

BUSINESS VALUATION QUESTIONNAIRE

Please respond to the list of questions below as fully as possible, as this will enable us to formulate a valuation range for your business within the correct context.

Please note that this process is treated in the strictest confidence.

Part 1: Corporate profile

- 1) What is the intention of the valuation?
- 2) State the legal status of the business (sole prop, company, close corporation etc).
- 3) State the core activities of the business
- 4) Details of the products the company produces and sells, as well as what clients are serviced (corporate, retail etc).
 - a) If necessary, provide separate details per product or operating division, if their underlying activities are significantly different.
 - b) Where the business is made up of multiple operating units, it may be necessary to perform individual valuations on each operation to arrive at total value.
 - c) How many employees are employed by the business?
- 5) What would you classify your business sector as?
- 6) Provide some names of competitors within your industry, which you benchmark or would like to benchmark against?
- 7) Your geographical footprint – national or international
- 8) Size of client / customer data base over past 3 to 5 years if available – i.e. client growth
- 9) Financial statements for the past 2 to 3 years.
 - a) Highlight is the entity owns property (real estate) and if applicable, the related mortgage bond on this property. In our valuations, we value real estate separately to the operations due to the specialisation of property valuation.
- 10) What (external) risks and opportunities face your company and industry?
 - a) What is considered to be the strategic advantage of the business?
 - b) Is the business able to increase prices of its services and products easily or must great care be taken before increases can be implemented?
- 11) What are the (internal) strengths and weaknesses of your company?
- 12) If available, please provide the company's web address.
- 13) Is there any normalising that we need to adjust the financial statements for? Example, are the private expenses allocated to the business which must be excluded from the valuation, and / or expenses which need to be included, such as a manger / owner salary?
- 14) Is the business reliant on one or two owners to drive the business or is there a strong management team?

Part 2: Looking forward

Sales revenue

- 15) Your estimation of % sales revenue growth over the next 5 years pa? This is a key question, as most of your businesses value is derived from sales revenue.
 - a) If relevant, provide separate growth projections for each business operation or key product / service
- 16) Is this organic growth (growing internally) or will you be acquiring other businesses (growing externally)?
- 17) What is your estimated share of the market within South Africa / province that the business operates within?

Costs and GP%

- 18) Will there be employment increases over the next 5 years and if yes, advises how many employees will be added into the business, as well as their annual remuneration. If possible, please specify the timing and cost per year over the next 5 years.
- 19) Are you busy with a cost cutting exercise, and if so, what level of cost cut (%) are you expecting per year?
- 20) Are there any costs in the historic financials which are no longer relevant or are not expected to reoccur?
- 21) Are you planning to improve the GP%, and if so, please provide some details in order to justify the improvement?
- 22) Are you expecting GP% to decline? If so provide details

Plant, property & equipment spend (capex)

- 23) Indicate the amount and timing of capital spend you will have to incur over the next 5 years, to maintain and grow your business. (These amounts reflect as non-current assets on your Balance Sheet).
- 24) If possible, please provide any known capital spend to occur beyond the 5 years forecast period.

Working capital

- 25) We will use historic ratios to forecast projections around stock-turn, receivable collections and supplier payments. If there is any anticipated change in current management efficiencies, let us know.
- 26) Are there any company / industry specific tax allowances that the business enjoys?
- 27) If a sole proprietor or partnership, what is the effective tax rate of the owner / partners?

How is your business financed?

- 28) If your company is geared currently, what levels of gearing do you as a company wish to achieve (debt / equity ratio) if different from current levels? (Use a percentage of equity as the debt gearing level) ie 60 / 40 (60% externally financed, and 40% with own funds).
- 29) The amount of debt within the business is a key driver of value, as it effects discounts rates – please answer fully.
- 30) If there is external debt in the business, at what rates if financing cost is the business able to obtain finance? Specify the interest rate.
- 31) Is there any debt not reflected on the business balance sheet?

Valuation

- 32) Finally, what is your own personal valuation range for the business?
- 33) Have you heard about EBITDA and if so, what is your industry EBITDA multiple for businesses sold recently that you may be aware of?

Part 3: Scenarios

- 34) Give some thought on what the three scenarios would look like as we may model this to determine the range of equity value:
 - a. Base case: this is the “as is” business model which will be based on the input provided in questions 10 through 15 and the historic financial statements.
 - b. Worst case: what would cause your company to decline or grow at less than the past 5 years?
 - I. Sales growth declines or remains flat
 - II. Costs grow at least in line with inflation.
 - c. Best case: what would be required to achieve your best case scenario over the next 5 years:
 - i. Sales growth is very aggressive due to new pipeline of business
 - ii. Costs are falling due to improved technology and less staff
 - iii. Capex levels are minimal or significant new capital upgrades / capacity is required
 - iv. New cost structure is anticipated to manage the new increased sales revenue

Part 4: Asset fair market values

- 30) If the business owns fixed property, including buildings – could you indicate what the estimated market values would be if the property were to be sold currently.
- 31) If the business owns land, has the land been revalued recently? If so, what is the valuation of these assets?
- 32) Does the business own any patents / intangible assets? If so please describe these fully.

Part 5: Other

Let us know if any other significant information that you believe will enhance or reduce the value of your business: