VALUATION REPORT

Please refer to page 2 for important disclosures.

Demo Business Ltd

1 Main Street
Boulder
Colorado, 80301
North America

Logo

ESTIMATED VALUATION

$15 717 000

RANGE

$14 538 000 — $16 896 000

Annual Revenue	Number of Employees	Age of Business
$10 000 000	**6 - 20**	**Five to ten years**
Property Value	**Operating Sector**	**Operating Region**
$5 000 000	**Retail – eCommerce**	**North America**

Methodologies

Discounted cash flow (DCF)

$19 848 000

Discount rate utilised: 14.5%

How to improve this

- Focus on profitable growth so your future cash flow increases
- Give yourself breathing room: collect debtors faster and pay creditors later
- Keep inventory and capital investment under control to preserve cash

EBITDA multiple

$12 941 000

How to improve this

- Increase your existing earnings with higher sales, bigger margins or lower expenses
- Improve the quality of earnings by having more customers and reducing concentration risk

Adjusted net asset value (NAV)

$2 712 000

How to improve this

- Invest in attractive assets at prices below their market value
- Pay off your debts to increase the level of equity in the business

21 June 2024

Important Disclosures

The DCF may be zero if your business is not currently achieving a sufficient return on capital. The earnings multiple result may be zero if your business is loss-making. In this case, the NAV method takes into account the replacement value of your assets vs. levels of debt.

If you are a startup and you have developed your own technology, then the traditional valuation methodologies may vary significantly from what your business is worth to the right buyer.

If your business is growing quickly, then the DCF method is best as it gives the most credit to future cash flows rather than existing profits.

A more mature business with steady earnings should focus on the results of the DCF and earnings multiple methodologies.

Terms of use

Valuation Report

of

Demo Business Ltd

Logo

Dear John

Please find the estimated valuation for Demo Business Ltd.

The valuation has been performed for planning purposes.
The valuation is based on financial statements, information and assumptions provided by management.

Background and context

- Demo Business Ltd operates a online retail business.
- The business is known as Demo Business and is based in Colorado, North America.

Valuation notes and assumptions

- The business is well established and has been trading for five to ten years, with up-to-date AFS and management accounts in place.
- Primary operation is in the retail (e-commerce) sector in North America.
- There are 6 - 20 employees.
- There is very low customer concentration in the business.
- The business has external or third-party debt of $3 500 000 on the balance sheet.
- No excess cash is reflected on the balance sheet.
- There is a degree of owner dependence.
- The existing owners' remuneration of $300 000 has been removed and a fair market salary of $150 000 substituted in place.
- The underlying assumptions are that revenue will grow from $10 000 000 in year 1 to $13 976 000 in year 5, and that EBITDA will grow from $2 142 000 in year 1 to $3 374 000 in year 5.
- The replacement value of fixed assets has been estimated at $500 000.
- The business owns a property valued at $5 000 000.

A discount rate of 14.5% has been used, which we believe to be reasonable for a business of this nature.

The discount rate factors in the inherent risks in the business and the market.
- Size of business
- Stage of business
- Sector risks
- Customer concentration risk

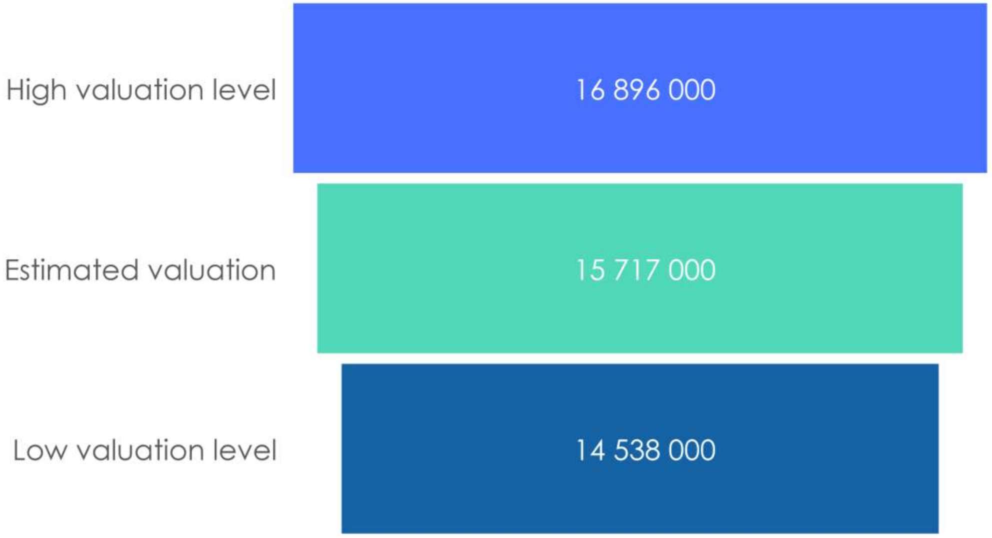
Indicative Valuation

The indicative baseline valuation is set at: $15 717 000 with a range of $14 538 000 to $16 896 000.

Estimated valuation **$15 717 000**

Methodologies:

Discounted cash flow	$19 848 000
EBITDA multiple	$12 941 000
Adjusted net asset value	$2 712 000



Scenarios

The enterprise valuation is sensitive to changes in growth assumptions and the discount rate, as can be seen from the table below:

	Decrease of 0% - 5%	Growth of 0% - 5%	**Growth of 5% - 10%**	Growth of 10% - 15%	Growth of 15% - 25%
13%	11 708 000	14 925 000	17 349 000	19 639 000	23 440 000
14%	11 241 000	14 050 000	16 205 000	18 268 000	21 693 000
14.5%	11 035 000	13 675 000	**15 717 000**	17 684 000	20 949 000
15%	10 826 000	13 303 000	15 237 000	17 109 000	20 217 000
16%	10 454 000	12 658 000	14 406 000	16 116 000	18 953 000

Should you have any further questions, please don't hesitate to contact us.

Yours sincerely

Graham Stephen (CA) SA