ValuCompass

EXAMPLE PROTECT REPORT

Overview

Revenue	EBITDA	Enterprise Value	Potential Value	Value Gap	Retirement Asset Gap	Risk Flags
$4.75M	$567K	$6.37M	$8.97M	$2.6M	$1.66M	10

Industry	Objective
Management of Companies and Enterprises	Prepare to sell my business

Responses

Business Planning: Building Wealth

Enterprise Value is a measure of business value based on what a theoretical buyer would pay for a business after conducting a thorough due dilligence. It is calculated based on the ability of the busness to generate future revenue and profit using an algorithm that includes industry normalized trading ranges, financial performance, and the calculated *CoreValue Rating.*

In some cases, *Strategic Buyers* within specific industries will pay above this financial value and thereby create strategic value. These buyers will purchase a specific asset or capability they believe can be leveraged beyond how the business performs today. It is important to understand that strategic value can change quickly and should not be fully relied on when planning for the future.

Balance sheet adjustments are not included in the value calculation. It assumes a neutral balance sheet.

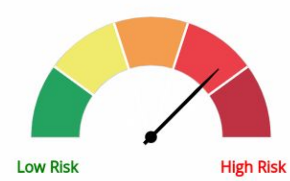
Potential Value: $8.97M

Owner Risk

Your owner risk is **High**.

This index is an overall view of the risks that may inhibit your ability to maximize your current enterprise value today and monetize it in the future. It incorporates the four critical elements of owner risk: *Income Replacement, Insurance Protection, Red Flags, and Liquidity.* Each is broken out in this report to enable you, the owner, to get your arms around making the business fit your personal goals.

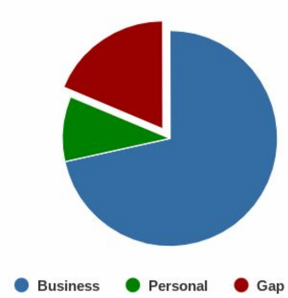
You currently have a **high** level of business, personal and financial risk. You have considerable exposure that could leave the business and your family exposed if and when a transition occurs. A de-risking strategy should be the top priority.



Income Replacement Analysis

The income replacement value is the value owners <u>need</u> the business to be worth to maintain their current standard of living when they are no longer running the business. It is critical for effective succession and retirement planning, and shifts the focus from current lifestyle to future enterprise value growth.

Assets needed to Retire	$4,125,000
Value of Business (@25%)	$1,593,000
Value of Personal Assets	$869,000
Retirement Asset Gap	($1,662,000)
Using the potential value of the business to meet your goals:	
Business Value Gap (@25%)	$650,000
Potential Retirement gap	($1,012,000)



Total Assets & Gap

You Have an Income Replacement Gap

A lack of financial independence can lead to a business owner never truly exiting the business. Based on the information you've given regarding the amount of salary and benefits you derive from the business currently, **you have an income replacement gap**, This means the value the business, plus the value of your assets outside the business, are not sufficient to maintain the current standard of living that you've created for yourself in retirement. To help make up the gap, you should consider three strategies:

1. You can adjust your standard of living in retirement.
2. You can look to increase the value of the business by improving the operational areas in the business that are depressing your value.
3. You can grow the value of the assets you own outside the business.

Connect Personal and Business Planning

Forty years of research have shown that owners who connect their personal and business planning have a 90% success rate in achieving their long-term goals, both business and personal. And the sad truth is those who do not have a 85% failure rate.

The red flags listed below are the most critical that may require immediate attention. There may be other risk factors included in a comprehensive personal and business protection strategy.

Personal Risk Red Flags:

- No assets outside the business to fund retirement.
- No disability income insurance.

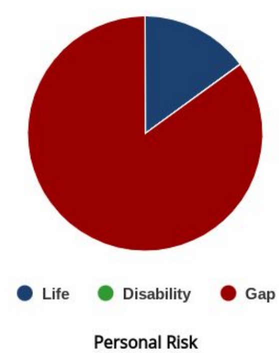
Business Risk Red Flags:

- No written and communicated succession plan in place.
- No key employee loyalty benefits offered.
- No key employee life insurance.
- Unfunded buy-sell agreement.

Personal Planning: Risk Mitigation

Experience with thousands of owners across all industries has proven the first step to a better future is to protect the lifestyle you have created. Then you can sleep better, relax a bit, and renew your journey with new energy. Insurance makes it fast and easy.

		In Force	Needed	Gap
Personal	Life	$500K	$3.26M	($2.76M)
	Disability	$0	$81K	($81K)
Business	Loans	$0	$75K	($75K)
	Overhead Expense		Yes	
Buy-Sell	Life		$1.79M	($1.79M)
	Disability		$830K	($830K)
Key Employee	Life		$3M	($3M)
	Disability		Yes	



The protection gap values above are meant to show the optimal amount of insurance coverage needed to fully protect an individual and a business as a best practice and under ideal conditions. Factors, such as age, health, cost, and face amount limits may impact an individual's ability to purchase the full amount of coverage needed to address the gaps in coverage. You are encouraged to speak with a financial professional who can help determine the appropriate and available amounts of insurance coverage that may be right for you.

Exit Strategy

Sell the business to an inside buyer, such as a key employee, a business partner or a family member.

In a management or partner buy-out, the buyer (oftentimes a key employee or ownership partner) knows the business inside and out, is someone you trust, and shares your passion for the business. What's often the challenge is the inside buyer typically has little cash up front to make the purchase, so you may have to negotiate an installment buyout. If it's an ownership partner you are looking to sell to, it makes sense to have a buy-sell agreement in place that will stipulate the triggering events that will necessitate a sale, the terms of the sale, and include a funding mechanism for the buyout. The last thing you want is your retirement, or the financial future of your loved ones, to be dependent on how well this person runs the business.

Pro
Buyer knows the business and is someone the owner trusts

Con
Buyer typically has little cash at closing (opts for an installment sale)

Risk
Sometimes good employees make poor entrepreneurs