

## John Parker - Tabak:

### Saleable

- Good industry type
- Lifecycle.
- Profitability
- Structures
- Transferable structures.
- Not reliant on the owner itself.

### Valuation?

- Must do the preparation
- 99% of time "Going Concern Value"
- Earnings based Value + Cap rate
  - "multiples"

Profit

EBIT

- Owner Paid + Depreciation taken

Multiples

- Risk → How market is coming
- Growth →
- Contracts - term?

into account

- Fair Market Salary for owner
- Timing - Look at trends to get Future maintainable Earnings (FME)
- Look at cycles & one-offs eg. COVID.
- Tell the story

$$\begin{array}{r} \therefore \$ 500,000 \\ \hline .29 \\ \hline \approx \$ 1,724,000 \end{array}$$

- Renewable?

- Database?
- 33% Cap Rate @ 3 Multiples

- Stock, Equipment & Goodwill

\$500k @ 33%

$$= \frac{500,000}{.33}$$

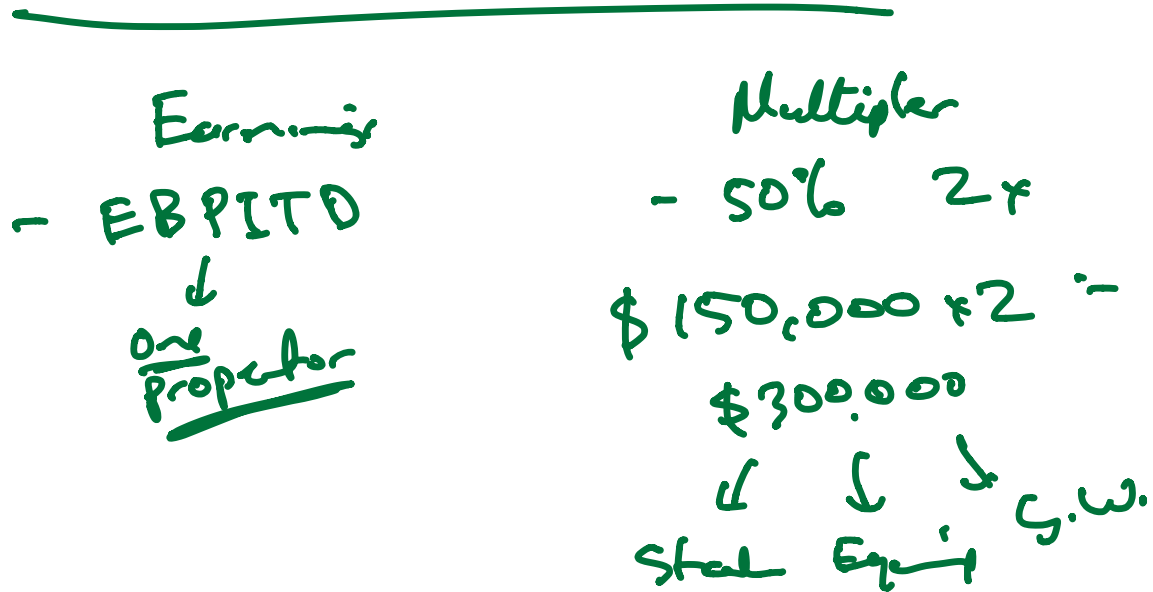
\$1,500,000

↓                      ↓                      ↓  
Stock                      Equipment                      Goodwill

- Systems, Processes & Documentation which allow transferability

## Husband + Wife Business

- Lower multiple as less transferable.
- Difficult to get a sale without the key person coming across.



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## Succession Plan ...

- Market valuation first
- Strong shareholder agreement - valuation agreement.

- Be clear on employer, director &

Shareholder roles.

## Due Diligence for Buying

- Industry knowledge
- Geographical Area...

### Financial

- Tax A/c's
- Budgets
- GST c.f. Revenue
- Funding
- Cashflow Forecasting

### & Legal

- Employee Contracts
- Leases
- Forward work contracts

### Managing Due Diligence

- Key person negotiation
- Key client negotiation

Work with an established Broker who can vet the vendor.

At risk is the goodwill  
Bank want to see the ratio  
between the value + the goodwill.  
They want it avoid 3 times.  
Want the purchase to be funded  
in 3 years.