BUSINESS VALUATION REPORT

Thank you for using Bafoeval.com as a partner for your business valuation. Whether you are considering acquiring a new business, selling an existing business or simply want an idea of a business' worth, we are happy to provide you with an independent valuation.

But before we jump in, could you please take a moment to read and agree to the fine print at the end of this report. Done? Ok, lets get started!

There are three commonly used approaches to business valuation. In most cases Bafoeval.com uses a combination of these to arrive at the most realistic price band. They are: 1. **Asset Based** , 2. **Earning Based** and 3. **Market Based**. Here we provide a brief description of each and how they can be used in combination to provide an estimate of what your business is really worth.

1. Asset Based

The basic idea of the Asset Based assessment approach is to calculate the cost in today's market to re-create yourbusiness from scratch. There is some level of judgement involved to accurately determine the "fair market value' (or FMV) of all the company's assets. For example, if we are using an Asset Based approach to valuate a non-franchised coffee shop that operates within a leased space, the estimated value of the business will include the replacement value of the coffee-making equipment, inventory, furniture, and (probably) leasehold improvements.

A major limitation of the Asset Based approach is that it completely ignores the value of the business as a going-concern. Whether the coffee shop is generating $100,000 or $1,000,000 in profit, the valuation is the same. Because of this lack of consideration, an Asset Based approach does not provide an accurate valuation for most businesses. As such, this method has limited usefulness in our valuation process.

2. Earning Based

This approach recognizes that the true value of a business lies in its ability to generate future wealth for its owners. With this in mind, the valuator determines an expected future profit based on past earnings and expected growth rate. These expected future profits are consequently converted into a value as of today (usually referred as Present Value), based on a required rate of return (or discount rate). Without getting too

technical, you can simply think of the required rate of return as the cost to generate future profits. For example, if a company is borrowing from banks to operate, the interest rate it has to pay on its loans is a part of its required rate of return.

While the Earning Based approach is widely used by valuators, its accuracy depends on two factors: 1) the accuracy of projected future profits and 2) the appropriateness to the new owner of the required rate of return. In reality, it is very difficult to accurately predict future profits. As such, we allocate a minority of our valuation process to anEarning Based approach.

3. Market Based

A Market Based approach seeks to estimate a business' value by comparing a business to similar businesses that have sold in the past. The most popular means of business valuation found today in the marketplace, this approach is similar to that of a real estate appraisal process, wherebya company is valued by way of "market comps".

This method works best when there are a large number of historical transactions to use as comparison points. And while historical transaction data are often hard to obtain, at Bafoeval.com we maintain a database that contains the transaction data of over 50,000 private transactions, spanning 120 different industries. As a result, wegenerally determinethe majority of our valuation process via a Market Based approach.

The Final Valuation Result - Enterprise Value vs Equity Value

It has been said that there is no topic about which greater differences of informed opinion may exist, than the value of a going concern in a privately owned company. In truth, a business valuation is based on several marketconcernsas well as economic science. For this reason, a business must be properly valued within a range.

What is "Enterprise Value"?

> The Enterprise Value is the total value of your business and your business only. You can understand the Enterprise Value as if your business is to be sold in whole, and the enterprise value is the price to pay, including all debts and equity. In other words, buyers who agree to pay Eenterprise Vvalue are agreeing to takeover the seller's' debt. In some business transactions, there are other components in the equation, such as real estateand excessive inventory. Enterprise Value does not include these components.
>
> Our **Enterprise Value** estimation of your business is in the range of:

What about "Equity Value"?

> It is very important to note that Enterprise Value is different from Equity Value. Equity Value, as its name suggests, is the value of an owner's equity in the company. As we mentioned before, Enterprise Value is a capital structure neutral valuation of your company. However, in real life, the buyers of businesses in private transactions are not very likely to pay off the seller's debts. In most business transactions, the buyers are only paying for the fair market value of seller's net equity in the business. That's why Equity Value is very important to business owners who are considering selling.
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> Our estimate of your **Equity Value**, as of the latest financial year's end, is in the range of:

Industry Comparison of Owner's Discretionary Earning

> The Owner's Discretionary Earning (sometimes referred as the Seller's Discretionary Earning) is one of the most important standards when it comes to small business valuation. By definition, the Owner's discretionary earning is an estimate of the total financial benefit that a full-time 100% owner would derive from the business on an annual basis. At the end of the day, most businesses are formed to generate profit, and to the buyer, the take-home profit is one of the most important factor to consider. Many business analysts use theOwner's Discretionary Earning to Sales ratio as a crucial measure of business performance. So how did your company do compared to the industry average in the past financial year?
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> You can see the result from the chart below:

[illegible]	[illegible]
[illegible]	
[illegible]	
[illegible]	
[illegible]	

[illegible]

[illegible]

Some business appraisers use another valuation approach: industry ratio. Under this approach, a premium is given to businesses that are outperforming the industry average, and businesses that are under-performing the industry are given a discount. Owner's Discretionary Earning to sales ratio is one of the key measures in industry ratio analysis.

How to Boost Value

While this report is not intended to be used as expert opinion, we understand needs for detailed business appraisals may raise. If you have valuation needs that are beyond the scope of this report, or you need further professional valuation services, we have a strong network of professionally trained business appraisers to meet your specific needs. Please contact us at [email] with your needs, and we will connect you with suitable third-party service providers.

Disclaimer

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Valuation Assumptions and Limiting Conditions

1. We assume no responsibility for the legal matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable.
2. The business interest and subject business assets have been appraised free and clear of any liens or encumbrances unless stated otherwise. No hidden or apparent conditions regarding the subject business assets or their ownership are assumed to exit.
3. All information provided by the client and others is thought to be accurate. However, we offer no assurance as to its accuracy.
4. We have assumed compliance with the applicable federal, provincial and local laws and regulations.
5. We have assumed that no hazardous conditions or materials exist which could affect the subject business or its assets. However, we are not qualified to establish the absence of such conditions or materials, nor do we assume the responsibility for discovering the same.
6. Not all pertinent information has been considered nor was a comprehensive valuation undertaken. This may affect the value conclusions presented in this report. The report may not fully disclose all the information sources, discussions and business valuation methodologies used to reach the conclusion of value. Supporting information concerning this report is on file with the business appraiser.
7. The valuation analysis and conclusion of value presented in the report are for the purpose of this engagement only and are not to be used for any other reason, any other context or by any other person except the client to whom the report is addressed.
8. The opinion of value expressed in this report does not obligate us to render a comprehensive business appraisal report, to give testimony, or attend court proceedings with regard to the subject business assets, properties or business interests.
9. Possession of this report does not imply a permission to publish the same or any part thereof. No part of this report is to be communicated to the public by means of advertising, news releases, sales and promotions or any other media without a prior written consent and approval by us.
10. This report is valid only for the dates specified herein.