



Business Valuation

**YOUR GUIDE TO
BUSINESS VALUE**



gvalue.com

GCF Valuation is the leading provider of SBA-compliant business valuations and appraisals. Unlike many of our competitors, we don't automate or shortcut the process. Instead, we put a team of fully accredited experts on every project. As a result, we deliver some of the most thorough appraisals in the business—valuations that will stand up to tough scrutiny.

No gaps. No unresolved questions.

We have a reputation for delivering exceptional expertise and high-touch, personal service, and we've earned the trust of lenders and brokers across the nation. With offices from Florida to Oregon, we serve clients from coast to coast. And we work with clients of all sizes, from small business brokerages and local banks to large private companies and financial institutions. No business valuation and appraisal firm is more flexible or capable when it comes to your engagement.

GCF IS THE TRAIL LEADER IN BUSINESS VALUATIONS.

The road to assessing business value can throw you off course without an expert guide.



**ACCREDITED “GUIDES”
ARE ESSENTIAL TO TAKING THE RIGHT PATH
TO AN ACCURATE BUSINESS VALUATION.**



Make sure you work with a firm that holds multiple accreditations. It demonstrates a firm that has hiked many trails.



Adjusted cash flow is a calculation that removes all personal and non-operating expenses of a business to discern true profitability.

The greater the cash flow, the better possibility of greater value.

2 COMMON CASH FLOW STREAMS ARE: EBITDA & SDE

SDE—Seller's Discretionary Earnings

Pre-Tax Profit (adjusted for non-operating items)

+ Depreciation and Amortization

+ Interest

+ Officer's Compensation

= SDE



EBITDA—Earnings Before Interest, Taxes, Depreciation & Amortization

Pre-Tax Profit (adjusted for non-operating items)

+ Depreciation and Amortization

+ Interest

+ Officer's Compensation

- Fair Officer's Compensation

= EBITDA



RISK

Risk includes factors such as supplier and customer concentration, economic, financial and competition.

All small businesses come with inherent risk. In order to maximize value, you have to mitigate those factors.



CAN YOU IDENTIFY COMMON RISK FACTORS?

Y P N O M M O Q R R S P J S I
C U S T O M E R S F D I J S N
J P Z B R X V M X U S A Q U D
K H D F V K O P B A M P O P U
T H T I L A M L G F I U G P S
E L D Q A V Z A K M P N H L T
C C O M P E T I T O R S G I R
O R R P B G W Z U P X T Z E Y
N U N Z W W I O P R X N S R X
O O J K Y B X D I A M X E S F
M W K X L A I C L K L O M X D
I N W K E Y E M P L O Y E E S
C E I I U G X W K R G U S V O
D R F O N G J L V G D E E Z A
M F H U S F V G Q A P L G H R

ECONOMIC
INDUSTRY
CUSTOMERS
SUPPLIERS

COMPETITORS
KEY EMPLOYEES
OWNER

3 APPROACHES TO VALUE



1

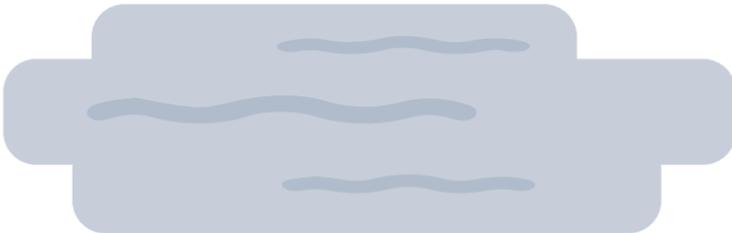


COST APPROACH

The cost approach relies on the company's balance sheet.

You would only use this approach when your assets have more value than the company's cash flow.

Typically, the cost approach yields a lesser value than the Market and Income approaches.



2



MARKET APPROACH

The market approach relies on comparable transaction data of other similar companies in the same or similar industries.

This approach is considered the principle of substitution which implies that a buyer should not acquire a business at a price that is more or less than its peers.

Expert appraisers always consider multiple transaction databases in this approach. PeerComps serves as one of GCF's primary databases with 92% accuracy across many NAICS codes.



You can find more information on PeerComps in the GCF Family of Companies summary page.





INCOME APPROACH

The income approach in its simplest definition calculates value from cash flow and risk. While the definition is simple—getting there is NOT.

The complexity of this approach requires subject matter expertise and experience—essentially, an accredited appraiser. (See “*Accredited Guides*” page to review credentials before selecting a valuation firm or professional).

The first step to the income approach is normalizing and calculating adjusted cash flow, followed by calculating an accurate Capitalization Rate. This is where the trail can get “bumpy” and send you off course, without an experienced guide.

3



One missed data point or overlooking “red flags” can lead an inexperienced appraiser off course to an inaccurate value.



THE GCF DIFFERENCE

At GCF, our weekly appraiser meetings are where our "Trail Leaders" come together to highlight and discuss risk factors and red flags across all of our valuation engagements. This is how real expertise is developed to ensure our team guides our clients to the trail head time and time again.



UNDERSTAND THE VALUE OF YOUR BUSINESS TODAY, SO YOU CAN PLAN FOR TOMORROW!

When To Start Thinking About A Business Valuation:

On a perfect journey, a business owner should start preparing their business 3 full years in advance of exiting.



WHY?

- ✓ Gives you time to get your financial statements cleaned up.
- ✓ Gives you time to prepare or adjust any agreements that are in place with vendors, customers, and employees.
- ✓ Gives you time to make adjustments to the operations of the business to maximize value.

FIELD NOTES



WHAT SHOULD I BE DOING?

- ✓ Clean up your tax returns by eliminating
— personal expenses and pay your taxes!
- ✓ Evaluate all contractual obligations with key
— vendors/suppliers and customers and make
sure they are current.
- ✓ Look at reducing any customer concentration
— to diversify your risk.
- ✓ Execute NDA's and non-competes with key
— employees.
- ✓ Implement any fee increases now.
— Don't wait.
- ✓ Prepare your facilities and office space for
— "best showing".
- ✓ Ensure all machinery & equipment is properly
— inventoried and in good working order.
- ✓ Update any proprietary software or technology.
—
- ✓ Engage an accredited business appraiser to
— establish a benchmark value for exit planning.

GCF MARKET DATA



Quick Reference Guide for Your Backpack

SDE

Seller's Discretionary Earnings

Pre-Tax Profit (adjusted for non-operating items)

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+ Interest

+ Officer's Compensation

= SDE

EBITDA

Earnings Before Interest, Taxes, Depreciation & Amortization

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Business Valuation

A FAMILY OF COMPANIES



PeerComps



FinVal



BankerValuation

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GCF MARKET DATA



Quick Reference Guide for Your Backpack

TOP INDUSTRIES

- Liquor Stores: 3.0–3.5 x SDE (includes inventory)
 - Fed Ex Routes: 2.5–3.5 x SDE /
.60–1.0 x Annual Revenue
- Insurance Agencies: 2.75–3.25 x SDE /
1.5–2.0 x Annual Revenues
 - Coin Laundry: 3.25–3.5 x SDE
 - Landscaping Services: 2.71 x SDE
 - E-commerce: 3.15 x SDE
 - Dental Practice: 1.5–2.5 x SDE

GENERAL VALUATION BENCHMARKS

(any industry except medical practices)

2.0–3.0 x SDE for Smaller Businesses
(\$600K SDE or less)

3.5–5.0 x EBITDA for Larger Businesses
(\$750K–\$1MM EBITDA or more)

5.0–7.0 x EBITDA for High Growth, Proprietary
Products, Niche Markets (\$1.5MM EBITDA or more)



Business Valuation

A FAMILY OF COMPANIES



PeerComps



FinVal



BankerValuation

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YOUR ASSETS HAVE VALUE TOO AND THIS IS HOW THEY CAN WORK FOR YOU:

BUSINESS OWNERS

- **Establishing Buyer/Seller Agreements:** Set a fair price for business assets to help maximize business value.
- **Minimize your Tax Burden:** Determine the amount at which equipment should be taxed and depreciated.
- **Financing/Refinancing:** Getting a more favorable rate on a loan/loan repayment.

LENDERS

- **Loan Loss:** How much is the equipment worth if we have to liquidate?
- **Collateral:** How much is the equipment worth when securing a collateralized loan?
- **Foreclosure:** How much value can the equipment be sold for?
- **Bankruptcy:** How much value can equipment be sold for in a short time period?

BROKER

- **Ensuring the buyer and seller come to a fair agreement on asset allocation when finalizing purchase price.**
- **Acquisitions:** How much value can the equipment add to the business being acquired?
- **Understand Where the Value is Derived:** When a business has more value in its assets than its cash flow, liquidation may be a better option.

MACHINERY & EQUIPMENT APPRAISALS



ON-SITE INSPECTIONS

We do NOT outsource this critical task.



DESKTOP APPRAISALS

The alternative to appraisals not requiring site inspections.



DELIVERY TIME

Turn-around time is 10-12 business days, once site inspection and/or all documents have been provided.



FLEXIBLE FEE STRUCTURE

Fees are based per piece & type of equipment (minimum fee is \$1000 per appraisal).



EXPERTISE

Our M&E LEADERSHIP TEAM is powered by GCF's 24 years of business valuation expertise

SOME FINAL TRAIL NOTES ON TOOLS YOU MAY NEED IN YOUR BACKPACK



PeerComps

If you are listing a business for sale or looking at acquiring a business, use PeerComps to get comparable market data. Set everyone's expectations with accurate small business transaction data at your fingertips.



FinVal

Maybe you are a financial advisor looking for a way to build your sales pipeline...utilize FinVal's valuation tools to assess your client's most valuable asset and kick-start a conversation with them today!



BankerValuation

Finally, as a lender, you likely have a team underwriting small business loans under \$350K and Banker Valuation can help you move those deals to closing faster.

FIELD NOTES

GET TO BUSINESS VALUE QUICKLY AND CLEARLY



WHAT IS PEERCOMPS?

An easy to use tool for preparing small business transactions reports in under a minute. PeerComps also has an add-on valuation tool so you can input financial data from a business and generate a basic valuation report for internal use. *(*as of May 2021 there are 13,000 transactions)*

WHY IS PEERCOMPS THE BEST TRANSACTION DATA AVAILABLE?

Easy answer: one source. PeerComps small business transaction data is compiled from SBA lenders who financed those transactions. Clean data. Quality transactions. Accurate information.

WHAT ARE THE DATA POINTS IN A COMPARABLES REPORT?

Each comparable report includes a transaction summary and a detailed listing of each transaction including:

- NAICS industry classification
- Business description
- Transaction price (includes FF&E, inventory and goodwill)
- Sale date & location
- Annual revenue, Seller's Discretionary Earnings (SDE) & SDE %
- Price to Sales, Price to SDE, & Price to EBITDA

To get started with your membership, go to:

gvalue.com/peer-comps



FinVal®

WHAT IS FINVAL?

It is a technology-enabled platform to quickly generate business valuations. This platform has been customized for financial advisors to support client-advisor relationships as an easy way to access valuation services that are intuitive and quick to develop a valuation in 15 minutes.

HOW WILL FINVAL SUPPORT MY BUSINESS GOALS?

Client Engagement: What is my business worth? One of the easiest ways to start a dialogue with your clients is to discuss their most valuable asset — their business or businesses.

Building Trust: Presenting a business valuation developed on real numbers sets a foundation of trust and you can begin addressing financial concerns such as exit strategies, key man insurance, and so much more.

Opportunity — Building your Pipeline: You have earned the right to present your suite of financial expertise with your client. With the majority of financial planning issues centering around determining the value of the business—you now have that in your hand with FinVal.

To get started with your membership, go to:

gvalue.com/finval

AN INTERNAL BANKER VALUATION TOOL

for SBA underwriting teams processing 7(a) loans that do NOT require a 3rd party business valuation.



BankerValuation

WHY BANKER VALUATION?

- Accurate and reliable internal business valuations for loans up to \$5 million
- Developed specifically for lenders by top valuation experts
- Business Comps Database with 13,000+ closed SBA transactions
- Used by Top SBA Lenders and Loan Underwriters
- Web-based, no software to download
- Cost Effective, unlimited valuations/ comp searches for one small annual fee

3 APPROACHES TO VALUE:

1. Income 2. Asset 3. Market

Banker Valuation provides accurate and reliable valuations, which our users depend upon to make sound lending decisions.

To get started with your membership, go to:

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