it mean?

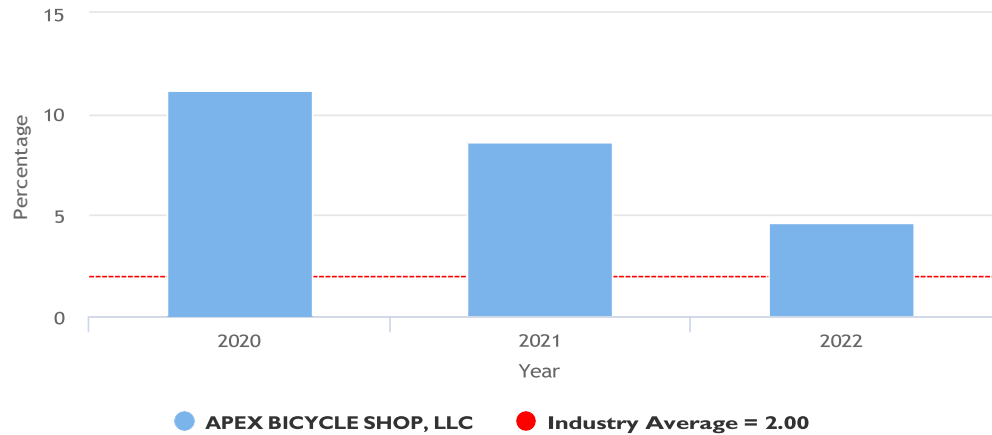
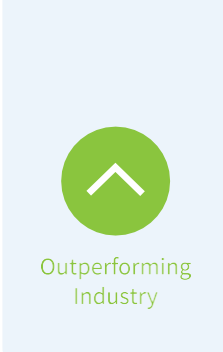
This solvency ratio compares a company’s operating cash balance to its total debt. This ratio provides an indication of the company’s ability to cover total debt (ST and LT) with its operating cash holdings.

Why should it matter?

A higher percentage ratio indicates that the company is better equipped to carry and service its total debt. A high ratio may also indicate “excess cash” or “excess net working capital” which could be returned to the shareholders or invested in new equipment or other avenues for expansion. A low ratio could signal future difficulties in servicing debt or even meeting payroll or vendor obligations.

Give me an example.

If a furniture store has a ratio of 74% this means that for every \$1 of debt, it has 74 cents in liquid holdings which could be used to service this debt.



Income-to-Revenue Over Time

A rising percentage will often lead to a higher valuation.

Year	%	Under-Performing	Industry Average	Out-Performing
2022	5%			●
2021	9%			●
2020	11%			●

What does it mean?

This “pretax” profitability ratio known as “return on sales” indicates the relative profit margin of the company for each dollar of sales.

Why should it matter?

Similar to the return on equity ratio, a higher percentage ratio indicates a higher rate of relative profitability. Unlike the return on equity ratio, this measure is “pretax” in nature and is not affected by the actual tax burden. Higher gross profits and lower operating expenses coupled with higher revenues will bolster this important metric, which can be compared both over time and against the industry peer group.

Give me an example.

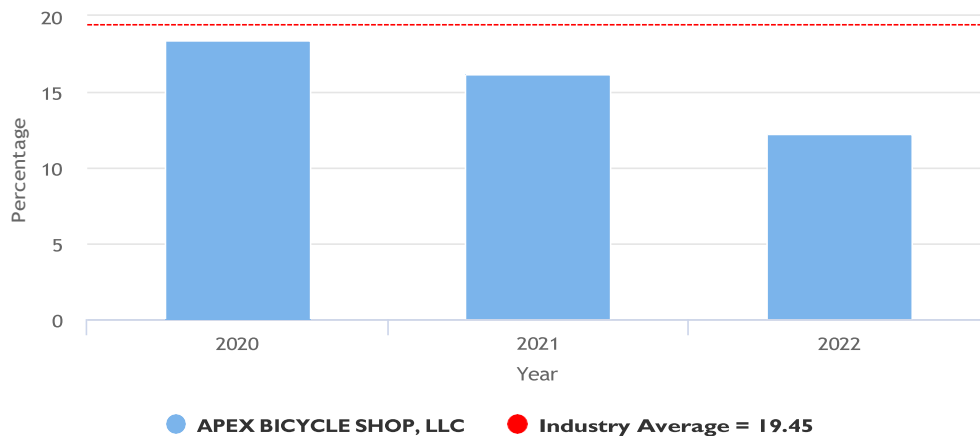
If a convenience store has a percentage ratio of 17%, this means that for every \$1 of revenue it has a pretax income of 17 cents.

KPIs: Cash Flow-to-Revenue

APEX BICYCLE SHOP, LLC



Underperforming
in Industry



Cash Flow-to-Revenue Over Time

A rising percentage will often lead to a higher valuation.

Year	%	Under-Performing	Industry Average	Out-Performing
2022	12%	●		
2021	16%		●	
2020	18%		●	

What does it mean?

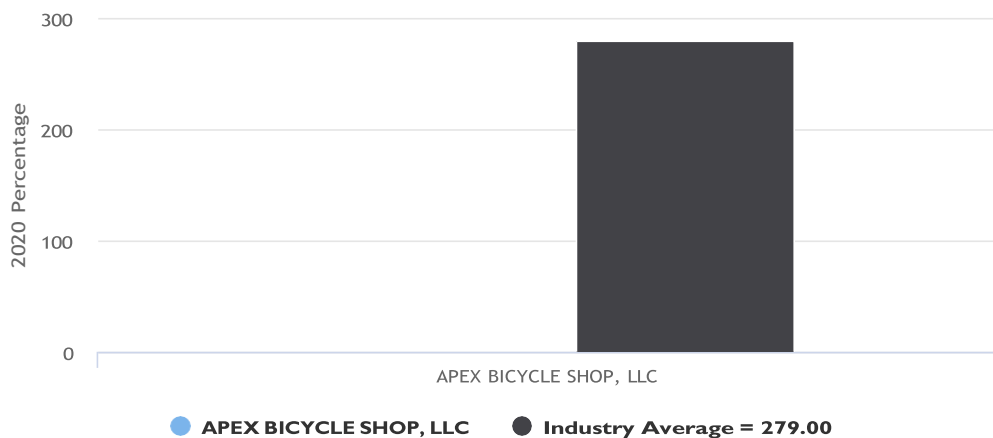
This multi-purpose ratio is an indicator of the firm's ability to convert sales revenue into spendable cash for the ownership. Often times this is a key measure when analyzing a company's ability to grow without the assistance of outside capital.

Why should it matter?

A higher percentage ratio indicates that company is able to turn a higher amount of revenues into cash flow.

Give me an example.

If a winery has a percentage ratio of 11%, it means for every \$1 of revenue it is generating around 11 cents in discretionary cash flow.



Receivables-to-Income Over Time

Year	Ratio	Under-Performing	Industry Average	Out-Performing
2022	N/A			
2021	N/A			
2020	0%			●

What does it mean?

This measure provides an indication of the amount of credit being granted to the customer base relative to ongoing profits.

Why should it matter?

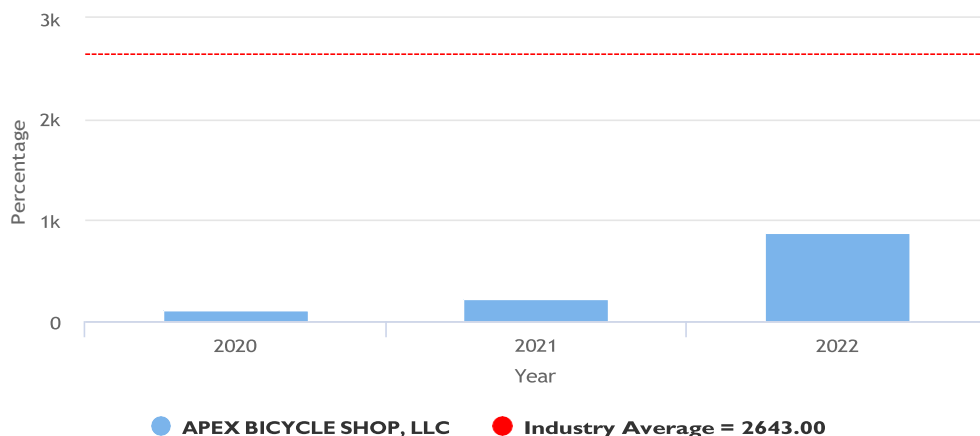
If the receivables are greater than pretax profit, the importance of establishing and maintaining an effective and efficient credit, billing and collections process is heightened.

Give me an example.

A company with \$100K in receivables and \$100K in pretax profit must collect all receivables to maintain the firm's profit margin.



Outperforming Industry



Inventory-to-Income Over Time

Year	Ratio	Under-Performing	Industry Average	Out-Performing
2022	875%			●
2021	230%			●
2020	117%			●

What does it mean?

This ratio illustrates the relative importance of inventory holdings (typically carried at a lower cost or market) to company profitability.

Why should it matter?

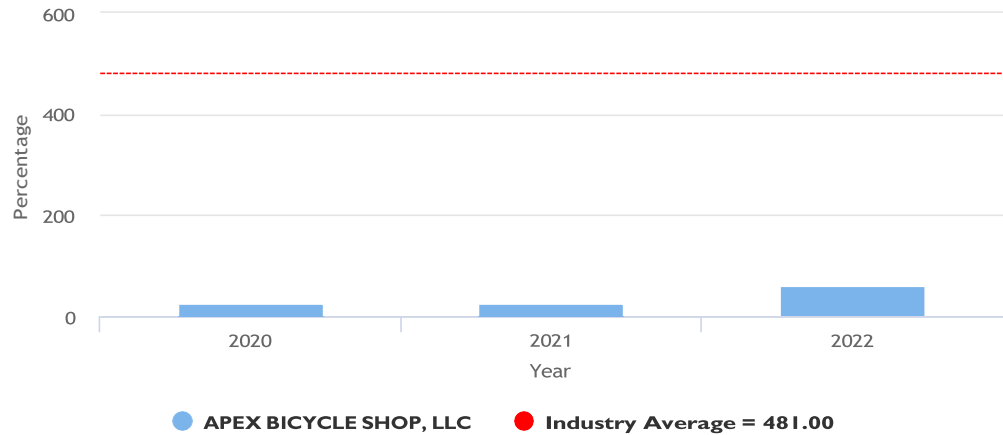
For retail and manufacturing firms in particular, inventory is one of the factors that you can control to improve your small business profitability. The way that inventory is sourced and managed can impact the different profit levels of your income statement. Ignorance of how to use inventory to your advantage prevents you from maximizing operational efficiency.

Give me an example.

Over time, the goal might be to decrease this ratio, e.g., generate higher pretax profit with lower average inventory holdings.



Outperforming Industry



Fixed Assets-to-Income Over Time

Year	Ratio	Under-Performing	Industry Average	Out-Performing
2022	62%			●
2021	27%			●
2020	25%			●

What does it mean?

This ratio provides insight into the firm's profitability relative to its stock of fixed assets (furniture, fixtures and equipment/vehicles).

Why should it matter?

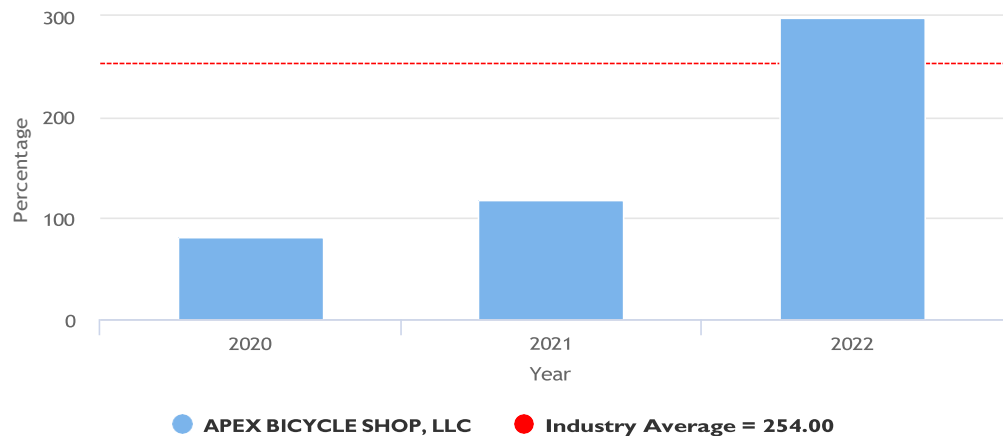
All other things equal, the firm seeks higher pretax profits for each dollar invested into fixed assets. As this ratio declines, the company is generating higher profits per dollar of capital expenditure.

Give me an example.

A ratio greater than one suggests that more money has been invested into capital assets than profits have been generated. This and other ratios should be reviewed "over time" and against industry norms.



Meeting Industry Average



Total Debt-to-Income Over Time

Year	%	Under-Performing	Industry Average	Out-Performing
2022	298%	●		
2021	118%			●
2020	82%			●

What does it mean?

This measure shows the relationship between total company obligations at any point in time (short- and long-term debt) and ongoing profit performance.

Why should it matter?

Firms with high debts relative to pretax profits are often riskier than those with lower total debts. At the same time, some companies rely on the use of debt to grow and enhance profit margins (when the return on investment of borrowed funds is greater than the cost of borrowing). From a valuation perspective, firms with lower debts and higher pretax profits will be worth more than those with higher debts and lower profits (all other things equal).

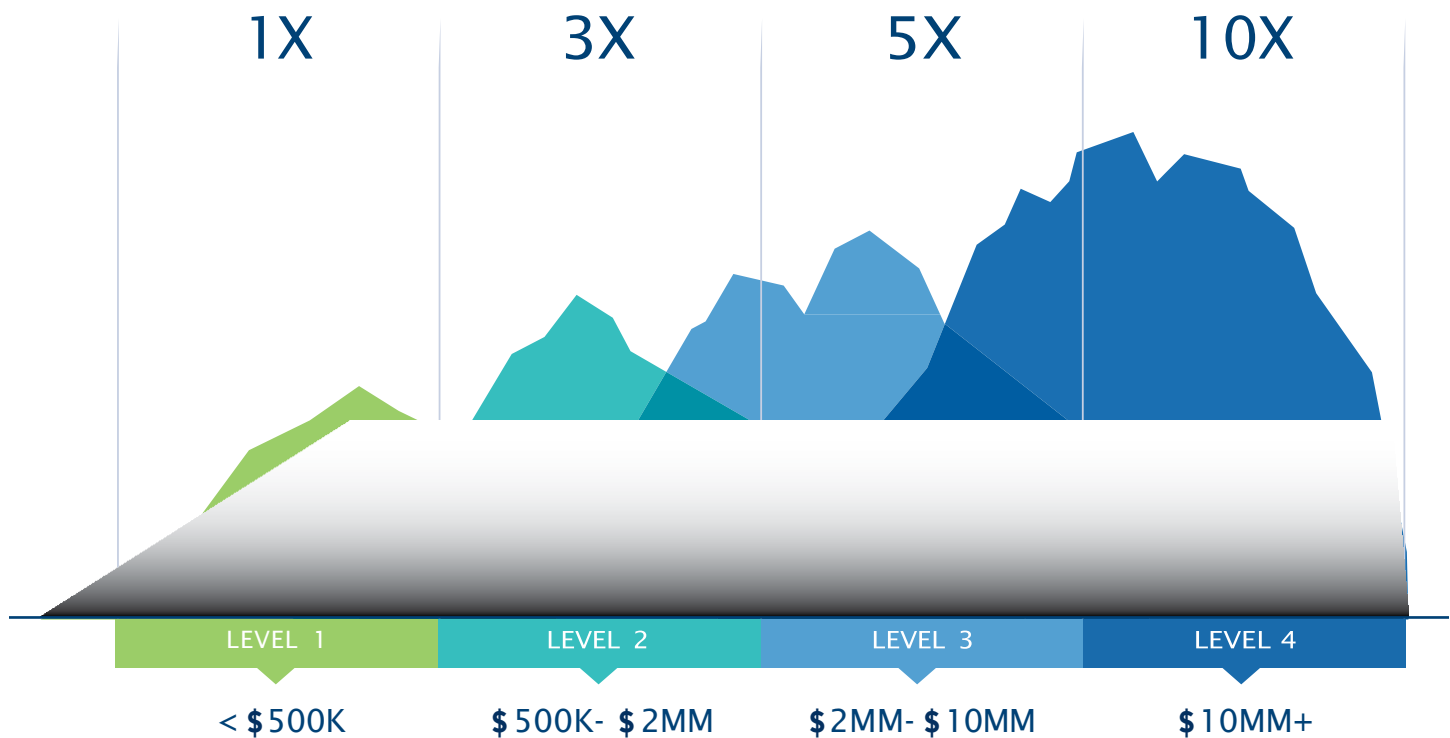
Give me an example.

If total debts are \$100K and total pretax profits are \$50K, it would take two years to pay off debts out of ongoing profits.

Value Map

Exponential Business Value

Businesses of all types and sizes get business valuations because they are interested in discovering what their most valuable asset is worth. Taking this first step is a critical one, but only the first. Having “discovered” the business value, the next steps towards proactively managing value involve monitoring and optimizing the value of your company.



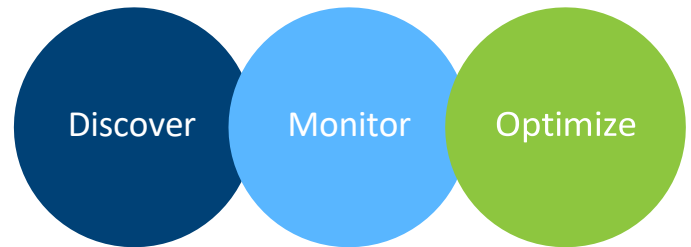
Our goal is to help entrepreneurs “climb the valuation mountain” illustrated above to the highest level possible by internalizing certain key valuation and operational concepts associated with discovering, monitoring and optimizing business value. Every business will go through stages of development and hopefully growth, and we want to help in this process. Once the basics of business valuation are understood, the path towards enhancing value will become clearer and more “real” in the eyes of the owner.

One central theme that is as simple as it is essential concerns the so-called "size effect" or "size premium." Neri Capital Partners have found that companies with higher revenues and earnings are worth more than their smaller counterparts. The above graph is for illustrative purposes only, but generally, achieving valuation growth is possible due to the dual impact of higher earnings, e.g., higher earnings will directly increase value at any multiple, and higher earnings will alone lead to a higher valuation multiple.

About Neri Capital Partners

Democratizing Business Valuation Knowledge

Neri Capital Partners recommends entrepreneurs discover, monitor, and optimize their business value. It is arguably the most critical question about your business: *What is my business worth?*



With this Report, Neri Capital Partners trusts we have equipped you with critical valuation knowledge, that places you in a better position to:

- Pursue growth initiatives.
- Secure financing.
- Attract and reward talent.
- Cultivate high-impact partnerships.
- Ensure proper credit and risk managements.
- Market your Business

On the strength of Neri Capital Partners utilizing a leading business valuation engine, you are able to maximize what **Apex Bicycle Shop** is worth.

The Valuation Tool and system was conceived and constructed by a leading financial institution and improved upon the leaders in the accounting, finance, venture capital and technology arena.

With over 50 patents pending or granted, our algorithmic engine valuation system enables lower mid-market, micro-cap and small businesses to have their businesses valued for an affordable cost.

Next Steps

Where are you on your journey?

We trust that you found your Business Valuation Report to be an informative resource. The aim of this report is to provide guidance for growing companies as they evolve and take steps to elevate their performance results.

No matter where you may be today, this Report can probably help you get closer to your vision:

- If you're in the early stages of your company's life, perhaps you need to expand your capabilities and reach via marketing, intellectual property advisory, benefits and tax consulting.
- If your business is established and nearing a turning point, maybe you seek legal representation, strategic partners and/or growth funding.
- If the company is already a substantial success with a critical mass of business, we can help you formulate and/or pursue a smart exit strategy.

Regardless of the stage of your business, Neri Capital Partners has very experienced advisors that provide privately held and family-owned businesses the following services:

- Strategic consulting/Planning.
- Project Financing.
- Bus-side Advisory.
- Sell-side Advisory.
- Business Search Services.
- Exit Planning.

Apex Bicycle Shop Comprehensive Business Valuation is market accurate since Neri Capital Partners utilizes over 24 relevant data sources.



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