5 x Minute Business Valuations & Investor Analysis

Almost any type of UNLISTED Business

Business Acquisition - Valuation - Forecasting - 10 year Model

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INPUT SHEET

Investment Returns using Owners Cash

Unlevered

Investment Returns using Loan Funds

OE with Leverage

Business Valuations and Investment Returns

PROPPRO247

International Best Practise Models

Business Acquisition - Valuation - Forecasting - 10 year Model

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INPUTS

Name Of Business			Jacobs Deli	
Type Of Business			Restaurant	
Historical Performance	NPAT	1	200 000	Current / Most Recent Financials
		2	150 000	2 Years ago Financials
		3	175 000	3 Years ago Financials
		4	185 000	4 years ago Financials
		5	162 000	5 Years ago Financials

Add back the financing costs, (if any), to the business you are evaluating

Are you using the weighted aver. NPAT for all years? Or are you using only the last year or select past years	5	1, 2, 3, 4, or 5)
Average Net Profit After Tax	172 600	
PE Ratio Applied (Goodwill Factor) — Select an appropriate Ratio of 1, 2, 3 ,3,5 , ……	2,5	
Goodwill Amount Applied from PE Ratio	431 500	

Are you purchasing Equipment, Furnishing, Stock etc. ?

Equipment Value	120 000
Stock Value	120 000
Other	

Do you need to alter the NPAT position in any of the years analysed, for either excessive or insufficient drawings to the owner when compared to that of a market related drawing (*this will effect the NPAT and as a result, effect the Goodwill amount*)

Drawings in Excess of, or Less than, a market related Managers salary

Excess Draw latest year	11 000	Less than Draw current year		Subtracted /added to your NPAT
year 2	0	year 2	20 000	
year 3	0	year 3		
year 4	0	year 4		
year 5	0	year 5		

Purchase Price based on all your Inputs 671 500

Analyse the Investment with and without External Funding (leverage)

Analyse the viability and investment with and without leverage (input blue cells)

Loan amount	450 000	The difference between the Loan amount and purchase price will be the *owners loan account*	221 500
Length in months	60		
Rate charged (%)	7,80%		
Monthly Payment	9 081	Cost of Capital provided to the business	5,00% %

Opportunity costs (ownesr funds)

Annual Escalations predicted for NPAT (%)	4,00%

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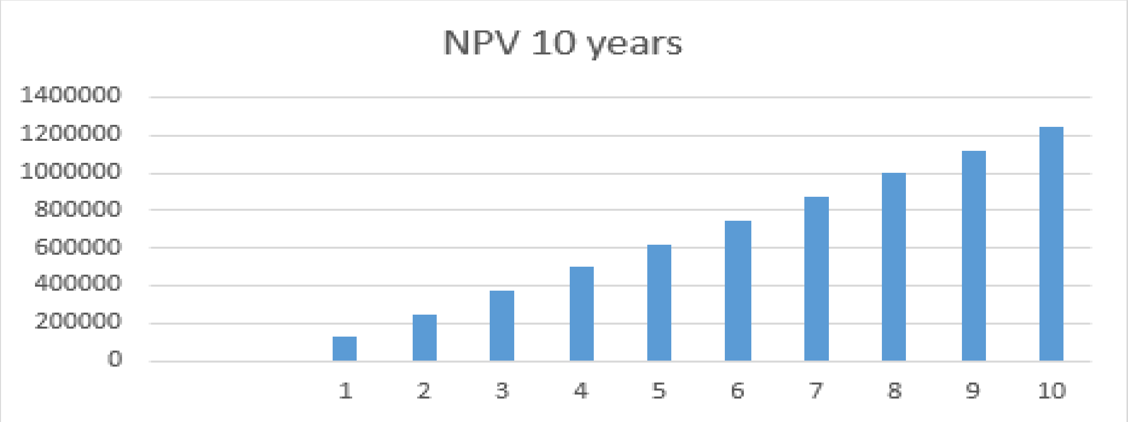
Own Capital Acquisition

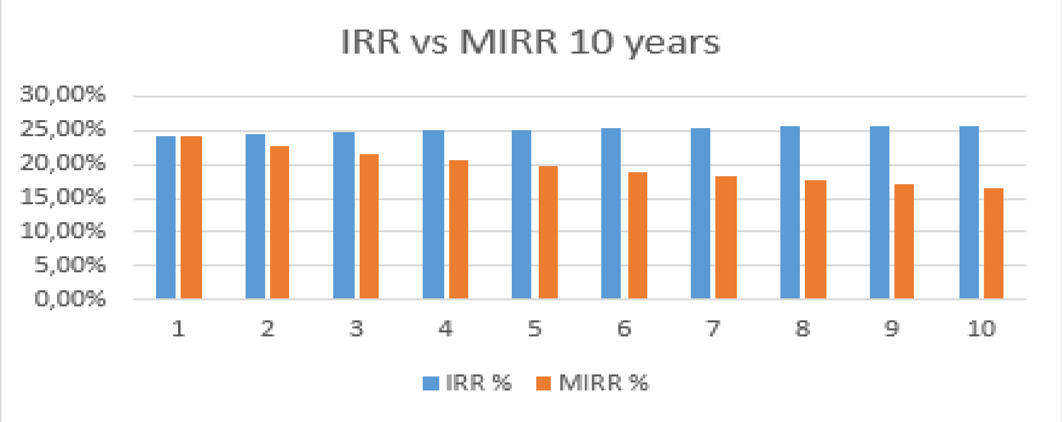
Calculated Current Valuation 671 500

Current Valuation and Analysis with IRR, MIRR, NPV, and COC

Cash Flows	Years (0)	1	2	3	4	5	6	7	8	9	10
Owners Cash Utilized	-671 500										
Owners Loan account		-671 500	-671 500	-671 500	-671 500	-671 500	-671 500	-671 500	-671 500	-671 500	-671 500
Net Income before opportunity costs		179 504	186 684	194 152	201 918	209 994	218 394	227 130	236 215	245 664	255 490
Cost of Owners Capital		33 575	33 575	33 575	33 575	33 575	33 575	33 575	33 575	33 575	33 575
Net Income Generated		145 929	153 109	160 577	168 343	176 419	184 819	193 555	202 640	212 089	221 915
Owners Cash Utilized		671 500	671 500	671 500	671 500	671 500	671 500	671 500	671 500	671 500	671 500
Exit Values		834 689	859 820	885 955	913 137	941 405	970 804	1 001 379	1 033 178	1 066 248	1 100 641

Years		*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
IRR	%	*24,30%*	*24,54%*	*24,76%*	*24,97%*	*25,15%*	*25,32%*	*25,47%*	*25,60%*	*25,72%*	*25,82%*
MIRR	%	*24,30%*	*22,83%*	*21,61%*	*20,58%*	*19,70%*	*18,93%*	*18,25%*	*17,65%*	*17,11%*	*16,62%*
NPV		*123 442*	*247 362*	*371 676*	*496 306*	*621 178*	*746 221*	*871 368*	*996 557*	*1 121 730*	*1 246 829*
COC	%	*26,73%*	*27,80%*	*28,91%*	*30,07%*	*31,27%*	*32,52%*	*33,82%*	*35,18%*	*36,58%*	*38,05%*





Valuation Notes

It is common cause that your NPV should produce a positive amount and your IRR and MIRR must exceed that of your cost of Capital

Based on your chosen PE Ratio, together with adjustments for Owners drawings, your Valuation is as follows:

Aver. Net Income Generated for period used as Valuation	172 600	PE Ratio Used	2,5	Goodwill	431 500
Other Assets Valued together with Goodwill Purchase Price	240 000			Total Valuation	**671 500**

The Owners Loan account carries a interest charge at	5,00%	Represented as the owners cost above at	33 575 pa

First Year ROI amounts to	21,73%
5th Year IRR amounts to	25,15%
5th Year MIRR amounts to	19,70%
5th Year NPV amounts to	621 178

MIRR vs IRR (*the difference*)

IRR will produce a % return on Investment provided that you include a realistic exit value. The IRR formula however, will keep calculating positive cash flows in a manner presuming that you are able to replicate, which in most instances is not practical or achievable. Whereas the MIRR performs the exact same function but allows us the opportunity to limit the surplus cash flows to equal that of either the cost of funders rates or the cost of owners capital. This is much more realistic because it is normally possible to invest surplus cash into debt as opposed to achieving the exact same rate as your IRR.

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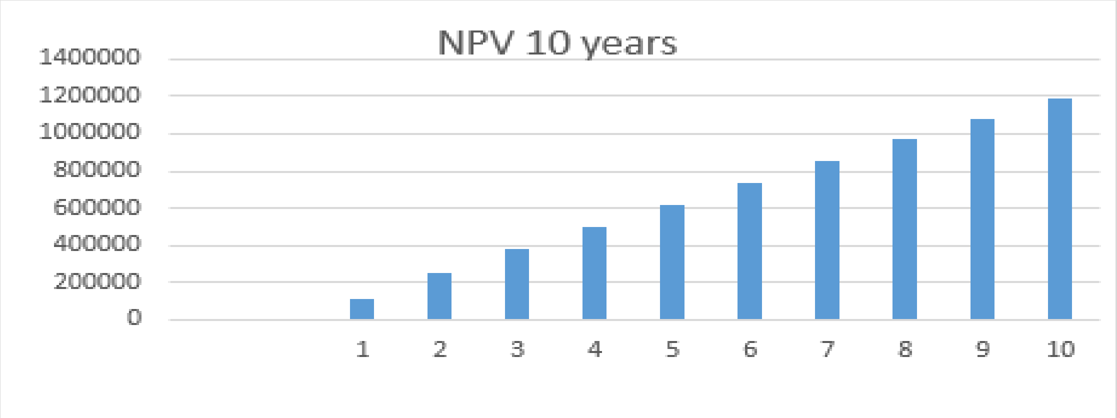
Partial or Total Leverage Acquisition

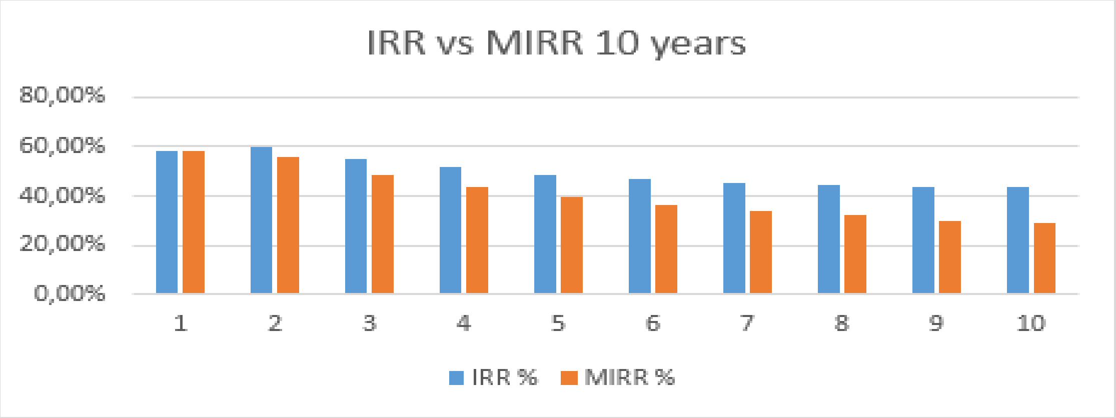
Calculated Valuation 671 500

Current Valuation and Analysis with IRR, MIRR, NPV, and COC

Cash Flows	Years	1	2	3	4	5	6	7	8	9	10
Owners Cash Utilized	-221 500										
Purchase Value as per Inputs		-671 500	-671 500	-671 500	-671 500	-671 500	-671 500	-671 500	-671 500	-671 500	-671 500
Net Income Generated		172 600	186 408	194 140	201 917	209 994	218 394	227 130	236 215	245 664	255 490
Cost of Owners Capital		11 075	11 075	11 075	11 075	11 075	11 075	11 075	11 075	11 075	11 075
External loan Repayment		108 976	108 976	108 976	108 976	108 976	0	0	0	0	0
Cash Flow Generated		52 549	66 357	74 089	81 866	89 943	207 319	216 055	225 140	234 589	244 415
Owners Cash Utilized		221 500	221 500	221 500	221 500	221 500	221 500	221 500	221 500	221 500	221 500
Exit Values		350 624	481 719	598 241	722 150	854 929	993 304	1 023 879	1 055 678	1 088 748	1 123 141

Years		***1***	***2***	***3***	***4***	***5***	***6***	***7***	***8***	***9***	***10***
IRR	*%*	*58,30%*	*59,81%*	*55,18%*	*51,60%*	*48,83%*	*46,57%*	*45,21%*	*44,36%*	*43,80%*	*43,42%*
MIRR	*%*	*58,30%*	*55,83%*	*48,76%*	*43,58%*	*39,65%*	*36,51%*	*33,97%*	*31,87%*	*30,11%*	*28,60%*
NPV		*106 565*	*249 393*	*375 799*	*499 927*	*622 279*	*740 180*	*855 600*	*968 563*	*1 079 091*	*1 187 212*
COC	*%*	*28,72%*	*34,96%*	*38,45%*	*41,96%*	*45,61%*	*98,60%*	*102,54%*	*106,64%*	*110,91%*	*115,35%*





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Aver. Net Income Generated for period used as Valuation	172 600	PE Ratio Used	2,5	Goodwill	431 500
Other Assets Valued together with Goodwill Purchase Price	240 000			Total Valuation	**671 500**

The Owners Loan account carries a interest charge at	5,00%	External Loans / leverage carries an interest charge at	7,80%
The owners Loan account amounts to	221 500	The external loan used amounts to	450 000

5th Year IRR amounts to	48,83%
5th Year MIRR amounts to	39,65%
5th Year NPV amounts to	622 279

Weighted average (%) Charged between owner and external Loan	6,88%

MIRR vs IRR (*the difference*)

IRR will produce a % return on Investment provided that you include a realistic exit value. The IRR formula however, will keep calculating positive cash flows in a manner presuming that you are able to replicate, which in most instances is not practical or achievable. Whereas the MIRR performs the exact same function but allows us the opportunity to limit the surplus cash flows to equal that of either the cost of funders rates or the cost of owners capital. This is much more realistic because it is normally possible to invest surplus cash into debt as opposed to achieving the exact same rate as your IRR.