

# Valuation Brief

## Confidential Marine Supply

presented by

Bill West

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Report Date

12/10/2024



# Calculation of Value

Subject Company	Confidential Marine Supply
Street Address	Great State, FL
Date incorporated	8/1/2020
Business activity code	423840
Business activity	Industrial Supplies Merchant Wholesalers
Product or service	Marine Supply and Service

This reports contains data used to analyze Confidential Marine Supply. Our analysis includes recognizing historical business performance, making adjustments to remove the impact of activities outside of normal operations and to model performance in a forecast period for the existing company.

I have estimated the Most Probable Selling Price of the Operating Company to be \$1,601,000 as of the date of the latest financial statement. This report is designed to give a general guideline or benchmark value. It is not a formal appraisal.

## **Most Probable Selling Price**

Business value here is based on the concept of Most Probable Selling Price, that is, that price for the assets intended for sale which represents the total consideration most likely to be established between a buyer and seller considering compulsion on the part of either buyer or seller, and potential financial, strategic, or non-financial benefits to the seller and probable buyer. (Defined by the International Business Brokers Associations IBBA)

## **Market Approach**

The Market Approach has an underlying concept where the value of a business can be determined by reference to sales of reasonably comparable guideline companies (“comparables” or “comps”) that are known to have taken place in either the public or private marketplace. This approach is based on the economic principle of substitution where a rational financial buyer will not pay more for a company than the current price for a comparable company.

## **Normalized Operations**

The controlling owner of the Company has discretion how to conduct business operations, manage costs and expenses, and acquire assets through debt and equity. Since it is assumed that the business entity will be controlled 100% by the new owner(s) certain adjustments may be made to reflect that level of control. The financial statements are normalized to reflect business operations and remove the impact of activities outside of normal operations.

## **Forecast Performance**

Since value is forward looking, financial statements are developed to reflect performance for the Existing Company in the Projection Period. Actual performance may vary from these estimates.

## **Assumptions and Limiting Conditions**

The analyst relies on the company and its management for its financial reporting and projections, and the integrity of the company’s financials in general. Therefore, the analyst makes no representations or warranties to the accuracy or thoroughness of this valuation report. If a more detailed valuation is needed, we recommend a comprehensive certified valuation.

# Income Statement for Confidential Marine Supply

Statement Type	Tax Return	Tax Return	Statement
Accounting method	Accrual	Accrual	Accrual
Months in period	12	12	12
<b>Income Statement, Unadjusted</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Gross Receipts or Sales	6,641,015	7,618,541	7,618,541
Returns and Allowances			
Gross Revenue, net	6,641,015	7,618,541	7,618,541
Cost of Goods Sold	4,402,199	4,988,039	4,988,039
Gross Profit	2,238,816	2,630,502	2,630,502
Net Gain Form 4797			
Other Income	2,782	1,117	1,117
Total income (loss)	2,241,598	2,631,619	2,631,619
Compensation of Officers	95,856	94,286	94,286
Salaries and Wages	650,789	759,029	759,029
Repairs and Maintenance	12,973	23,220	23,220
Bad Debt			
Rent	290,911	308,368	308,368
Taxes and Licenses	125,134	172,255	172,255
Interest Expense	8,250	7,952	7,952
Depreciation	8,781	72,804	72,804
Depletion			
Advertising	82,453	64,317	64,317
Pension Profit Sharing	24,548	41,217	41,217
Employee Benefit	103,439	149,651	149,651
Other Deductions	758,329	657,748	657,748
Total Deductions	2,161,463	2,350,847	2,350,847
Ordinary business income (loss)	80,135	280,772	280,772
<b>Common-Sized</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Gross Receipts or Sales	100%	100%	100%
Returns and Allowances	0%	0%	0%
Gross Revenue, net	100%	100%	100%
Cost of Goods Sold	66%	65%	65%
Gross Profit	34%	35%	35%
Net Gain Form 4797	0%	0%	0%
Other Income	0%	0%	0%
Total income (loss)	34%	35%	35%
Compensation of Officers	1%	1%	1%
Salaries and Wages	10%	10%	10%
Repairs and Maintenance	0%	0%	0%
Bad Debt	0%	0%	0%
Rent	4%	4%	4%
Taxes and Licenses	2%	2%	2%
Interest Expense	0%	0%	0%
Depreciation	0%	1%	1%
Depletion	0%	0%	0%
Advertising	1%	1%	1%
Pension Profit Sharing	0%	1%	1%
Employee Benefit	2%	2%	2%
Other Deductions	11%	9%	9%
Total Deductions	33%	31%	31%
Ordinary business income (loss)	1%	4%	4%

# Normalization for Confidential Marine Supply

Financial statements are normalized to remove the impact of non-recurring, non-economic or other unusual items that are outside of regular operations in order to eliminate anomalies and/or facilitate comparisons. Adjustments to revenue could include the removal of revenue gained from the sale of business assets. Adjustments to expense could include expenses under the control of ownership, such as officer compensation or rent expense that are above or below market rates.

Normalizing Adjustments	2021	2022	2023				
Gross Receipts or Sales							
Returns and Allowances	0	0	0	0	0	0	0
Gross Revenue, net							
Cost of Goods Sold							
Gross Profit							
Net Gain Form 4797	0	0	0	0	0	0	0
Other Income	0	0	(2,782)	(1,117)	(1,117)	0	0
Total income (loss)							
Compensation of Officers	0	0	(95,856)	(94,286)	(94,286)	0	0
Salaries and Wages							
Repairs and Maintenance							
Bad Debt	0	0	0	0	0	0	0
Rent	0	0	0	0	0	0	0
Taxes and Licenses							
Interest Expense	0	0	(8,250)	(7,952)	(7,952)	0	0
Depreciation	0	0	(8,781)	(72,804)	(72,804)	0	0
Depletion	0	0	0	0	0	0	0
Advertising							
Pension Profit Sharing							
Employee Benefit							
Other Deductions	0	0	0	0	0	0	0

Other Deductions Detail	2021	2022	2023				
Other Deduction							
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Other Deduction							
Total	0	0	0	0	0	0	0

## Recast for Confidential Marine Supply

Weighting	0%	0%	0%	0%	100%		0.0%
<b>Income Statement, Normalized</b>							
		<b>2021</b>	<b>2022</b>	<b>2023</b>			
Gross Receipts or Sales		6,641,015	7,618,541	7,618,541			
Returns and Allowances		0	0	0			
Gross Revenue, net		6,641,015	7,618,541	7,618,541			
Cost of Goods Sold		4,402,199	4,988,039	4,988,039			
Gross Profit		2,238,816	2,630,502	2,630,502			
Net Gain Form 4797		0	0	0			
Other Income		0	0	0			
Total income (loss)		2,238,816	2,630,502	2,630,502			
Compensation of Officers		0	0	0			
Salaries and Wages		650,789	759,029	759,029			
Repairs and Maintenance		12,973	23,220	23,220			
Bad Debt		0	0	0			
Rent		290,911	308,368	308,368			
Taxes and Licenses		125,134	172,255	172,255			
Interest Expense		0	0	0			
Depreciation, Amortization,		0	0	0			
Advertising		82,453	64,317	64,317			
Pension Profit Sharing		24,548	41,217	41,217			
Employee Benefit		103,439	149,651	149,651			
Other Deductions		758,329	657,748	657,748			
Total Deductions		2,048,576	2,175,805	2,175,805			
Ordinary business income (loss)		190,240	454,697	454,697			
EBITDA		190,240	454,697	454,697			
SDE		190,240	454,697	454,697			
<b>Common-Sized</b>							
		<b>2021</b>	<b>2022</b>	<b>2023</b>			
Gross Receipts or Sales		100.0%	100.0%	100.0%			
Returns and Allowances		0.0%	0.0%	0.0%			
Gross Revenue, net		100.0%	100.0%	100.0%			
Cost of Goods Sold		66.3%	65.5%	65.5%			
Gross Profit		33.7%	34.5%	34.5%			
Net Gain Form 4797		0.0%	0.0%	0.0%			
Other Income		0.0%	0.0%	0.0%			
Total income (loss)		33.7%	34.5%	34.5%			
Compensation of Officers		0.0%	0.0%	0.0%			
Salaries and Wages		9.8%	10.0%	10.0%			
Repairs and Maintenance		0.2%	0.3%	0.3%			
Bad Debt		0.0%	0.0%	0.0%			
Rent		4.4%	4.0%	4.0%			
Taxes and Licenses		1.9%	2.3%	2.3%			
Interest Expense		0.0%	0.0%	0.0%			
Depreciation, Amortization,		0.0%	0.0%	0.0%			
Advertising		1.2%	0.8%	0.8%			
Pension Profit Sharing		0.4%	0.5%	0.5%			
Employee Benefit		1.6%	2.0%	2.0%			
Other Deductions		11.4%	8.6%	8.6%			
Total Deductions		30.8%	28.6%	28.6%			
Ordinary business income (loss)		2.9%	6.0%	6.0%			
EBITDA		2.9%	6.0%	6.0%			
SDE		2.9%	6.0%	6.0%			

## Balance Sheet for Confidential Marine Supply

Balance Sheet	2021	2022	2023
Assets			
Cash	141,152	348,476	348,476
Accounts Receivable	690,905	801,070	801,070
Inventories	463,178	482,916	482,916
Other Current Assets	65,737	158,650	158,650
<b>Total Current Assets</b>	<b>1,360,972</b>	<b>1,791,112</b>	<b>1,791,112</b>
Loans to shareholders	0	0	0
Mortgage and real estate loans	0	0	0
Other investments	0	0	0
Gross Fixed Assets	329,633	399,735	399,735
Accumulated Depreciation	307,031	379,835	379,835
<b>Net Fixed Assets</b>	<b>22,602</b>	<b>19,900</b>	<b>19,900</b>
Other Non-current and	4,198	20,808	20,808
<b>Total assets</b>	<b>1,387,772</b>	<b>1,831,820</b>	<b>1,831,820</b>
Liabilities & Shareholders'			
Accounts payable	97,413	77,952	77,952
Loans/Notes Payable	0	0	0
Other Current Liabilities	130,422	136,627	136,627
<b>Total Current Liabilities</b>	<b>227,835</b>	<b>214,579</b>	<b>214,579</b>
Total Long Term Liabilities	210,552	235,597	235,597
<b>Total Liabilities</b>	<b>438,387</b>	<b>450,176</b>	<b>450,176</b>
<b>Net Worth</b>	<b>949,385</b>	<b>1,381,644</b>	<b>1,381,644</b>
Total liabilities & shareholders' ec	1,387,772	1,831,820	1,831,820

Common-Sized	2021	2022	2023
Assets			
Cash	10%	19%	19%
Accounts Receivable	50%	44%	44%
Inventories	33%	26%	26%
Other Current Assets	5%	9%	9%
<b>Total Current Assets</b>	<b>98%</b>	<b>98%</b>	<b>98%</b>
Loans to shareholders	0%	0%	0%
Mortgage and real estate loans	0%	0%	0%
Other investments	0%	0%	0%
Gross Fixed Assets	24%	22%	22%
Accumulated Depreciation	22%	21%	21%
<b>Net Fixed Assets</b>	<b>2%</b>	<b>1%</b>	<b>1%</b>
Other Non-current and	0%	1%	1%
<b>Total assets</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Liabilities & Shareholders'			
Accounts payable	7%	4%	4%
Loans/Notes Payable	0%	0%	0%
Other Current Liabilities	9%	7%	7%
<b>Total Current Liabilities</b>	<b>16%</b>	<b>12%</b>	<b>12%</b>
Total Long Term Liabilities	15%	13%	13%
<b>Total Liabilities</b>	<b>32%</b>	<b>25%</b>	<b>25%</b>
<b>Net Worth</b>	<b>68%</b>	<b>75%</b>	<b>75%</b>
Total liabilities & shareholders'	100%	100%	100%

## Forecast for Confidential Marine Supply (Existing Company)

Valuation is a "prophecy of the future" based on reasonable knowledge of relevant facts. Revenue is forecast for the first, and following years, in the projection period. Cost structure is developed by "weighting" historical periods to indicate the degree of reliance on those periods in order to develop a structure for the forecast period.

Income Statement, Forecast	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Revenue, net	8,761,322	9,637,454	10,119,327	10,524,100	10,839,823
Cost of Goods Sold	5,736,245	6,309,869	6,625,363	6,890,377	7,097,089
Gross Profit	3,025,077	3,327,585	3,493,964	3,633,723	3,742,735
Compensation of Officers	0	0	0	0	0
Salaries and Wages	872,883	960,172	1,008,180	1,048,507	1,079,963
Repairs and Maintenance	26,703	29,373	30,842	32,076	33,038
Bad Debt	0	0	0	0	0
Rent	317,619	327,148	336,962	347,071	357,483
Taxes and Licenses	198,093	217,903	228,798	237,950	245,088
Interest Expense	0	0	0	0	0
Depreciation, Amortization, Depletion	0	0	0	0	0
Advertising	73,965	81,361	85,429	88,846	91,512
Pension Profit Sharing	47,400	52,140	54,746	56,936	58,644
Employee Benefit	172,099	189,309	198,774	206,725	212,927
Other Deductions	756,410	832,051	873,654	908,600	935,858
Total Deductions	2,465,172	2,689,455	2,817,385	2,926,711	3,014,512
Ordinary business income (loss)	559,906	638,130	676,579	707,012	728,222
Allowance for Taxes	139,976	159,532	169,145	176,753	182,056
Net Income	419,929	478,597	507,434	530,259	546,167
EBITDA	559,906	638,130	676,579	707,012	728,222
SDE	559,906	638,130	676,579	707,012	728,222

Income Statement, Forecast, Common Sized	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Revenue, net	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold	65.5%	65.5%	65.5%	65.5%	65.5%
Gross Profit	34.5%	34.5%	34.5%	34.5%	34.5%
Compensation of Officers	0.0%	0.0%	0.0%	0.0%	0.0%
Salaries and Wages	10.0%	10.0%	10.0%	10.0%	10.0%
Repairs and Maintenance	0.3%	0.3%	0.3%	0.3%	0.3%
Bad Debt	0.0%	0.0%	0.0%	0.0%	0.0%
Rent	3.6%	3.4%	3.3%	3.3%	3.3%
Taxes and Licenses	2.3%	2.3%	2.3%	2.3%	2.3%
Interest Expense	0.0%	0.0%	0.0%	0.0%	0.0%
Depreciation, Amortization, Depletion	0.0%	0.0%	0.0%	0.0%	0.0%
Advertising	0.8%	0.8%	0.8%	0.8%	0.8%
Pension Profit Sharing	0.5%	0.5%	0.5%	0.5%	0.5%
Employee Benefit	2.0%	2.0%	2.0%	2.0%	2.0%
Other Deductions	8.6%	8.6%	8.6%	8.6%	8.6%
Total Deductions	28.1%	27.9%	27.8%	27.8%	27.8%
Ordinary business income (loss)	6.4%	6.6%	6.7%	6.7%	6.7%
Allowance for Taxes	1.6%	1.7%	1.7%	1.7%	1.7%
Net Income	4.8%	5.0%	5.0%	5.0%	5.0%
EBITDA	6.4%	6.6%	6.7%	6.7%	6.7%
SDE	6.4%	6.6%	6.7%	6.7%	6.7%

## Most Probable Selling Price for Confidential Marine Supply

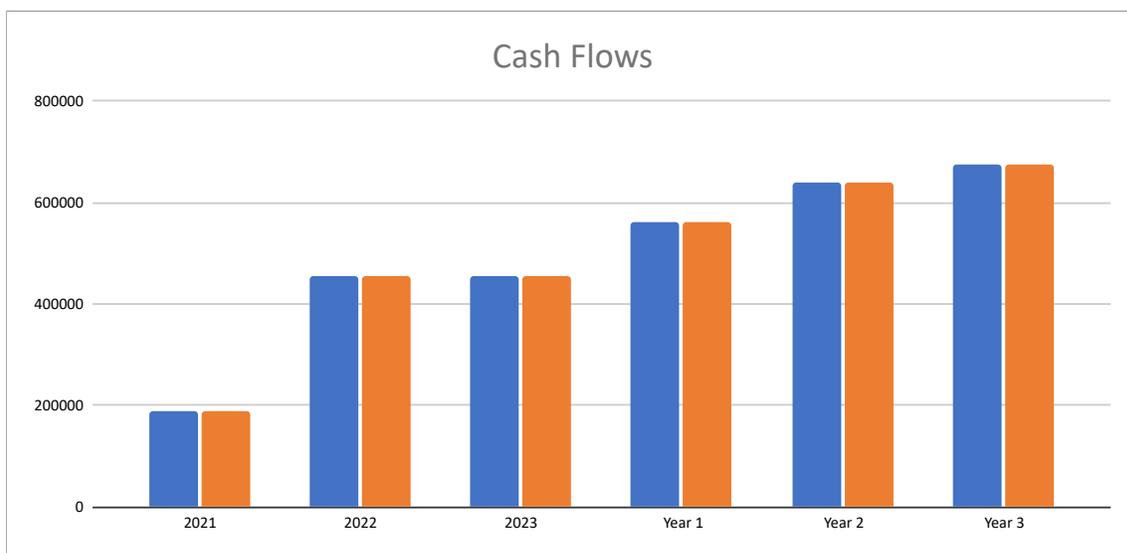
The Market Approach is a general way of determining a value indication of a business by comparing the performance of the subject company to similar businesses that have been sold. Normalized EBITDA and SDE provide the earnings stream used for comparison.

Forecast	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Revenue, net	8,761,322	9,637,454	10,119,327	10,524,100	10,839,823
Net Income	419,929	478,597	507,434	530,259	546,167
Allowance for Taxes	139,976	159,532	169,145	176,753	182,056
Interest Expense	0	0	0	0	0
Depreciation, Amortization, Depletion	0	0	0	0	0
EBITDA	559,906	638,130	676,579	707,012	728,222
Compensation of Officers	0	0	0	0	0
SDE	559,906	638,130	676,579	707,012	728,222

## Weighted & Reconciled Estimate of Value

Earnings Stream	Rank	Measure	Factor	Indication	Weight	Value Estimate
Gross Revenue, net	50%	8,761,322	0.42	3,642,696	0%	0
EBITDA	50%	559,906	4.05	2,267,103	0%	0
SDE	50%	559,906	2.86	1,601,344	100%	1,601,344
Weighted & Reconciled Estimate of Value, Market Approach						1,601,344
Weighted & Reconciled Estimate of Value, Market Approach, rounded						1,601,000
EBITDA / PRICE						35.0%

Cash Flows	2021	2022	2023	Year 1	Year 2	Year 3
EBITDA	190,240	454,697	454,697	559,906	638,130	676,579
EBITDA	2.9%	6.0%	6.0%	6.4%	6.6%	6.7%
SDE	190,240	454,697	454,697	559,906	638,130	676,579
SDE	2.9%	6.0%	6.0%	6.4%	6.6%	6.7%



## Allocation of Selling Price

Value developed in the Market Approach is adjusted by the additional value of excess working capital and non-operating assets less assumed liabilities.

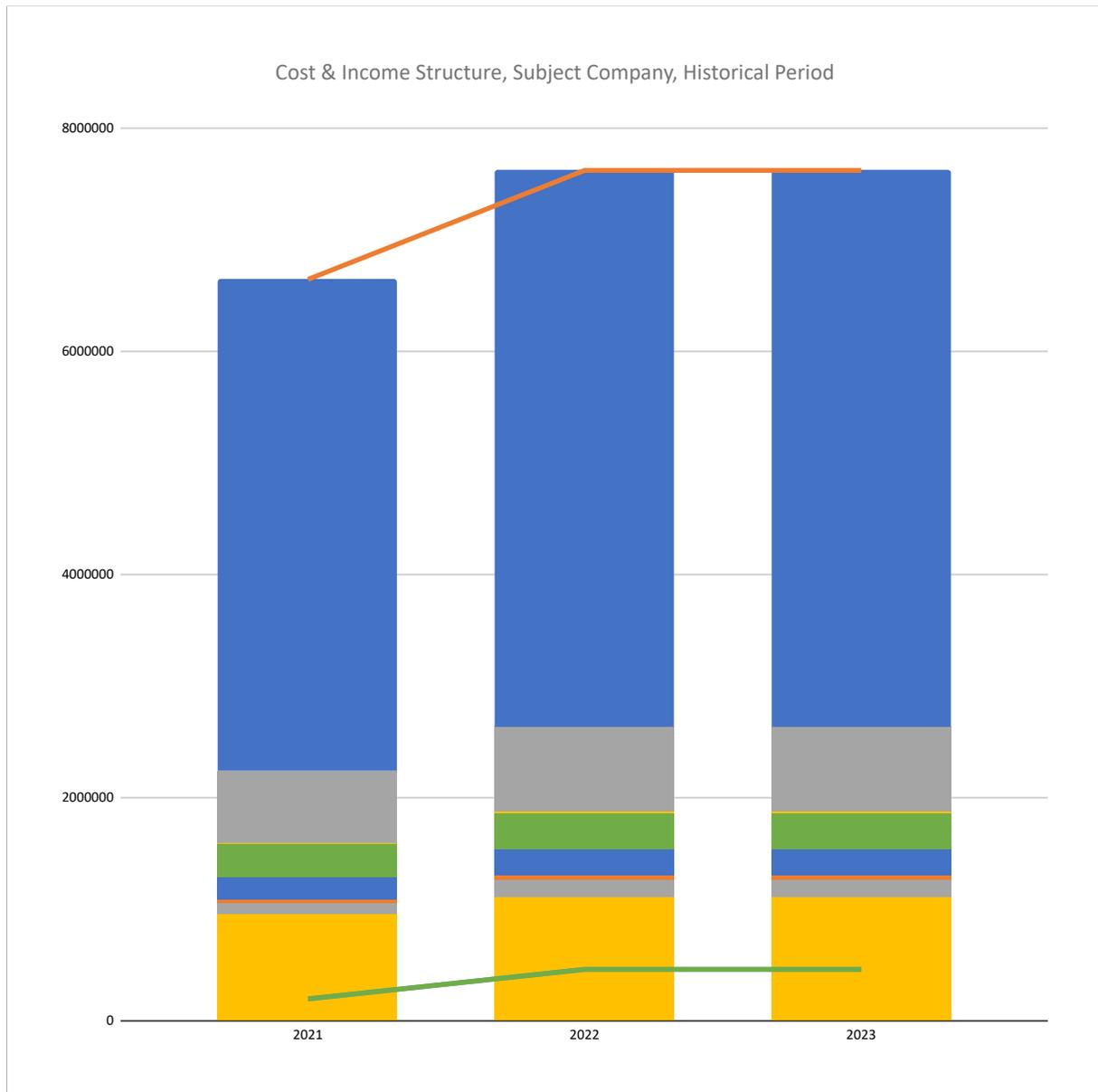
Allocation of Assets and Liabilities	Statement Amount	Designated Amount	Excluded Amount	Included Amount
<b>Assets</b>				
Cash	348,476	0	348,476	0
Accounts Receivable	801,070	0	801,070	0
Inventories	482,916	482,916	0	482,916
Other Current Assets	158,650	0	158,650	0
Loans to shareholders	0	0	0	0
Mortgage and real estate loans	0	0	0	0
Other investments	0	0	0	0
Net Fixed Assets	19,900	19,900	0	19,900
Other Non-current and Intangible Assets, (net)	20,808	0	20,808	0
<b>Total Assets Included in Transaction</b>	<b>1,831,820</b>	<b>502,816</b>	<b>1,329,004</b>	<b>502,816</b>
<b>Liabilities</b>				
Accounts payable	77,952	0	77,952	0
Loans/Notes Payable	0	0	0	0
Other Current Liabilities	136,627	0	136,627	0
Total Long Term Liabilities	235,597	0	235,597	0
<b>Total Liabilities Included in Transaction</b>	<b>450,176</b>		<b>450,176</b>	<b>0</b>

Indicated Selling Price	Included Amount	Normal Amount	Excess Amount	Transaction Amount
Weighted & Reconciled Estimate of Value, Market Approach, rounded				1,601,000
Excess Working Capital: Cash	0	0	0	0
Excess Working Capital: A/R	0	0	0	0
Excess Working Capital: Inventory	482,916	482,916	0	0
Non-Operating Assets				0
Less Liabilities Assumed				0
Indicated Value, net of included excess working capital and non-operating assets and assumed liabilities for 100% equity interest.				1,601,000
<b>Total Indicated Selling Price, rounded</b>				<b>1,601,000</b>
Total Indicated Selling Price, rounded				1,601,000
Less Assets included				502,816
Intangible Assets				1,098,184
Intangible Assets, rounded				1,098,100

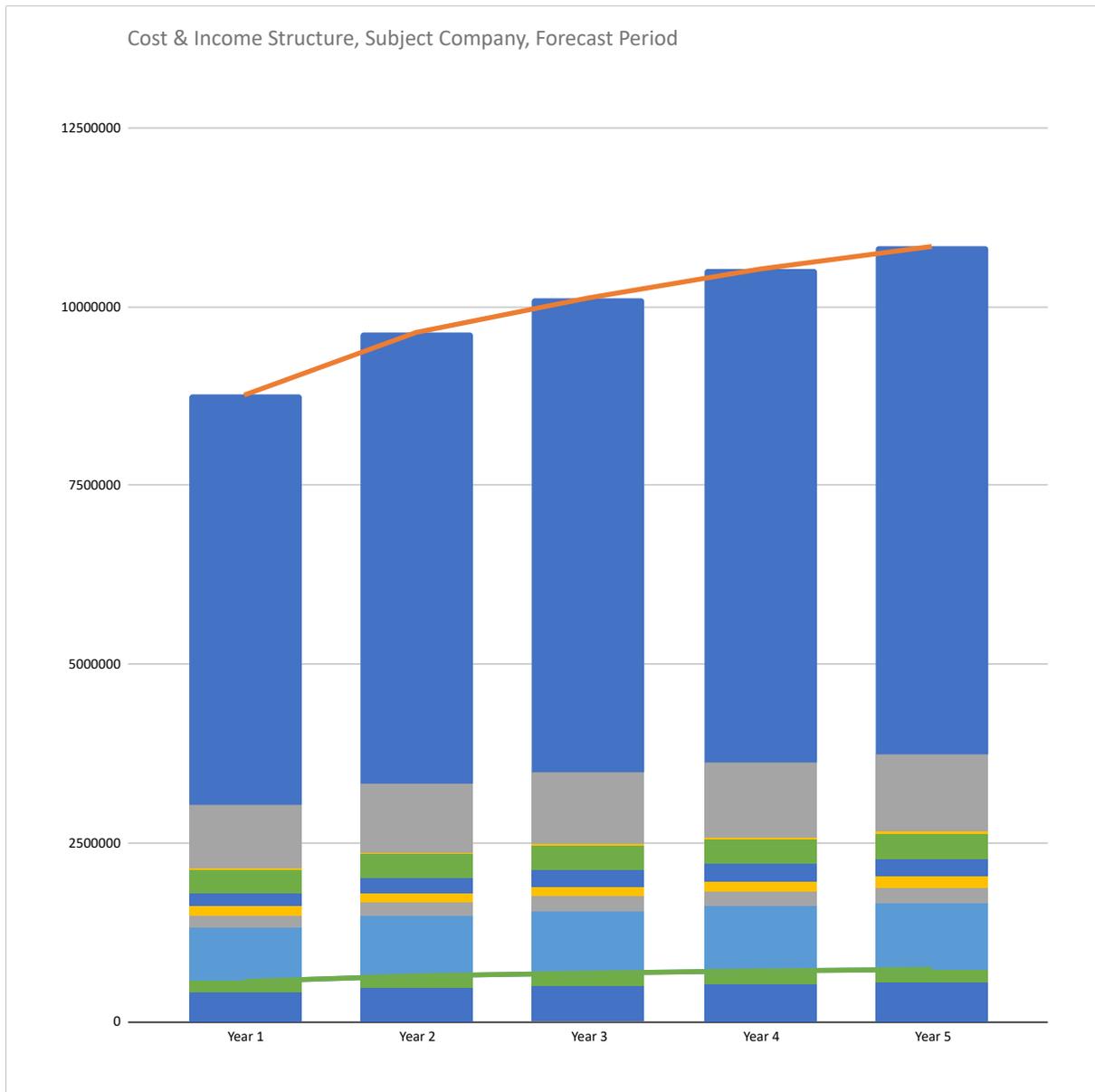
The Purchase Price of \$1,601,000 includes approximately \$502,816 in tangible current and fixed assets.

Depreciation and Amortization Schedule, Forecast		Sch. (yrs)	Amount
Depreciation Schedule for FF&E acquired	19,900	5	3,980
Amortization Schedule for Intangible Assets acquired	1,098,100	15	73,207

# Cost & Income Structure, Historical Period



# Cost & Income Structure, Forecast Period



## Assumptions and Limiting Conditions

The purpose of this report is to present the results and opinion of our analysis in a purchase and sale context and its use for any other purpose invalidates the result of this report.

This analysis is not a finding or statement of fact. It is a good faith finding and statement of opinion. The opinion is supported by a reasonable amount of research and analysis but is ultimately only the informed and unbiased judgment of the analyst.

The information provided here is for reference use only and does not constitute the rendering of financial, legal, investment, tax or other professional advice or recommendation. Use of such information is not a substitute for professional recommendations.

The analyst assumes no responsibility whatsoever for legal, investment or tax matters relative to its finding. Values are stated without reference to applicable legal, investment or tax claims unless so noted.

We rely on management's representations without independent investigation as though they fairly and accurately represent the financial condition and activities of the Company. No opinion, warranty, or guaranty of the reliability of the data relied upon is implied or expressed by the use of that data here.

Throughout the analysis, we may rely upon the forecasts and projections of business activity and financial performance prepared by others. We have examined these projections only at a gross level to test their fundamental reasonableness. We offer no opinion as to the reliability of these projections and forecasts.

The report is not to be construed, directly or indirectly, as a recommendation to invest or divest; it is strictly our independent opinion for the purpose described herein, based on the information, explanations, and materials provided to us and subject to the assumptions and qualifications noted herein. Potential investors should perform or obtain their own analysis of the Company's financial position for their particular purposes. The report is an informational tool, not a guide to action. It is agreed that the client does not hold the analyst responsible in case of a loss of investment as this is an opinion of value and not an opinion to invest.

### **For More Information Contact**

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