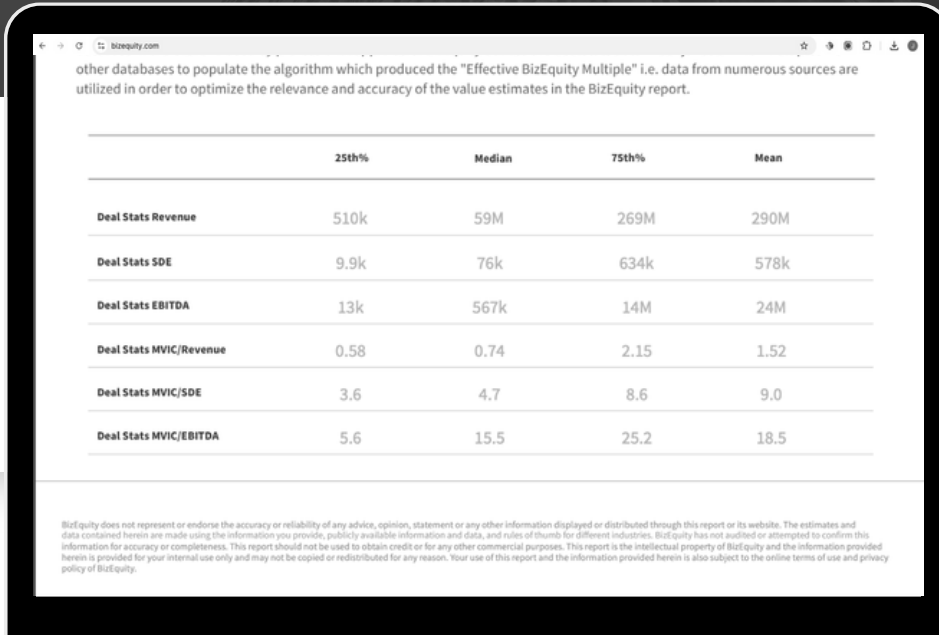


Integration Overview BVR's DealStats



other databases to populate the algorithm which produced the "Effective BizEquity Multiple" i.e. data from numerous sources are utilized in order to optimize the relevance and accuracy of the value estimates in the BizEquity report.

	25th%	Median	75th%	Mean
Deal Stats Revenue	510k	59M	269M	290M
Deal Stats SDE	9.9k	76k	634k	578k
Deal Stats EBITDA	13k	567k	14M	24M
Deal Stats MVIC/Revenue	0.58	0.74	2.15	1.52
Deal Stats MVIC/SDE	3.6	4.7	8.6	9.0
Deal Stats MVIC/EBITDA	5.6	15.5	25.2	18.5

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New DealStats page added to the BizEquity Report

Further Your Conversation With DealStats Multiples

This new feature provides advisors/owners with additional perspective on “what the market has been or may be” in the form of multiples taken directly from the largest/fastest growing transaction database in the US. Figures for revenues, SDE and EBITDA are provided at the 25th, median and 75th percentiles (along with the mean) for all metrics including their corresponding multiples.

This data is helpful for identifying market tendencies such as the range from the low end to the high end for each available industry classification. It should be stressed that for the majority of industries and sizes, it is the SDE-related multiples which are the most reliable for purposes of assessing a probable range. As mentioned, the metric SDE is most reliable and consistent from low to high due to the impact of owner compensation on the vast majority of reported transactions.

Background

About the BizEquity Algorithm and Report

The BizEquity algorithm is populated with industry-specific and size-adjusted “base” multiples of both revenues and seller’s discretionary earnings(SDE), around which the data entered via the proprietary 7-Step tool shapes the actual final “effective” multiple applied to generate the so-called “asset sale value”.

This asset sale value is the foundational estimate of value which is adjusted to account for the firm’s unique balance sheet position in the form of liquid financial assets versus liabilities, i.e. the “equity value” is equal to the asset sale value plus the value of financial assets like cash and receivables and minus the value of financial obligations such as accounts payable and bank loans.

All other things equal, a higher asset sale value will correspond to a higher equity value, enterprise value and liquidation value.

BizEquity Base Multiples

As noted, these “small, medium and large” multiples represent the “size effect”. As the magnitude of SDE rises, so too does the “average” multiple paid (this relationship also generally applies to revenue multiples). Main street companies may fetch 2 to 4 times SDE versus middle-market firms at 5 to 8 times or more (larger public firms sell for 25 times profits).

In utilizing market-based multiples to value private firms, the metric known as “discretionary earnings” is generally the most relevant and accurate metric for owner-operated businesses.

The aforementioned “size effect” visavis SDE has been formally documented with near absolute consistency across all transaction databases including BVR’s DealStats.

Background ctd.

For some industries and larger companies, multiples of EBITDA (earnings before interest, taxes, depreciation and amortization) may be more relevant – but these multiples are often skewed by the presence of low EBITDA firms selling for high effective multiples. Certain other industries may be optimally gauged by revenue multiples such as smaller insurance agencies, wealth advisors and bookkeeping/accounting firms.

Effective BizEquity Multiple

Although stemming from the BizEquity base multiples and reflecting the size effect, these “effective” multiples represent the various strengths, weaknesses, opportunities and threats (SWOT) gleaned by way of the 7-Step process and comparisons to industry norms. For example, if the asset sale value is found to be \$1 million and the average SDE is found to be \$250K, the “effective” multiple would be 4 times. In general, the following factors (besides industry) will push the effective multiple up or down:

- Amount of Revenues and Earnings
- Relative Profit Margins
- Revenue Growth Rates
- Company-Specific Risk Factors
- Relative Magnitude of Inventory, Fixed Assets and Intangible Assets

About BizEquity

BizEquity's mission is to democratize business valuation knowledge for every business owner in the world and for the advisors who serve them. Through our patented Valuation-as-a-Service (VaaS™) software platform, BizEquity makes business valuation knowledge accessible to millions of businesses worldwide. With the largest online business valuation cloud-based software product and service, and an extensive database, BizEquity's patented platform is used by over 2000+ financial services firms and 4,000 advisors, including TD Bank, UBS, Morgan Stanley, and PNC.