ROGERSON BUSINESS SERVICES

# SAMPLE REPORT

## Smith Construction Company

**Valuation Date:**
September 30, 2021

**Report Date:**
October 22, 2021

# ABOUT YOUR REPORT

October 22, 2021

VIA ELECTRONIC MAIL

Ms. Sally Smith
Street Address
City, State and Zip

**Re: Value of Smith Construction Company**

Dear Ms. Smith

We are pleased to provide you with our value of Smith Construction Company.

You will also find a financial summary and a benchmark analysis of your company's performance relative to its industry. This analysis includes a comparative analysis of the company's financial statements as well as key financial ratios, which are a good measure of the relative health of the company.

Your report is valuable for planning purposes but does not take the place of a certified appraisal. You can learn more about certified appraisals and the benefits of having one performed at the end of this report.

You can contact us directly should you have any questions or would like to conduct a certified business appraisal at any point in the future.

Best regards,

*FIRM'S NAME*

FIRM'S NAME

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# 1

## ABOUT YOUR
# VALUATION REPORT

*Overview of the report and contents*

# ABOUT YOUR
# VALUATION

The purpose of this valuation and analysis is to provide you with a valuation based on the financial information you supplied as well as market-based information we obtained from subscription services, including comparable transactions and industry benchmarking.

You can use this report for planning purposes. This report is not “certified” and cannot be used for IRS or legal purposes. You can learn more about certified valuations and the benefits of having one performed at the end of this report. At your convenience, you can ask us about obtaining a certified valuation from our Certified Valuation Analyst.

***What is the Standard of Value for this report?***
The standard of value for this report is **fair market value**.

There are three standards of value to consider when valuing a business; the most common standard of value is fair market value. All three standards of value are defined below for your knowledge and information.

**1) Fair Value** - There are multiple meanings of fair value, depending on the purpose of the valuation. Fair value usually produces a more conservative value than fair market value or investment value.

**2) Fair Market Value** - “The price at which the property would change hands between a willing buyer and a willing seller, when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.” – IRS as defined by Revenue Ruling 59-60

**3) Investment Value** - The value/price a particular investor is willing to pay based on individual investment requirements and expectations. Investment value usually produces a higher value than fair market value or fair value.

***What Premise of Value was assumed for my valuation?***
The premise of value is an assumption regarding the most likely set of transactional circumstances that may be applicable to the valuation of your company (e.g., going concern, liquidation). This report was prepared using the premise that **your company is a going concern**. This means your business is an ongoing operating business enterprise.

**Were there any assumptions and limiting conditions?**
Yes, we assumed the financial information and all other data you provided us was true and accurate. We did not verify the information. This is the same assumption we placed on the data retrieved from subscription data services and/or publicly available information used. This valuation provides insight and information regarding your company’s value and should be insightful for planning purposes.

## *So, what's my business worth?*

Well, that's the million dollar question and while this report is not a certified appraisal, it will provide you with valuable information to help you make informed decisions.

In Section 2 of this report, you are shown a valuation range for your business; this range is based upon three valuation approaches (market, income and asset) as well as various valuation methods. You can find a description of each valuation method in Section 2.

The value of your business will almost certainly fall within this range, but there is no guarantee. You will also see a "likely" or "suggested" price based on the median value of the comparable transactions as well as past earnings, but it's important that you also look at how the profitability of your company and how it benchmarks to the industry (see Section 4). This will influence your company's valuation.

# WHEN TO USE
# YOUR VALUATION

## *When should you use this non-certified valuation?*

This non-certified report is a valuable tool that can be used by business owners for many reasons, including:

- Decision on whether or not to sell your business,
- Discussions with your business advisor on how to price your business to sell,
- Strategic planning,
- Retirement planning,
- Succession planning,
- Early-stage estate planning, and
- Many more reasons

## *When should you use a certified valuation?*

It is important to know that while this non-certified valuation report is insightful and helpful to business owners like you in many ways, the report is not a certified valuation and should not be used for many reasons, including:

- Mergers and Acquisitions
- Sales and Divestitures
- Buy/Sell Agreements
- Share Redemptions
- Partner & Shareholder Buyouts
- Marital Dissolutions
- Gift & Estate Planning
- Employee Benefit Plans
- Business Litigation

You can learn more about Certified Valuationsin **Section 5** of this report.

# 2

## VALUATION OF
## SMITH CONSTRUCTION COMPANY

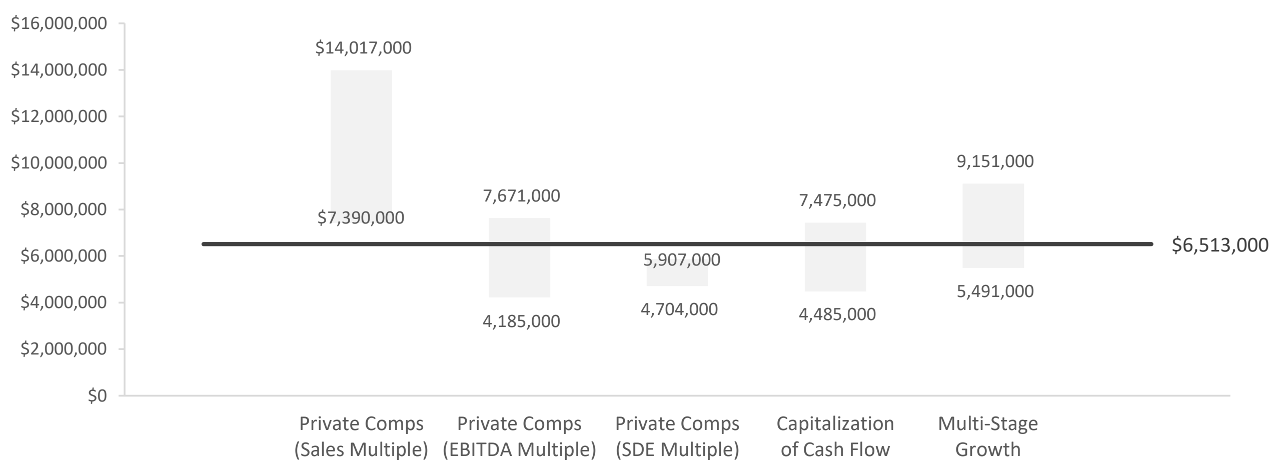
*Overview of the valuation*

# VALUATION SUMMARY
## EQUITY VALUE

The purpose of this report and analysis is to provide you with a valuation based on the financial information you supplied as well as market-based information we obtained from subscription services, including comparable transactions and industry benchmarking.

The income, market and asset approaches were all considered to value the equity of the Company. The following pages of Section 2 provide the calculations and explanations for each of the values shown below for the Company. The graph shown below marks the "median value" of the values calculated for the Company per the market and income appraches described in the report. The graph also shows the values based on the 10th and 90th percentiles of the market approach methods and the "low" and " high" values of the income approach methods. The Company's value could be closer to these extreme low/high values based on current market conditions and the Company's performance (i.e., benchmarking) vs. its industry.

| Approach | Method | Low | Median | High |
|---|---|---|---|---|
| Market Approach | Private Comps(Sales Multiple) | $ 7,390,000 | $ 11,743,000 | $ 14,017,000 |
| Market Approach | Private Comps(EBITDA Multiple) | 4,185,000 | 6,513,000 | 7,671,000 |
| Market Approach | Private Comps(SDE Multiple) | 4,704,000 | 4,795,000 | 5,907,000 |
| Income Approach | Capitalizationof Cash Flow | 4,485,000 | 5,980,000 | 7,475,000 |
| Income Approach | Multi-StageGrowth | 5,491,000 | 7,321,000 | 9,151,000 |
| Asset Approach | Book Value Method | | 3,150,000 | |
| | Median (excludes book value): | | $ 6,513,000 | |




### VALUATION - MEDIAN OF APPROACHES

Based on the valuation approaches decribed in this report, below is a range of values for SCC.

| | |
|---|---|
| **Median of Market & Income Approaches (rounded)**<br>Value based on median of market and income approaches provided in this report | **$ 6,513,000** |

# MARKET APPROACH

The concept underlying the Market Approach is that the value of your business can be determined by reference to reasonably comparable guideline companies (comps) for which transaction values are known. The values may be known because these companies are publicly traded or because they are privately held, recently sold and the terms of the transaction were disclosed.

## Market Approach - Valuation Methods

***What are common market valuation methods?***

There are three common methods generally accepted in the market approach:

1. Comparable Private Transaction Method
2. Guideline Public Company Method
3. Prior Sales of Interest in Subject Company

***Which method was used to value SCC?***

We prepared a valuation of SCC utilizing the comparable private transaction method because of the availability of data of past private transactions.

The comparable private transaction method utilizes financial and market data from privately held company transactions of firms engaged in business similar to those of the subject company. Pricing multiples are derived from transactions that include acquisitions and sales of entire companies, divisions, or large blocks of shares.

A search of sevreal subscription-based databases such as DealStats, BIZCOMPS and/or ValueSource was conducted for to find transactions involving target companies using SIC code(s) 8734.

The search for comparable transactions was limited to transactions closing after January 01, 2016. We eliminated companies from the search that reported less than one-tenth or greater than ten times the revenue of the Company earned over the period under review. There were seven (7) unique transactions found within the databases with this search criteria.

***What multiple was used to value SCC?***

The transactions that met the criteria described above are listed on the last page of this 'Market Approach' section and summarized to the right. Both the sales and EBITDA (earnings before interest, taxes, depreciation and amortization) multiples are provided.

***When should the sales (and SDE) multiples be used?***

The sales multiple is useful when a company has sales less than $1-2 million and it is recognized that many buyers and owners believe they already know how much they can bring down to the bottom line. Valuations have been performed utlizing both mulitples. In some cases, we will also value companies with revenue less than $2 million with a seller's discretionary earnings (SDE) multiple.

**When should the EBITDA multiple be used?**

The EBITDA multiple is good to consider when your company has sales greater than $1-2 million and it is recognized that valuation analysts have a tendency to prefer EBITDA multiples because they eliminate effects of different policies with respect to accounting and noncash expenses (depreciation, etc).

**Summary of Transaction Multiples for SCC**

| | Sales Multiple | EBITDA Multiple | SDE Multiple |
|---|---|---|---|
| 10th Percentile | 0.83 | 3.00 | 2.84 |
| 25th Percentile | 1.11 | 4.00 | 2.84 |
| Mean | 1.27 | 4.80 | 3.09 |
| Median | 1.37 | 5.00 | 2.90 |
| 75th Percentile | 1.38 | 5.01 | 3.06 |
| 90th Percentile | 1.66 | 6.00 | 3.69 |

**How were the sales and EBITDA mutiples applied to**

The sales and EBITDA transaction multiples are applied to the sales and EBITDA streams of SCC. For this valuation, the last three years of sales and EBITDA were reviewed and a weighted average was calculated. When weights in excess of one are applied to a particular year (or years), the benefit stream (i.e., sales, EBITDA) will be more weighted to those years. The assumption is that the more heavily weighted years are a more reliable indicator of future performance than the year (or years) weighted less.

# MARKET APPROACH
## SALES MULTIPLE

### *Calculation of SCC's Sales Base*

| | Preceding 12 Months | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Revenue | $ 7,459,571 | $ 7,450,264 | $ 8,060,364 | $ 9,220,393 |
| Weight on Revenue | 1 | 1 | 1 | 1 |
| Ongoing Revenue | | $ 8,047,648 | | |
| SELECTED ONGOING REVENUE BASE | | $ 8,048,000 | | |

### *Company Valuation (Sales Multiple)*

$ 11,743,000

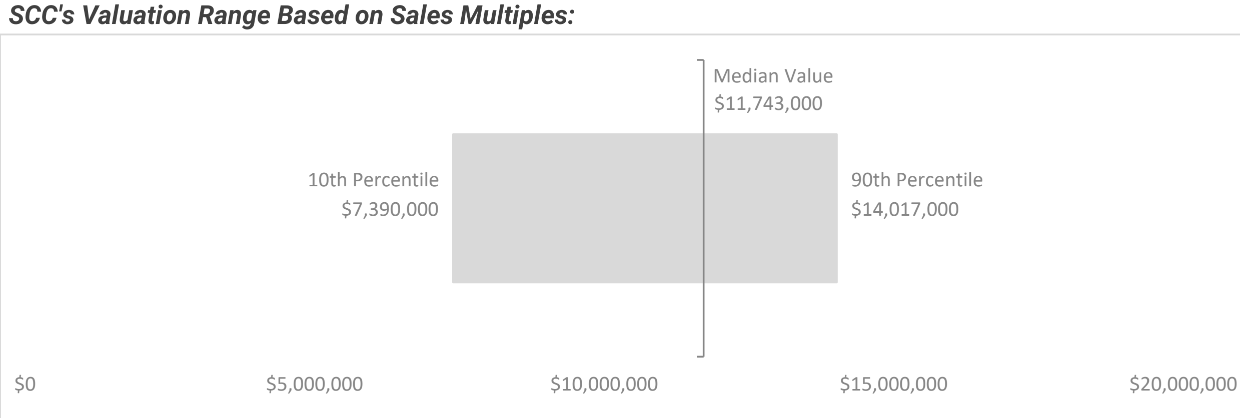
### *Calculation of SCC's Value Using Sales Multiple*

| | Sales Multiple | | | | | |
|---|---|---|---|---|---|---|
| | 10th PCTL | 25th PCTL | Mean | Median | 75th PCTL | 90th PCTL |
| Sales Base | $ 8,048,000 | $ 8,048,000 | $ 8,048,000 | $ 8,048,000 | $ 8,048,000 | $ 8,048,000 |
| Multiple | 0.83x | 1.11x | 1.27x | 1.37x | 1.38x | 1.66x |
| Ongoing Value | $ 6,697,591 | $ 8,902,857 | $ 10,190,703 | $ 11,050,837 | $ 11,078,871 | $ 13,324,326 |
| Adjusted Balance Sheet Debt | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 |
| Subtotal | $ 6,572,591 | $ 8,777,857 | $ 10,065,703 | $ 10,925,837 | $ 10,953,871 | $ 13,199,326 |
| Adjustment* | 817,500 | 817,500 | 817,500 | 817,500 | 817,500 | 817,500 |
| Indicated Equity Value | $ 7,390,000 | $ 9,595,000 | $ 10,883,000 | $ 11,743,000 | $ 11,771,000 | $ 14,017,000 |

### *What does this range of values for SCC mean?*

The values for the Company range from the low (10th percentile) to the high 90th percentile as well as the two values that represent the central tendency (the mean and median). The mean is the arithmetic average and is computed by adding up the given set of multiples and dividing by their count. The median is the middle number in an ordered list (when the numbers are sorted numerically, the median is the middle number in the set). If the median is higher than the mean, outliers may be causing a downward bias to the mean. Alternatively, if the mean is higher than the median, outliers may be causing an upward bias. Many place the most weight on the median as it is usually most representative of the central tendency of the retrieved multiples as outliers can dramatically impact the mean, whereas the median is less affected. You can also compare the Company's profitability to that of its industry to determine if you should use the value representative of its profitability benchmarking.

### *SCC's Valuation Range Based on Sales Multiples:*



# MARKET APPROACH
## EBITDA MULTIPLE

*Calculation of SCC's EBITDA Base*

| | Preceding 12 Months | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Adj. Pre-Tax Income | $ 796,482 | $ 455,227 | $ 662,785 | $ 779,854 |
| Interest | 219,593 | 249,426 | 288,086 | 301,968 |
| Non-cash expenses | 247,696 | 233,559 | 234,808 | 181,522 |
| EBITDA | $ 1,263,771 | $ 938,212 | $ 1,185,679 | $ 1,263,344 |
| Weight on EBITDA | 1 | 1 | 1 | 1 |

| | |
|---|---|
| Ongoing Revenue | $ 1,162,752 |
| SELECTED ONGOING REVENUE BASE | $ 1,163,000 |

***Company Valuation (EBITDA Multiple)***

$6,513,000

***Calculation of SCC's Value Using EBITDA Multiple***

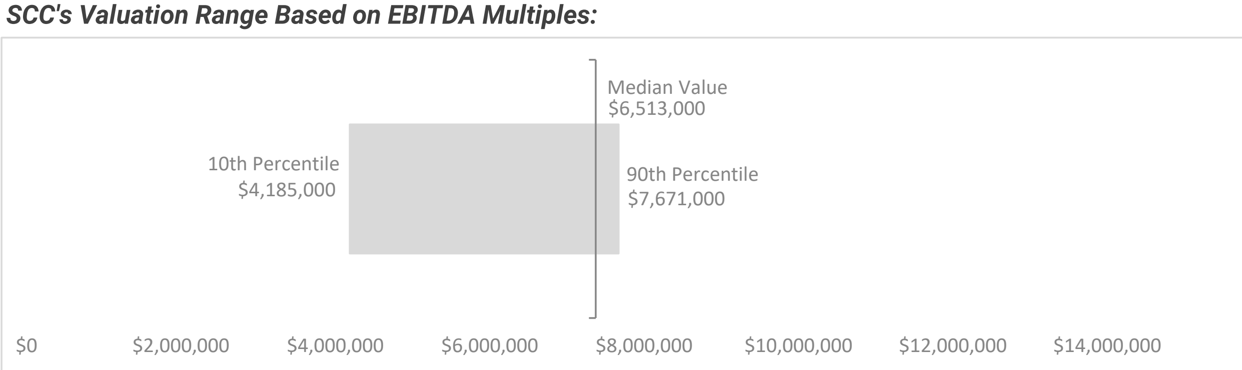
| | EBITDA Multiple | | | | | |
|---|---|---|---|---|---|---|
| | 10th PCTL | 25th PCTL | Mean | Median | 75th PCTL | 90th PCTL |
| EBITDA Base | $ 1,163,000 | $ 1,163,000 | $ 1,163,000 | $ 1,163,000 | $ 1,163,000 | $ 1,163,000 |
| Multiple | 3.00x | 4.00x | 4.80x | 5.00x | 5.01x | 6.00x |
| Ongoing Value | $ 3,492,373 | $ 4,652,291 | $ 5,584,596 | $ 5,820,234 | $ 5,828,665 | $ 6,978,233 |
| Adjusted Balance Sheet Debt | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 |
| Subtotal | $ 3,367,373 | $ 4,527,291 | $ 5,459,596 | $ 5,695,234 | $ 5,703,665 | $ 6,853,233 |
| Adjustment* | 817,500 | 817,500 | 817,500 | 817,500 | 817,500 | 817,500 |
| Indicated Equity Value (rounded) | $ 4,185,000 | $ 5,345,000 | $ 6,277,000 | $ 6,513,000 | $ 6,521,000 | $ 7,671,000 |

*Adjustment includes Cash, A/R and A/P

***What does this range of values for SCC mean?***

The values for the Company range from the low (10th percentile) to the high 90th percentile as well as the two values that represent the central tendency (the mean and median). The mean is the arithmetic average and is computed by adding up the given set of multiples and dividing by their count. The median is the middle number in an ordered list (when the numbers are sorted numerically, the median is the middle number in the set). If the median is higher than the mean, outliers may be causing a downward bias to the mean. Alternatively, if the mean is higher than the median, outliers may be causing an upward bias. Many place the most weight on the median as it is usually most representative of the central tendency of the retrieved multiples as outliers can dramatically impact the mean, whereas the median is less affected. You can also compare the Company's profitability to that of its industry to determine if you should use the value representative of its profitability benchmarking.

***SCC's Valuation Range Based on EBITDA Multiples:***



# MARKET APPROACH
## SDE MULTIPLE

### Calculation of SCC's SDE Base

| | Preceding 12 Months | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Adj. Pre-Tax Income | $ 796,482 | $ 455,227 | $ 662,785 | $ 779,854 |
| Interest | 219,593 | 249,426 | 288,086 | 301,968 |
| Non-cash expenses | 247,696 | 233,559 | 234,808 | 181,522 |
| Owners Comp. | 250,000 | 250,000 | 250,000 | 250,000 |
| EBITDA | $ 1,513,771 | $ 1,188,212 | $ 1,435,679 | $ 1,513,344 |
| Weight on EBITDA | 1 | 1 | 1 | 1 |
| | Ongoing Revenue | $ 1,412,752 | | |
| | SELECTED ONGOING REVENUE BASE | $ 1,413,000 | | |

### Company Valuation (SDE Multiple)

$4,795,000

### Calculation of SCC's Value Using SDE Multiple

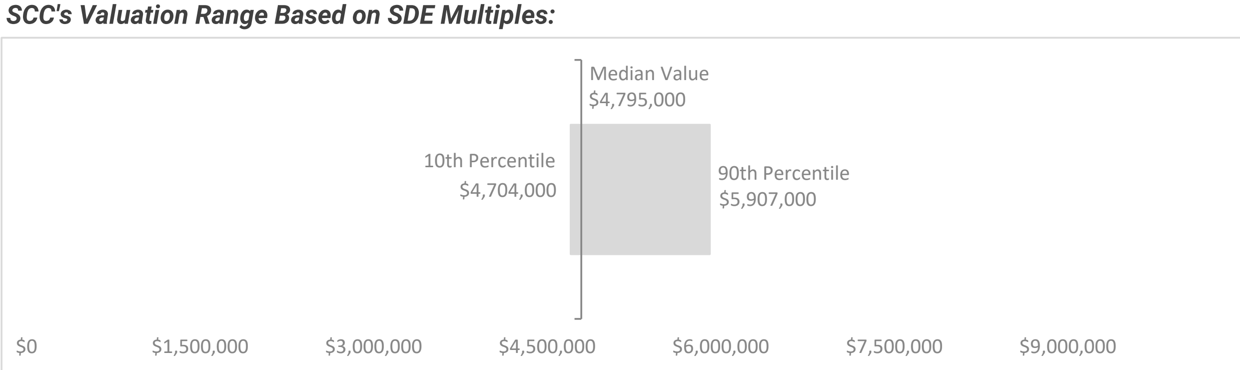
| | SDE Multiple | | | | | |
|---|---|---|---|---|---|---|
| | 10th PCTL | 25th PCTL | Mean | Median | 75th PCTL | 90th PCTL |
| SDE Base | $ 1,413,000 | $ 1,413,000 | $ 1,413,000 | $ 1,413,000 | $ 1,413,000 | $ 1,413,000 |
| Multiple | 2.84x | 2.84x | 3.09x | 2.90x | 3.06x | 3.69x |
| Ongoing Value | $ 4,011,528 | $ 4,018,419 | $ 4,367,787 | $ 4,102,925 | $ 4,322,747 | $ 5,214,173 |
| Adjusted Balance Sheet Debt | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 |
| Subtotal | $ 3,886,528 | $ 3,893,419 | $ 4,242,787 | $ 3,977,925 | $ 4,197,747 | $ 5,089,173 |
| Adjustment* | 817,500 | 817,500 | 817,500 | 817,500 | 817,500 | 817,500 |
| Indicated Equity Value (rounded) | $ 4,704,000 | $ 4,711,000 | $ 5,060,000 | $ 4,795,000 | $ 5,015,000 | $ 5,907,000 |

*Adjustment includes Cash, A/R and A/P

### What does this range of values for SCC mean?

The values for the Company range from the low (10th percentile) to the high 90th percentile as well as the two values that represent the central tendency (the mean and median). The mean is the arithmetic average and is computed by adding up the given set of multiples and dividing by their count. The median is the middle number in an ordered list (when the numbers are sorted numerically, the median is the middle number in the set). If the median is higher than the mean, outliers may be causing a downward bias to the mean. Alternatively, if the mean is higher than the median, outliers may be causing an upward bias. Many place the most weight on the median as it is usually most representative of the central tendency of the retrieved multiples as outliers can dramatically impact the mean, whereas the median is less affected. You can also compare the Company's profitability to that of its industry to determine if you should use the value representative of its profitability benchmarking.

### SCC's Valuation Range Based on SDE Multiples:



# MARKET APPROACH
## COMPARABLE PRIVATE TRANSACTIONS

### Search Criteria

Access to subscription-based transaction databases contained X selected transactions with the following criteria:

1. SIC was 8734
2. Sale Date was greater than 09/30/2021
3. Net Sales was between $500,000 and $50,000,000
4. SIC was seven (7)

### Transaction List

| Sale Date | Business Type | MVIC Price | Sales | EBITDA | SDE | Sales Multiple | EBITDA Multiple | SDE Multiple |
|---|---|---|---|---|---|---|---|---|
| 11/25/19 | Company description provided here | $17,000,000 | $18,000,000 | $5,000,000 | $5,000,000 | 0.94 | 3.40 | 3.40 |
| 11/26/19 | Company description provided here | 17,005,000 | 18,010,000 | 5,000,000 | $5,000,000 | 0.94 | 3.40 | 3.40 |
| 11/27/19 | Company description provided here | 15,000,000 | 18,020,000 | 5,000,000 | $5,000,000 | 0.83 | 3.00 | 3.00 |
| 11/28/19 | Company description provided here | 15,005,000 | 18,030,000 | 5,000,000 | $5,000,000 | 0.83 | 3.00 | 3.00 |
| 11/29/19 | Company description provided here | 15,010,000 | 18,040,000 | 5,000,000 | $5,000,000 | 0.83 | 3.00 | 3.00 |
| 11/30/19 | Company description provided here | 15,015,000 | 18,050,000 | 5,000,000 | $5,000,000 | 0.83 | 3.00 | 3.00 |
| 12/1/19 | Company description provided here | 15,020,000 | 18,060,000 | 5,000,000 | $5,000,000 | 0.83 | 3.00 | 3.00 |
| 12/2/19 | Company description provided here | 20,000,000 | 18,070,000 | 5,000,000 | $5,500,000 | 1.11 | 4.00 | 3.64 |
| 12/3/19 | Company description provided here | 20,005,000 | 18,080,000 | 5,000,000 | $6,500,000 | 1.11 | 4.00 | 3.08 |
| 12/4/19 | Company description provided here | 20,010,000 | 18,090,000 | 5,000,000 | $7,000,000 | 1.11 | 4.00 | 2.86 |
| 12/5/19 | Company description provided here | 30,000,000 | 18,100,000 | 5,000,000 | $10,000,000 | 1.66 | 6.00 | 3.00 |
| 12/6/19 | Company description provided here | 30,005,000 | 18,110,000 | 6,500,000 | $7,000,000 | 1.66 | 4.62 | 4.29 |
| 12/7/19 | Company description provided here | 30,010,000 | 18,120,000 | 5,000,000 | $6,500,000 | 1.66 | 6.00 | 4.62 |
| 12/8/19 | Company description provided here | 30,015,000 | 18,130,000 | 5,000,000 | $9,500,000 | 1.66 | 6.00 | 3.16 |
| 12/9/19 | Company description provided here | 25,000,000 | 18,140,000 | 5,000,000 | $11,000,000 | 1.38 | 5.00 | 2.27 |
| 12/10/19 | Company description provided here | 25,005,000 | 18,150,000 | 2,000,000 | $8,800,000 | 1.38 | 12.50 | 2.84 |
| 12/11/19 | Company description provided here | 25,010,000 | 18,160,000 | 5,000,000 | $8,800,000 | 1.38 | 5.00 | 2.84 |
| 12/12/19 | Company description provided here | 25,015,000 | 18,170,000 | 5,000,000 | $8,800,000 | 1.38 | 5.00 | 2.84 |
| 12/13/19 | Company description provided here | 25,020,000 | 18,180,000 | 5,000,000 | $8,800,000 | 1.38 | 5.00 | 2.84 |
| 12/14/19 | Company description provided here | 25,025,000 | 18,190,000 | 5,000,000 | $8,800,000 | 1.38 | 5.01 | 2.84 |
| 12/15/19 | Company description provided here | 25,030,000 | 18,200,000 | 5,000,000 | $8,800,000 | 1.38 | 5.01 | 2.84 |
| 12/16/19 | Company description provided here | 25,035,000 | 18,210,000 | 5,000,000 | $8,800,000 | 1.37 | 5.01 | 2.84 |
| 12/17/19 | Company description provided here | 25,040,000 | 18,220,000 | 5,000,000 | $8,800,000 | 1.37 | 5.01 | 2.85 |
| 12/18/19 | Company description provided here | 25,045,000 | 18,230,000 | 5,000,000 | $6,000,000 | 1.37 | 5.01 | 4.17 |
| 12/19/19 | Company description provided here | 25,050,000 | 18,240,000 | 5,000,000 | $8,800,000 | 1.37 | 5.01 | 2.85 |
| 12/20/19 | Company description provided here | 25,055,000 | 18,250,000 | 5,000,000 | $8,800,000 | 1.37 | 5.01 | 2.85 |
| 12/21/19 | Company description provided here | 25,060,000 | 18,260,000 | 5,000,000 | $8,800,000 | 1.37 | 5.01 | 2.85 |
| 12/22/19 | Company description provided here | 25,065,000 | 18,270,000 | 5,000,000 | $8,500,000 | 1.37 | 5.01 | 2.95 |
| 12/23/19 | Company description provided here | 25,070,000 | 18,280,000 | 5,000,000 | $8,900,000 | 1.37 | 5.01 | 2.82 |
| 12/24/19 | Company description provided here | 25,075,000 | 18,290,000 | 5,000,000 | $9,000,000 | 1.37 | 5.02 | 2.79 |
| | | | | 10th Percentile | | 0.83 | 3.00 | 2.84 |
| | | | | 25th Percentile | | 1.11 | 4.00 | 2.84 |
| | | | | Mean | | 1.27 | 4.80 | 3.09 |
| | | | | Median | | 1.37 | 5.00 | 2.90 |
| | | | | 75th Percentile | | 1.38 | 5.01 | 3.06 |
| | | | | 90th Percentile | | 1.66 | 6.00 | 3.69 |

# INCOME APPROACH

The Income Approach is common way to determine the value of your business.  The focus is placed on your company's earning potential and not that of comparable companies.  The various methods of the income approach requires the conversion of cash flows (or other benefit stream) into a present single amount, at an appropriate rate, which would meet the requirements of a potential investor.

## Income Approach - Valuation Methods

### *What are common income valuation methods?*

There are three common methods generally accepted in the income approach:

1. Discounted Cash Flow (DCF) Method
2. Capitalization of Earnings (Cash Flow) Method
3. Multi-Stage Growth Method

### *Discounted Cash Flow (DCF) Method*

The DCF method is based on the theory that the total value of a business is the present value of its projected future earnings, plus the present value of the terminal value. This method requires that a terminal-value assumption be made. The amounts of projected earnings and the terminal value are discounted to the present using an appropriate discount rate, rather than a capitalization rate. This method may be used when a company expects a change in future capital expenditures (or revenue and expenses), anticipates high near-term growth rates to normalize at lower levels in the long term and/or has a reliable income projection. This method will not be used for this non-certified report; however, if you believe the Company requires a DCF, then please inquire about receiving a *Certified Valuaton Report* . You can learn more about a certifed appraisals at the back of this report.

### *Capitalization of Earnings (Cash Flow) Method*

The DCF methodology evolves into a capitalization of earnings (i.e., cash flow) method when the expected future income streams are constant (i.e. a single period stream of benefits). The capitalization of earnings method is simply the procedure of converting a single period stream of future benefits into a value.

### *Multi-Stage Growth Method*

The multi-stage growth model assumes the short- to mid-term growth of the Company will differ from the long-term anticipated growth of the Company. However, this method assumes the relationship of expenses to revenue remains stable unlike the DCF method where more detail and changes in relationships can be modeled.

### *Which method was used to value SCC?*

Both the capitalization of cash flow and multi-stage growth methods were used to value the Company. It is important for you to understand that the difference between the two valuations are rooted in the short- to mid-term growth expectations of the Company.

Specifically, the multi-stage growth method assumes the Company will grow at the same levels of growth forecasted for its industry. However, the capitalization of cash flow method assumes the Company is currently at a mature stage of growth and will therefore grow at a level between real and nominal GDP.

Below are the growth forecasts used for each valuation method described above.

*Growth Forecasts*

| Capitalization of Cash Flow Method | |
|---|---|
| **Item** | **Growth Rate[1]** |
| Sustainable Growth Rate | 2.5% |

[1]Growth rate is between long-term real and nominal GDP forecast

| Capitalization of Cash Flow Method | |
|---|---|
| **Item** | **Growth Rate[2]** |
| Year 1 | 6.0% |
| Year 2 | 6.0% |
| Year 3 | 6.0% |
| Year 4 | 6.0% |
| Sustainable long-term growth | 2.5% |

[2]Growth rates for Years 1-4 is from the D&B First Research Industry Reports for the Company's NAICS Code; the sustainable growth rate is between long-term real and nominal GDP forecast

# INCOME APPROACH
## CAPITALIZATION OF CASH FLOW METHOD

### Capitalizaton of Cash Flow Method for SCC's Valuation

Under the capitalization of cash flow method, cash flow is projected at a stabilized level based on past performance and future expectation and converted to present value at the capitalization rate, which is the cost of equity (discount rate) minus the sustainable growth rate.

Our selection of future levels of stabilized cash flow for this method was based on the last full year and the three-year average of the last three years of performance. The adjusted pre-tax income includes any adjustments to the income statements, which was provided directly from the client for this valuation.

### Company Valuation (Capitalization)

$5,980,000

### (1) Calculation of SCC's Cash Flow (earning power)

| | Preceding 12 Months | 3-YR AVG |
|---|---|---|
| Adjusted pre-tax income | $ 796,482 | $ 632,622 |
| Add: non-cash expenses | 247,696 | 216,630 |
| Ongoing Earning Power | $ 1,044,179 | $ 849,252 |

### (2) Calculation of SCC's Net Cash Flow

| | Preceding 12 Months | 3-YR AVG |
|---|---|---|
| Normalized Pre-tax cash flow | $ 1,044,179 | $ 849,252 |
| Less: Ongoing non-cash | 247,696 | 216,630 |
| Taxable base | 796,482 | 632,622 |
| Less: Est. federal taxes (21%) | 167,261 | 132,851 |
| Subtotal | 629,221 | 499,771 |
| Add: Ongoing non-cash | 247,696 | 216,630 |
| Subtotal | 876,917 | 716,401 |
| Adjustment for working capital | - | - |
| Adjustment for capital expenditures | - | - |
| Adjustment for long-term debt | - | - |
| Calculated ongoing pre-tax cash flow | $ 876,917 | $ 716,401 |
| Pre-tax net cash flow (rounded) | $ 877,000 | $ 716,000 |

### *Calculation of SCC's Cost of Equity

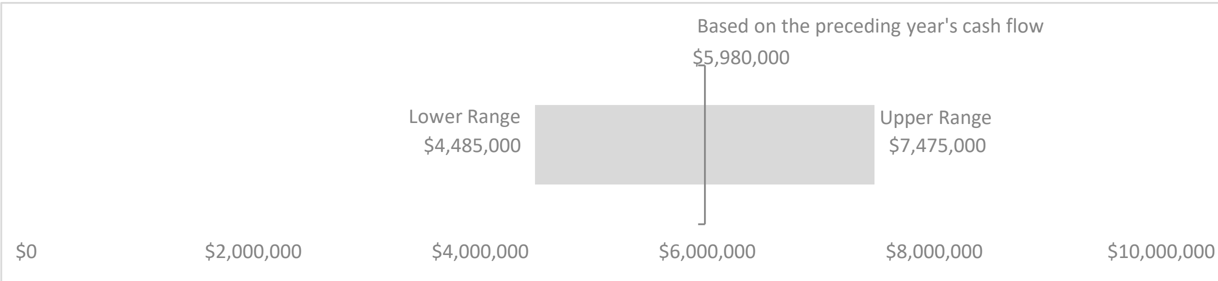
| | |
|---|---|
| Risk-free rate of return | 2.02% |
| Equity risk premium | 6.00% |
| Small stock risk premium | 5.01% |
| Plus/minus industry risk premium | 1.86% |
| Company specific risk | 4.00% |
| Net cash flow discount rate | 18.89% |
| Less: Sustainable growth rate | 2.50% |
| Net cash flow capitalization rate | 16.39% |
| *Apply mid-year convention (16.39%/(1+18.89%)^0.5) | |
| **Selected rate** | **15.03%** |

### (3) Calculation of SCC's Equity Value

| | Preceding 12 Months | 3-YR AVG | 125% of Preceding Year ("High") | 75% of Preceding Year ("Low") |
|---|---|---|---|---|
| Net of debt pre-tax cash flow | $ 877,000 | $ 716,000 | $ 1,096,250 | $ 657,750 |
| Sustainable future growth rate | 2.50% | 2.50% | 2.50% | 2.50% |
| Cash flow with future growth | 898,925 | 733,900 | 1,123,656 | 674,194 |
| Capitalization rate* | 15.03% | 15.03% | 15.03% | 15.03% |
| Indicated equity value | 5,980,220 | 4,882,369 | 7,475,275 | 4,485,165 |
| Indicated equity value (rounded) | $ 5,980,000 | $ 4,882,000 | $ 7,475,000 | $ 4,485,000 |

# INCOME APPROACH
## CAPITALIZATION OF CASH FLOW METHOD

***SCC's Valuation Range Based on Capitalization of Cash Flow Method:***



# INCOME APPROACH
## MULTI-STAGE GROWTH METHOD

### *Multi-Stage Growth Method for SCC's Valuation*

Under the multi-stage growth method, the Company's future cash flow is projected at the industry's forecasted growth rate as provided by Dun & Bradstreet's First Research Reports. The Company's projected future cash flows are then converted to present value at the discount rate, which is the Company's cost of equity (discount rate). The terminal value, which is the fifth-year cash flows projected into perpetuity using a sustainable growth rate between the real and nominal GDP forecasted long-term growth rate.

Below are the steps taken to value SCC based on the multi-stage growth method.

### *Company Valuation (Multi-Stage)*

$7,321,000

### *(1) Calculation of SCC's Cash Flow (earning power)*

| | Preceding 12 Months | 3-YR AVG |
|---|---|---|
| Adjusted pre-tax income | $ 796,482 | $ 632,622 |
| Add: non-cash expenses | 247,696 | 216,630 |
| Ongoing Earning Power | $ 1,044,179 | $ 849,252 |

### *(2) Calculation of SCC's Net Cash Flow*

| | Preceding 12 Months | 3-YR AVG |
|---|---|---|
| Normalized Pre-tax cash flow | $ 1,044,179 | $ 849,252 |
| Less: Ongoing non-cash | 247,696 | 216,630 |
| Taxable base | 796,482 | 632,622 |
| Less: Est. federal taxes (21%) | 167,261 | 132,851 |
| Subtotal | 629,221 | 499,771 |
| Add: Ongoing non-cash | 247,696 | 216,630 |
| Subtotal | 876,917 | 716,401 |
| Adjustment for working capital | - | - |
| Adjustment for capital expenditures | - | - |
| Adjustment for long-term debt | - | - |
| Calculated ongoing pre-tax cash flow | $ 876,917 | $ 716,401 |
| Pre-tax net cash flow (rounded) | $ 877,000 | $ 716,000 |

### **Calculation of SCC's Cost of Equity*

| | |
|---|---|
| Risk-free rate of return | 2.02% |
| Equity risk premium | 6.00% |
| Small stock risk premium | 5.01% |
| Plus/minus industry risk premium | 1.86% |
| Company specific risk | 4.00% |
| Net cash flow discount rate | 18.89% |
| Less: Sustainable growth rate | 2.50% |
| Net cash flow capitalization rate | 16.39% |
| *Apply mid-year convention (16.39%/(1+18.89%)^0.5) | |
| **Selected rate** | **15.03%** |

### *(3) Calculation of SCC's Cash Flow*

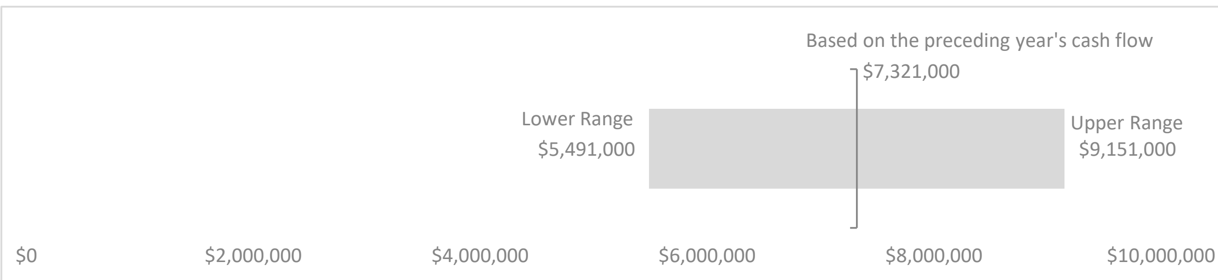
| | Percentage Growth | Preceding 12 Months | 3-YR AVG | 125% of Preceding Year ("High") | 75% of Preceding Year ("Low") |
|---|---|---|---|---|---|
| Year 0 | | $ 877,000 | $ 716,000 | $ 1,096,250 | $ 657,750 |
| Year 1 | 6.0% | 929,620 | 758,960 | 1,162,025 | 697,215 |
| Year 2 | 6.0% | 985,397 | 804,498 | 1,231,747 | 739,048 |
| Year 3 | 6.0% | 1,044,521 | 852,767 | 1,305,651 | 783,391 |
| Year 4 | 6.0% | 1,107,192 | 903,934 | 1,383,990 | 830,394 |
| Year 5 | 2.5% | 1,134,872 | 926,532 | 1,418,590 | 851,154 |

# INCOME APPROACH
## MULTI-STAGE GROWTH METHOD

***(4) Calculation of 's Equity Value***

| | Discount Rate | Preceding Year | 3-YR AVG | 125% of Preceding Year ("High") | 75% of Preceding Year ("Low") |
|---|---|---|---|---|---|
| Year 0 | | | | | |
| Year 1 | 0.93238 | $ 866,756 | $ 707,637 | $ 1,083,445 | $ 650,067 |
| Year 2 | 0.81054 | 798,703 | 652,077 | 998,379 | 599,027 |
| Year 3 | 0.70462 | 735,993 | 600,879 | 919,992 | 551,995 |
| Year 4 | 0.61255 | 678,207 | 553,702 | 847,759 | 508,656 |
| PV of Terminal Value | 0.61255 | 4,241,382 | 3,462,748 | 5,301,728 | 3,181,037 |
| Indicated equity value | | 7,321,042 | 5,977,042 | 9,151,303 | 5,490,782 |
| Indicated equity value (rounded) | | $ 7,321,000 | $ 5,977,000 | $ 9,151,000 | $ 5,491,000 |

***SCC's Valuation Range Based on Multi-Stage Growth Method:***



# ASSET APPROACH
## BOOK VALUE METHOD

The Asset Approach places primary emphasis on the value of the assets net of liabilities of your business. This approach is widely used for holding and investment companies, and is also valid for companies with negative earnings and/or near (or in) liquidation or bankruptcy.

### Asset Approach - Valuation Methods

***What are common asset valuation methods?***

There are three common methods generally accepted in the asset approach:

1. Book Value Method
2. Adjusted Net Assets Method

***Book Value Method***

The book value method is a well-known method that relies on the reported figures of the Company's assets and liablities found on the balance sheet. It should be recognized, however, that under the book value concept, assets are reported in accordance with various accounting conventions that may or may not accurately reflect current value.

***Adjusted Net Assets Method***

The adjusted net assets method is used to value a business based on the difference between the fair market value of the business assets and its liabilities. Under this method the book value of the assets are adjusted to fair market value (generally measured as replacement cost or liquidation value) and then reduces the total adjusted value of assets by the fair market value of all recorded and unrecorded liabilities. Both tangible and identifiable intangible assets are to be valued in determining total adjusted net assets. This method can be used to derive a total value for the business or for component parts of the business and is a particularly sound method for estimating the value of a non-operating business (e.g., holding or investment companies). It is also a good method for estimating value of a business that continues to generate losses or which is to be liquidated in the near future.

***Company Valuation (Asset Approach)***

$3,150,000

***Which method was used to value SCC?***

We prepared a valuation of SCC utilizing the book value method because the Company did not provide the current market values of its assets and liablities so the book values were used.

***Value of SCC - Book Value Method***

| | Period Ended December 31, 2021 |
|---|---|
| Book Value of Net Assets | $13,400,000 |
| Less: Book Value of Liabilities | (10,250,000) |
| Indicated Value | 3,150,000 |
| SELECTED VALUE (rounded) | **$3,150,000** |

# 3

## FINANCIAL OVERVIEW OF
## SMITH CONSTRUCTION COMPANY

*Snapshot of SCC's financial statements*

# HISTORIC
# FINANCIALS

The summarized historical results of operations and the financial position of the Company are presented so one can better assess SCC's historic earnings and profitablity. See below for the results of the preceding 12 months, the annual results for years 2018 - 2020 as well as the Company's 3-year average.

| | | Preceeding 12 Months | 2020 | 2019 | 2018 | 3-YR AVG |
|---|---|---|---|---|---|---|
| **Income** | | | | | | |
| | Revenue | $ 5,594,678 | $ 8,133,089 | $ 8,060,364 | $ 9,220,393 | $ 8,471,282 |
| | COGS | 3,019,881 | 4,195,065 | 4,413,819 | 5,190,525 | 4,599,803 |
| | Gross Profit | 2,574,797 | 3,938,024 | 3,646,544 | 4,029,868 | 3,871,478 |
| | Gross Profit % | 46.0% | 48.4% | 45.2% | 43.7% | 45.7% |
| | Operating Expenses | 2,149,185 | 3,029,325 | 3,261,680 | 3,686,314 | 3,325,773 |
| | Operating Profit | 425,612 | 908,699 | 384,864 | 343,554 | 545,706 |
| | Other Income/(Expenses) | - | 353 | 48,921 | 18,600 | 22,625 |
| | Pre-Tax Income | 425,612 | 909,052 | 433,785 | 362,154 | 568,330 |
| | Pre-Tax Income % | 7.6% | 11.2% | 5.4% | 3.9% | 6.7% |
| **Assets** | | | | | | |
| | Cash | $ 1,676,524 | $ 1,300,229 | $ 678,961 | $ 690,249 | $ 889,813 |
| | Accounts Receivable | 1,287,540 | 1,494,043 | 1,467,728 | 1,194,598 | 1,385,456 |
| | Inventory | - | - | - | - | - |
| | Other Current Assets | 1,183,339 | 912,353 | 812,721 | 464,051 | 729,708 |
| | *Total Current Assets* | *4,147,403* | *3,706,626* | *2,959,409* | *2,348,898* | 3,004,978 |
| | Net Fixed Assets | 556,766 | 449,553 | 374,974 | 401,481 | 408,669 |
| | Intangible Assets | 509,368 | 608,289 | 903,074 | 1,404,445 | 971,936 |
| | Other Non-Current | 23,692 | 23,692 | 23,692 | 15,698 | 21,028 |
| | *TOTAL ASSETS* | *$ 5,237,230* | *$ 4,788,160* | *$ 4,261,150* | *$ 4,170,522* | *$ 4,406,611* |
| **Liabilities & Equity** | | | | | | |
| | Accounts Payable | $ 208,329 | $ 232,314 | $ 153,156 | $ 106,426 | $ 163,966 |
| | Short Term Notes Payable | 381,188 | 351,192 | 388,189 | 523,531 | 420,970 |
| | Current Portion of LT Debt | - | - | - | - | - |
| | Other Current Liabilities | 725,259 | 886,241 | 1,129,400 | 1,078,060 | 1,031,234 |
| | *Total Current Liabilities* | *1,314,776* | *1,469,746* | *1,670,745* | *1,708,017* | 1,616,170 |
| | Long Term (Bank) Debt | 1,965,136 | 1,610,138 | 2,020,180 | 2,562,323 | 2,064,214 |
| | Other Non-Current Liabilities | - | - | - | - | - |
| | *TOTAL LIABILITIES* | *$ 3,279,912* | *$ 3,079,885* | *$ 3,690,926* | *$ 4,270,340* | *$ 3,680,384* |
| | *TOTAL EQUITY* | *$ 1,957,317* | *$ 1,708,276* | *$ 570,225* | *$ (99,819)* | 726,227 |
| | *TOTAL LIABILITIES & EQUITY* | *$ 5,237,230* | *$ 4,788,160* | *$ 4,261,150* | *$ 4,170,522* | *$ 4,406,611* |

# FINANCIAL ADJUSTMENTS

It is sometimes necessary to make certain adjustments  to better reflect a company's future earnings potentail, as was the case with SCC. Based on the intake forms provided by the Company, below are the adjustments that were made to the financial statements.

| | | Preceeding 12 Months | 2020 | 2019 | 2018 | 3-YR AVG |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| | Revenue | $ 5,594,678 | $ 8,133,089 | $ 8,060,364 | $ 9,220,393 | $ 8,471,282 |
| | Less: adjustment | (25,000) | (25,000) | (25,000) | (25,000) | (25,000) |
| | Less: adjustment | (25,000) | (25,000) | (25,000) | (25,000) | (25,000) |
| | Adjusted Revenue | 5,544,678 | 8,083,089 | 8,010,364 | 9,170,393 | 8,421,282 |
| **Expenses** | | | | | | |
| | Operating Expenses | $ 2,149,185 | $ 3,029,325 | $ 3,261,680 | $ 3,686,314 | 3,325,773 |
| | Less: one-time expenses | (1,000) | (1,000) | - | - | (333) |
| | Adjusted Operating Expenses | 2,148,185 | 3,028,325 | 3,261,680 | 3,686,314 | 3,325,440 |
| | Other Income/(Expenses) | $ - | $ 353 | $ 48,921 | $ 18,600 | |
| | Add/(Less): non-recurring | - | - | - | - | |
| | Adj. Other Income/(Expenses) | - | 353 | 48,921 | 18,600 | |
| **Adjusted Assets** | Total Assets | $ 5,237,230 | $ 4,788,160 | $ 4,261,150 | $ 4,170,522 | $ 4,406,611 |
| | Less: non-operating assets | (12,000) | (12,000) | (12,000) | (12,000) | (12,000) |
| | Adjusted Total Assets | 5,225,230 | 4,776,160 | 4,249,150 | 4,158,522 | 4,394,611 |
| **Adjusted Liabilities** | Total Liabilities | $ 3,279,912 | $ 3,079,885 | $ 3,690,926 | $ 4,270,340 | $ 3,680,384 |
| | Adjustment: non-recurring | (3,400) | (3,400) | (3,400) | (3,400) | (3,400) |
| | Adjustment: non-recurring | (10,000) | (10,000) | (10,000) | (10,000) | (10,000) |
| | Adjusted Total Liabilities | 3,266,512 | 3,066,485 | 3,677,526 | 4,256,940 | 3,666,984 |

# ADJUSTED FINANCIALS

The summarized adjusted results of operations and the financial position of the Company are presented below.
It is sometimes necessary to make certain adjustments to better reflect a company's future earnings potentail, as was the case with SCC.

| | | Preceeding 12 Months | 2020 | 2019 | 2018 | 3-YR AVG |
|---|---|---|---|---|---|---|
| **Adjusted Income** | Revenue | $ 7,459,571 | $ 7,450,264 | $ 8,060,364 | $ 9,220,393 | $ 8,243,674 |
| | COGS | 4,026,508 | 4,195,065 | 4,413,819 | 5,190,525 | 4,599,803 |
| | Gross Profit | 3,433,063 | 3,255,199 | 3,646,544 | 4,029,868 | 3,643,870 |
| | Gross Profit % | 46.0% | 43.7% | 45.2% | 43.7% | 44.2% |
| | Operating Expenses | 2,636,581 | 2,800,325 | 3,032,680 | 3,268,614 | 3,033,873 |
| | Operating Profit | 796,482 | 454,874 | 613,864 | 761,254 | 609,997 |
| | Other Income/(Expense) | - | 353 | 48,921 | 18,600 | 22,625 |
| | Pre-Tax Income | 796,482 | 455,227 | 662,785 | 779,854 | 632,622 |
| | Pre-Tax Income % | 10.7% | 6.1% | 8.2% | 8.5% | 7.7% |
| **Adjusted Assets** | Cash | $ 1,676,524 | $ 1,300,229 | $ 678,961 | $ 690,249 | $ 889,813 |
| | Accounts Receivable | 1,287,540 | 1,494,043 | 1,467,728 | 1,194,598 | 1,385,456 |
| | Inventory | - | - | - | - | - |
| | Other Current Assets | 1,183,339 | 912,353 | $ 812,721 | $ 464,051 | 729,708 |
| | *Total Current Assets* | *4,147,403* | *3,706,626* | *2,959,409* | *2,348,898* | 3,004,978 |
| | Net Fixed Assets | 556,766 | 449,553 | 374,974 | 401,481 | 408,669 |
| | Intangible Assets | 509,368 | 608,289 | 903,074 | 1,404,445 | 971,936 |
| | Other Non-Current | 23,692 | 23,692 | 23,692 | 15,698 | 21,028 |
| | *TOTAL ASSETS* | *$ 5,237,230* | *$ 4,788,160* | *$ 4,261,150* | *$ 4,170,522* | *$ 4,406,611* |
| **Adjusted Liabilities & Equity** | Accounts Payable | $ 208,329 | $ 232,314 | $ 153,156 | $ 106,426 | $ 163,966 |
| | Short Term Notes Payable | 381,188 | 351,192 | 388,189 | 523,531 | |
| | Current Portion of LT Debt | - | - | - | - | |
| | Other Current Liabilities | 725,259 | 886,241 | 1,129,400 | 1,078,060 | 1,031,234 |
| | *Total Current Liabilities* | *1,314,776* | *1,469,746* | *1,670,745* | *1,708,017* | |
| | Long Term (Bank) Debt | 1,965,136 | 1,610,138 | 2,020,180 | 2,562,323 | 2,064,214 |
| | Other Non-Current Liabilities | - | - | - | - | - |
| | *TOTAL LIABILITIES* | *$ 3,279,912* | *$ 3,079,885* | *$ 3,690,926* | *$ 4,270,340* | *$ 3,680,384* |
| | *TOTAL EQUITY* | *$ 1,957,317* | *$ 1,708,276* | *$ 570,225* | *$ (99,819)* | *726,227* |
| | *TOTAL LIABILITIES & EQUITY* | *$ 5,237,230* | *$ 4,788,160* | *$ 4,261,150* | *$ 4,170,522* | *$ 4,406,611* |

# 4

# INDUSTRY BENCHMARKING

*Benchmarking of the financials and key ratios to industry*

# BENCHMARKING
## PROFITABILITY, ASSETS, & LIABILITIES

Profitability ratios measure the ability of a company to generate returns for its shareholders6. Profitability ratios also measure financial performance and management strength.

| | | Preceeding 12 Months | | 2020 | 2021 | Industry P-Tile Rank |
|---|---|---|---|---|---|---|
| **Adjusted Income** | Revenue | $ 7,459,571 | 100% | 100% | 100% | |
| | COGS | 4,026,508 | 54% | 56% | 0% | |
| | Gross Profit | 3,433,063 | 46% | 44% | | Under 10th P-Tile |
| | Operating Expenses | 2,636,581 | 35% | 38% | 94% | Under 10th P-Tile |
| | Operating Profit | 796,482 | 11% | 6% | | 77th P-Tile |
| | Income/(Expenses) | - | 0% | 0% | 2% | 50th P-Tile |
| | Pre-Tax Income | 796,482 | 11% | 6% | 8% | 72nd P-Tile |
| **Adjusted Assets** | Cash | $ 1,676,524 | 32% | 27% | 18% | 80th P-Tile |
| | Accounts Receivable | 1,287,540 | 25% | 31% | 28% | 49th P-Tile |
| | Inventory | - | 0% | 0% | 19% | 10th P-Tile |
| | Other Current Assets | 1,183,339 | 23% | 19% | 2% | Over 90th P-Tile |
| | *Total Current Assets* | *4,147,403* | *79%* | *77%* | *68%* | 63rd P-Tile |
| | Fixed Assets | 556,766 | 11% | 9% | 17% | 46th P-Tile |
| | Intangible Assets | 509,368 | 10% | 13% | 4% | 90th P-Tile |
| | Other Non-Current | 23,692 | 0% | 0% | 11% | 30th P-Tile |
| | *TOTAL ASSETS* | *$ 9,384,633* | *100%* | *100%* | *100%* | |
| **Adjusted Liabilities & Equity** | Accounts Payable | $ 208,329 | 4% | 5% | 14% | Under 10th P-Tile |
| | Short Term Notes Payable | 381,188 | 7% | 7% | 11% | 63rd P-Tile |
| | Current Portion of LT Debt | - | 0% | 0% | 4% | 40th P-Tile |
| | Other Current Liabilities | 725,259 | 14% | 19% | 5% | Over 90th P-Tile |
| | *Total Current Liabilities* | *1,314,776* | *25%* | *31%* | *33%* | 47th P-Tile |
| | Long Term (Bank) Debt | 1,965,136 | 38% | 34% | 15% | Over 90th P-Tile |
| | Other Non-Current | - | 0% | 0% | 3% | 70th P-Tile |
| | *TOTAL LIABILITIES* | *$ 3,279,912* | 63% | 64% | *51%* | |
| | *TOTAL EQUITY* | *$ 1,957,317* | 37% | *36%* | *49%* | 31st P-Tile |
| | *TOTAL LIABILITIES & EQUITY* | *$ 5,237,230* | 100% | *100%* | *100%* | |

# LIQUIDITY
# RATIOS

Liquidity is a measure of the quality and adequacy of the Company's current assets to meet current obligations as they come due. In other words, can the Company quickly convert its assets to cash – without a loss in value – in order to meet its immediate and short-term obligations? Liquidity ratios quantify a Company's ability to pay its near-term financial obligations as well as provide an indication of the Company's ability to convert different accounts within its balance sheet into cash or sales.

## Current Ratio

***How's the ratio calculated?***

Current assets divided by current liabilities

***What's included?***

Current assets include a company's cash, marketable securities, accounts receivable, inventory, pre-paid liabilities, and other current assets. Current liabilities are a company's short-term financial obligations that are due within one year. Examples include accounts payable, short-term debt, notes payable, and current taxes owed.

***What does the ratio mean?***

The current ratio measures SCC's ability to pay short-term obligations with its current assets.
In many cases, a company with a current ratio of less than 1.00 does not have the capital on hand to meet its short-term obligations if they were all due at once, while a current ratio greater than 1.00 indicates the company has the financial resources to remain solvent in the short term. A comparison to the industry is important as a company may appear  better or worse based on its ratio so you must compare its performance to its industry.

***What does SCC's current ratio mean?***

For the Last 12 Months, SCC's current ratio is above 1.00. This indicates SCC is able to meet its short-term obligations if they were to all come due at once.

***How does this impact a potential sale of SCC?***

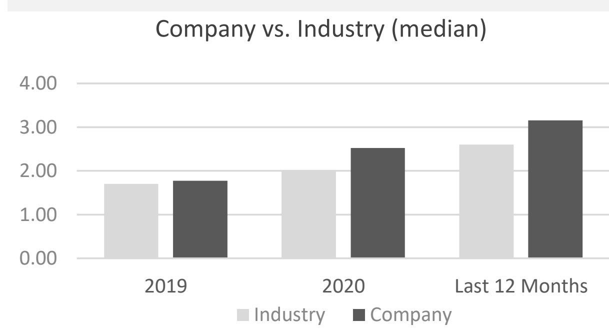
A potential buyer may review the current ratio to ensure SCC can cover its short-term debt obligations. This ratio can be improved by paying off short-term debt.

***How does SCC compare to its industry?***

The current ratio of SCC has been compared to its industry to gain insight into the company's ability to cover its current obligations with the current assets. For the Last 12 Months, SCC's current ratio was above industry, meaning SCC can cover its current liablities, including accounts payable and other current liablities, from its current assets better than its industry. You can refer to the Current Ratio Table below to see how SCC perfomed for prior years as well as its average performance.

Current Ratio - Company vs. Industry (Median)

| Year | Industry | Company | Rating |
|---|---|---|---|
| 2019 | 1.70 | 1.77 | Better |
| 2020 | 2.00 | 2.52 | Better |
| Last 12 Months | 2.60 | 3.15 | Better |
| Average | 2.10 | 2.48 | Better |



# LIQUIDITY RATIOS

Liquidity is a measure of the quality and adequacy of the Company's current assets to meet current obligations as they come due. In other words, can the Company quickly convert its assets to cash – without a loss in value – in order to meet its immediate and short-term obligations? Liquidity ratios quantify a Company's ability to pay its near-term financial obligations as well as provide an indication of the Company's ability to convert different accounts within its balance sheet into cash or sales.

## Accounts Receivable Turnover Ratio

### *How's the ratio calculated?*

Net sales divided by A/R

### *What's included?*

Net sales include the revenue generated from sales minus any returns from customers. Accounts receivable includes the amount not yet collected from customers.

### *What does the ratio mean?*

The accounts receivable turnover ratio measures how many times SCC's accounts receivable are collected (or turned over) over a period of time.
A high A/R turnover ratio can indicate that a company is efficiently collecting on its invoices and that many of its customers pay debt on time or early. A high ratio might also indicate that a company operates on a cash basis. A low A/R turnover ratio could indicate that customers are not financially stable or creditworthy. A low ratio could also be caused by a poor collection process, such as failing to invoice customers regularly or not sending payment reminders.

### *How does this impact a potential sale of SCC?*

Potential buyers hope to see that a company's collections are managed efficiently, ensuring a positive cash flow for operations and investment in growth opportunities. If a company is facing a low A/R turnover ratio, this is an area that management should consider improving prior to selling. There are many ways to increase this ratio, including enhancing the invoicing process so that it's detailed, accurate and timely, scheduling automatic payment reminders, and working to build stronger customer relationships.

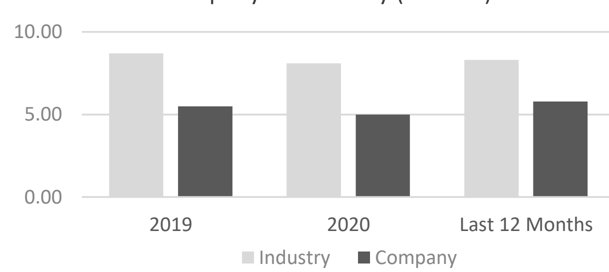
### *How does SCC compare to its industry?*

The A/R turnover ratio of SCC has been compared to its industry to gain insight into how efficiently the company collects on its accounts receivables. For the Last 12 Months, SCC's A/R Turnover ratio was below industry, meaning SCC collects its accounts receivables slower than its industry.You can refer to the A/R Turnover Ratio Table below to see how SCC performed

A/R Turnover Ratio - Company vs. Industry

| Year | Industry | Company | Rating |
|---|---|---|---|
| 2019 | 8.70 | 5.49 | Lower |
| 2020 | 8.10 | 4.99 | Lower |
| Last 12 Months | 8.30 | 5.79 | Lower |
| Average | 8.37 | 5.42 | Lower |

Company vs. Industry (median)



# LIQUIDITY RATIOS

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## Days' Accounts Receivable Ratio

### *How's the ratio calculated?*

365 divided by Accounts Receivable Turnover Ratio

### *What's included?*

The accounts receivable turnover ratio includes net sales divided by accounts receivable. This ratio is then divided into 365 to calculate the days' accounts receivable ratio.

### *What does the ratio mean?*

The days' accounts receivable ratio indicates how many days it takes SCC to collect on its receivables.
In other words, it's the number of days that it takes for the company to receive payment on outstanding invoices. Interpretation of this ratio depends on the company's payment terms and any seasonal activity close to year–end. If a company offers net 30 terms to its customers, for example, and the days' accounts receivable is 37 days, collections are lagging. If the terms were net 45, it would appear collections are being made ahead of schedule. It is important to note that this ratio can be misleading if sales volume in the last month of the year is unusually large.

### *How does this impact a potential sale of SCC?*

A potential buyer will want to know if a company's collections process is efficient. It's a good sign for investors if a company is, on average, collecting payment faster than its payment terms. If an investor sees a higher number of days to collect when compared to payment terms, it may cause concern that customers are unwilling or unable to pay and that the company may not be able to generate consistent cash flows.

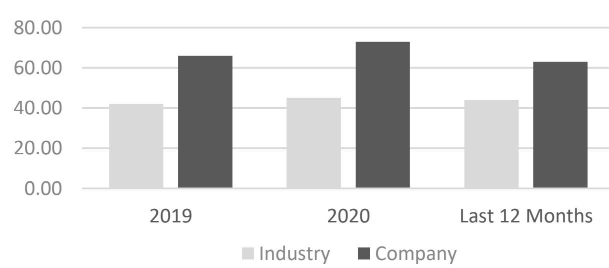
### *How does SCC compare to its industry?*

The days' accounts receiveable ratio of SCC has been compared to its industry to gain insight into how efficiently the company collects on its receiveables. For the Last 12 Months, SCC's days' accounts receiveable ratio was higher than industry, meaning SCC takes more days to collect its accounts receiveables from customers than its industry. You can refer to the Days' A/R Ratio Table below to see how SCC performed for prior years as well as its average performance.

Days' A/R Ratio - Company vs. Industry

| Year | Industry | Company | Rating |
|---|---|---|---|
| 2019 | 41.95 | 66.00 | Higher |
| 2020 | 45.06 | 73.00 | Higher |
| Last 12 Months | 43.98 | 63.00 | Higher |
| Average | 43.66 | 67.33 | Higher |

Company vs. Industry (median)



# LIQUIDITY
# RATIOS

Liquidity is a measure of the quality and adequacy of the Company's current assets to meet current obligations as they come due. In other words, can the Company quickly convert its assets to cash – without a loss in value – in order to meet its immediate and short-term obligations? Liquidity ratios quantify a Company's ability to pay its near-term financial obligations as well as provide an indication of the Company's ability to convert different accounts within its balance sheet into cash or sales.

## Inventory Turnover Ratio

### *How's the ratio calculated?*

Cost of goods sold divided by inventory

### *What's included?*

Cost of goods sold is the cost attributed to the production of the goods that are sold by a company. Inventory includes the value associated with the Company's inventory on hand.

### *What does the ratio mean?*

The inventory turnover ratio indicates the number of times SCC has sold (or turned) inventory during the year.

A high inventory turnover and a low gross profit often go hand in hand. High turnover can indicate better liquidity or superior merchandising. It could also indicate a shortage of inventory for sales. Low inventory turnover can indicate poor liquidity, overstocking or obsolete inventory. Low turnover can also reflect planned inventory buildup to avoid material shortages. A comparison to the industry is important as a company may appear better or worse based on its ratio so you must also compare the company's performance to its industry.

### *How does this impact a potential sale of SCC?*

The inventory turnover ratio helps a potential buyer understand how a company is managing its inventory levels, as well as if it is effectively selling the inventory it buys. It can also help a potential buyer understand how liquid the company's inventory is and whether or not the company can easily turn inventory into cash.

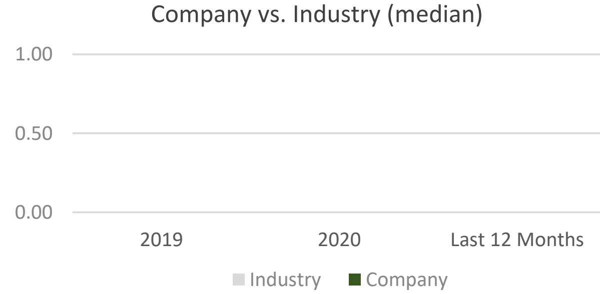
### *How does SCC compare to its industry?*

The inventory turnover ratio of SCC has been compared to its industry to gain insight into the company's ability to sell its inventory. For the Last 12 Months, SCC's inventory turnover ratio was comparable to industry, meaning SCC sells (or turns over) its inventory as efficiently as its industry. You can refer to the Inventory Turnover Ratio Table below to see how SCC performed for prior years as well as its average performance.

Inventory Turnover Ratio - Company vs. Industry

| Year | Industry | Company | Rating |
|---|---|---|---|
| 2019 | 0.00 | 0.00 | Neutral |
| 2020 | 0.00 | 0.00 | Neutral |
| Last 12 Months | 0.00 | 0.00 | Neutral |
| Average | 0.00 | 0.00 | Neutral |

Company vs. Industry (median)



# LIQUIDITY RATIOS

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## Days' Inventory Ratio

***How's the ratio calculated?***

365 divided by the Inventory Turnover Ratio

***What's included?***

The inventory turnover ratio includes cost of goods sold divided by inventory. This ratio is then divided into 365 to calculate the days' inventory ratio.

***What does the ratio mean?***

The days' inventory ratio indicates the average number of days required for SCC to sell its inventory.

A lower number of days in inventory indicates that a company is more efficient at selling its inventory than a company with a higher number of days in inventory. A higher number of days might indicate that a company is not converting its inventory into sales quickly or that a company has too much inventory on hand. A higher number can also indicate a pre-planned higher level of inventory in order to meet high demand or anticipated shortages.

***How does this impact a potential sale of SCC?***

The days' inventory ratio will help a potential buyer understand how fast inventory moves. The more liquid the inventory is, the higher the cash flows will be. On the contrary, the longer it takes to move inventory is time without the corresponding cash that could be used for operations. In addition to less cash flow, if a company is holding inventory for longer periods of time, a potential buyer will want to consider expenses related to holding inventory including storage fees, rent, insurance, etc.

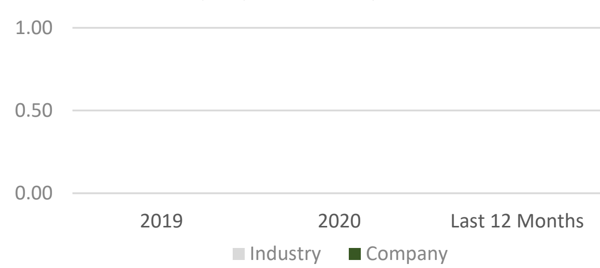
***How does SCC compare to its industry?***

The days' inventory ratio of SCC has been compared to its industry to gain insight into how efficiently the company sells its inventory. For the Last 12 Months, SCC's days' inventory ratio was comparable to industry, meaning SCC's average number of days to sell its inventory is in line with its industry. You can refer to the Days' Inventory Ratio Table below to see how SCC performed for prior years as well as its average performance.

Days' Inventory Ratio - Company vs. Industry

| Year | Industry | Company | Rating |
|---|---|---|---|
| 2019 | 0.00 | 0.00 | Neutral |
| 2020 | 0.00 | 0.00 | Neutral |
| Last 12 Months | 0.00 | 0.00 | Neutral |
| Average | 0.00 | 0.00 | Neutral |

Company vs. Industry (median)



# LIQUIDITY
# RATIOS

Liquidity is a measure of the quality and adequacy of the Company's current assets to meet current obligations as they come due. In other words, can the Company quickly convert its assets to cash – without a loss in value – in order to meet its immediate and short-term obligations? Liquidity ratios quantify a Company's ability to pay its near-term financial obligations as well as provide an indication of the Company's ability to convert different accounts within its balance sheet into cash or sales.

## Payables Turnover Ratio

### *How's the ratio calculated?*

Cost of goods sold divided by accounts payable

### *What's included?*

Cost of goods sold is the cost attributed to the production of the goods that are sold by a company. Accounts payable (A/P) includes the amount the Company owes to its suppliers and vendors.

### *How does this impact a potential sale of SCC?*

The payables turnover ratio helps a potential buyer understand how timely the company pays its bills and whether or not the company is in good standing with vendors. If a company is facing a low turnover ratio, it may be wise to consider working to improve the ratio prior to selling by paying vendors faster or by reducing the amount purchased on credit.

### *What does the ratio mean?*

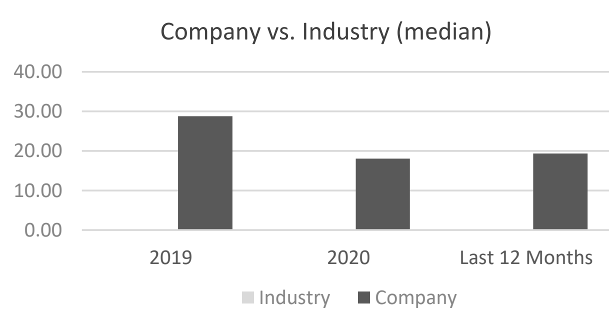
The payables turnover ratio measures how many times SCC's accounts payable balance is paid over a period of time.
A high ratio indicates that a company is paying its suppliers quickly. Conversely, if the ratio is too high, the firm may be paying too quickly and not taking advantage of the interest free credit available from accounts payable. If the ratio is low,  the firm may be a credit risk and/or losing valuable discounts. Alternatively, a decreasing ratio could merely be the result of the company negotiating different payment terms with its suppliers.

### *How does SCC compare to its industry?*

The payables turnover ratio of SCC has been compared to its industry to gain insight into the company's ability to pay on its accounts payable balance. For the Last 12 Months, SCC's payables turnover ratio was better than industry, meaning SCC pays its accounts payable balance faster than its industry. You can refer to the Payables Turnover Ratio Table below to see how SCC performed for prior years as well as its average performance.

Payables Turnover Ratio - Company vs. Industry

| Year | Industry | Company | Rating |
|---|---|---|---|
| 2019 | 0.00 | 28.82 | Better |
| 2020 | 0.00 | 18.06 | Better |
| Last 12 Months | 0.00 | 19.33 | Better |
| Average | 0.00 | 22.07 | Better |



# LIQUIDITY
# RATIOS

Liquidity is a measure of the quality and adequacy of the Company's current assets to meet current obligations as they come due. In other words, can the Company quickly convert its assets to cash – without a loss in value – in order to meet its immediate and short-term obligations? Liquidity ratios quantify a Company's ability to pay its near-term financial obligations as well as provide an indication of the Company's ability to convert different accounts within its balance sheet into cash or sales.

## Days' Payable Ratio

### *How's the ratio calculated?*

365 divided by the Payables Turnover Ratio

### *What's included?*

The days' payables turnover ratio includes cost of goods sold divided by accounts payable. This ratio is then divided into 365 to calculate the days' payable ratio.

### *What does the ratio mean?*

The days' payable ratio indicates the average number of days it takes SCC to pay on its accounts payable balance.

If the number of days is too low, then a company may be paying too quickly and not taking advantage of the interest-free credit available from accounts payable. If the number of days is higher than industry, then a company may be experiencing cash shortages, disputing invoices with suppliers or enjoying extended terms.

### *How does this impact a potential sale of SCC?*

This ratio can be an indication to a potential buyer of how liquid the company is and whether or not the company has cash on hand for operations and investments. A company may have stronger cash flows by utilizing longer payment periods, a potential buyer will also want to ensure that the  company makes payments on time, keeps good relationships with vendors, and maintains early payment discounts. A potential buyer should compare this ratio to industry to determine if the company is paying invoices too fast or too slow.

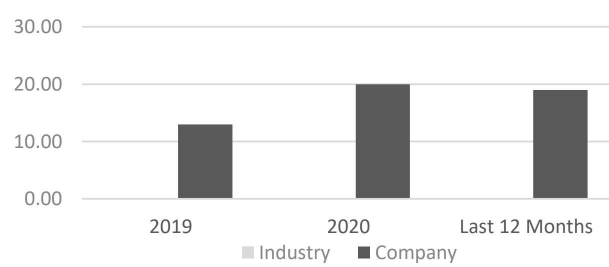
### *How does SCC compare to its industry?*

The days' payable ratio of SCC has been compared to its industry to gain insight into the company's efficiency with which it pays on its accounts payable balance. For the Last 12 Months, SCC's days' payable ratio was higher than industry, meaning SCC takes more days to pay its accounts payable balance than its industry. You can refer to the Days' Payable Ratio Table below to see how SCC performed for prior years as well as its average performance.

Days' Payable Ratio - Company vs. Industry

| Year | Industry | Company | Rating |
|---|---|---|---|
| 2019 | 0.00 | 13.00 | Higher |
| 2020 | 0.00 | 20.00 | Higher |
| Last 12 Months | 0.00 | 19.00 | Higher |
| Average | 0.00 | 17.33 | Higher |

Company vs. Industry (median)



# ASSET MANAGEMENT RATIOS

Management's ability to efficiently utilize assets can indicate strong management and generally results in higher value to shareholders. Asset management ratios, also known as efficiency ratios, provide an indication as to how efficiently a company is using its assets.  These ratios directly compare a company's assets against its sales and play an important role in determining management's ability to generate sales using available assets.

## Net Fixed Asset Turnover Ratio

***How's the ratio calculated?***

Net sales divided by fixed assets

***What's included?***

Net sales is total revenue, less the cost of sales returns, allowances, and discounts. Fixed assets includes the net assets (book value of assets less accumulated depreciation).

***What does the ratio mean?***

The net fixed asset ratio measures SCC's productive use of their fixed assets.
Generally speaking, a higher ratio implies that management is using its fixed assets more effectively; however, it is important to note the ratio can be affected by factors other than a firm's efficiency. A firm with newer and less depreciated assets will cause the ratio to fall relative to the firms with older or more depreciated assets. Additionally, a low ratio can often be an indication of obsolete or impaired fixed assets.

***How does this impact a potential sale of SCC?***

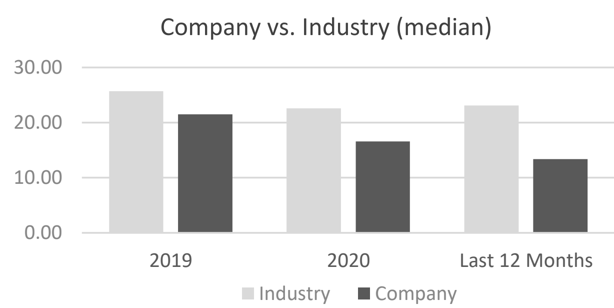
This ratio helps a potential buyer understand whether or not the company has spent more or less money in fixed assets per dollar of sales revenue. A potential buyer will likely find an industry comparison helpful to see how this company uses fixed assets compared to its industry.

***How does SCC compare to its industry?***

The net fixed asset turnover ratio of SCC has been compared to its industry to gain insight into the productive use its fixed assets. For the Last 12 Months, SCC's net fixed asset turnover ratio was below industry, meaning SCC utilizes its fixed assets less effectively and efficiently than its industry. You can refer to the Net Fixed Asset Turnover Ratio Table below to see how SCC performed for prior years as well as its average performance.

Net Fixed Asset Turnover - Company vs. Industry

| Year | Industry | Company | Rating |
|---|---|---|---|
| 2019 | 25.70 | 21.50 | Lower |
| 2020 | 22.60 | 16.57 | Lower |
| Last 12 Months | 23.10 | 13.40 | Lower |
| Average | 23.80 | 17.16 | Lower |



# ASSET MANAGEMENT
# RATIOS

Management's ability to efficiently utilize assets can indicate strong management and generally results in higher value to shareholders. Asset management ratios, also known as efficiency ratios, provide an indication as to how efficiently a company is using its assets.  These ratios directly compare a company's assets against its sales and play an important role in determining management's ability to generate sales using available assets.

## Asset Turnover Ratio

### *How's the ratio calculated?*

Net sales divided by total assets

### *What's included?*

Net sales is total revenue, less the cost of sales returns, allowances, and discounts. Total assets includes the value of all assets.

### *What does the ratio mean?*

The asset turnover ratio measures how effectively SCC uses their assets to generate sales.
The higher the asset turnover ratio, the more efficient a company is at generating revnue from its assets. This ratio is an indication of management's ability to effectively utilize total assets; however, it is important to note the asset turnover ratio can be affected by factors other than a firm's efficiency. A firm with newer and less depreciated assets will cause the ratio to fall relative to the firms with older or more depreciated assets. Additionally, a low ratio can often be an indication of obsolete or impaired assets.

### *How does this impact a potential sale of SCC?*

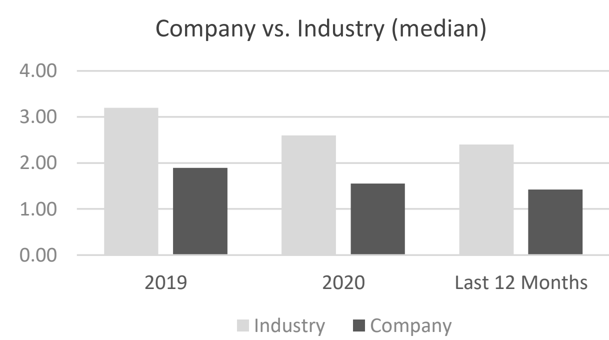
A potential buyer will want to understand how a company is using its assets to generate sales. The higher the ratio, the more effective a company is at generating sales using its assets. The lower the ratio, the less effective the company is at generating sales using its assets.  A potential buyer will likely find an industry comparison helpful understand how this company generates sales using its assets compared to its industry.

### *How does SCC compare to its industry?*

The asset turnover ratio of SCC has been compared to its industry to gain insight into the company's ability to effectively generate sales using its assets. For the Last 12 Months, SCC's asset turnover ratio was below industry, meaning SCC utilizes its total assets less efficiently than its industry. You can refer to the Asset Turnover Ratio Table below to see how SCC performed for prior years as well as its average performance.

Asset Turnover Ratio - Company vs. Industry

| Year | Industry | Company | Rating |
|---|---|---|---|
| 2019 | 3.20 | 1.89 | Lower |
| 2020 | 2.60 | 1.56 | Lower |
| Last 12 Months | 2.40 | 1.42 | Lower |
| Average | 2.73 | 1.62 | Lower |



# DEBT MANAGEMENT
# RATIOS

Leverage ratios can signal how much protection a company's assets provide for the debt held by creditor(s). Highly leveraged firms are companies with high debt in relation to the net worth (i.e., equity). These companies are more vulnerable to business downturns than those with lower debt-to-worth positions. While leverage ratios help measure a company's vulnerability, keep in mind that these ratios vary greatly depending on the requirements of particular industry groups.

## Times Interest Earned Ratio

### *How's the ratio calculated?*

EBIT divided by interest expense

### *What's included?*

EBIT stands for "earnings before interest and taxes". Interest expenses includes interest payable on any borrowed funds including loans, lines of credit, bonds, and convertible debt.

### *What does the ratio mean?*

The times interest earned ratio measures SCC's ability to meet its interest payment obligations with its pretax earnings.
This ratio also serves as an indicator of a firm's capacity to take on additional debt. A high ratio may indicate a borrower would have little difficulty in meeting the interest obligations of a loan. It can also indicate that a company is generating enough cash to continue investing in the business after paying its debts. A low ratio may indicate that meeting interest obligations of a loan may be difficult, or that additional business investments are unlikely once debts are paid.

### *How does this impact a potential sale of SCC?*

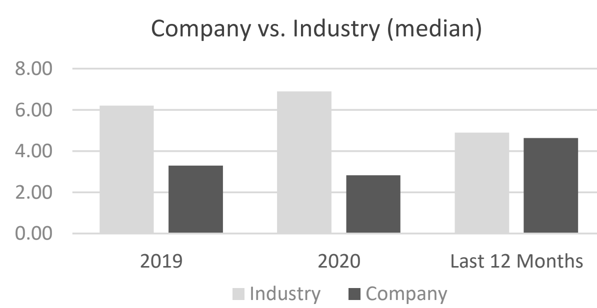
A potential buyer will use the times interest earned ratio to help determine risk associated with the company. A higher ratio is favorable to a buyer because it represents the number of times a company can cover its interest expense with its income. A lower ratio results in a higher risk to a buyer because the company may be more likely to default or file bankruptcy.

### *How does SCC compare to its industry?*

The times interest earned ratio of SCC has been compared to its industry to gain insight into the company's ability to meet its interest payments. For the Last 12 Months, SCC's times interest earned ratio was lower than industry, meaning SCC is less capable of meeting its interest payments than its industry. It can also indicate SCC has lower capacity to take on additional debt than its industry. You can refer to the Times Interest Earned Ratio Table below to see how SCC performed for prior years as well as its average performance over the last three years.

Times Interest Earned Ratio - Company vs. Industry

| Year | Industry | Company | Rating |
|---|---|---|---|
| 2019 | 6.20 | 3.30 | Lower |
| 2020 | 6.90 | 2.83 | Lower |
| Last 12 Months | 4.90 | 4.63 | Lower |
| Average | 6.00 | 3.58 | Lower |



# DEBT MANAGEMENT
# RATIOS

Leverage ratios can signal how much protection a company’s assets provide for the debt held by creditor(s). Highly leveraged firms are companies with high debt in relation to the net worth (i.e., equity). These companies are more vulnerable to business downturns than those with lower debt-to-worth positions. While leverage ratios help measure a company’s vulnerability, keep in mind that these ratios vary greatly depending on the requirements of particular industry groups.

## Total Liabilities to Tangible Worth Ratio

### *How's the ratio calculated?*

Total liabilities divided by tangible net worth

### *What's included?*

Ttoal liabilities include the sum of the Company's current liabilities, long-term debt, and other liabilities. Tangible net worth includes the total net worth less intangible assets. Total net worth is determined by subtracting total liabilties from total assets.

### *What does the ratio mean?*

The total liabilities to net worth ratio measures SCC's physical worth, not including intangible assets and it shows how much protection the owners are providing to creditors.
This ratio expresses the relationship between capital contributed by creditors and that contributed by owners. The higher the ratio, the greater the risk assumed by creditors. A lower ratio generally indicates greater long-term financial safety. Unlike a highly leveraged firm, a firm with low debt to worth ratio usually has greater flexibility to borrow in the future.

### *How does this impact a potential sale of SCC?*

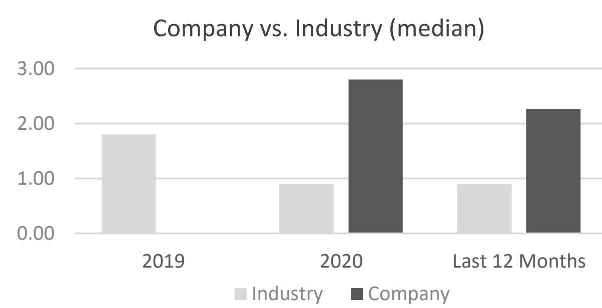
A potential buyer may look at this ratio to get a better sense of the overall financial health of the company. A company with low debt compared to its tangible net worth is generally financially healthier than a company with higher debt. A potential buyer will consider the company less risky if it has less debt to tangible net worth.

### *How does SCC compare to its industry?*

The total liabilities to tangible worth ratio of SCC has been compared to its industry to gain insight into the company’s financial flexibility. For the Last 12 Months, SCC's total liabilities to tangible worth ratio was higher than industry, meaning SCC has less financial flexibility than other companies in its industry. You can refer to the Liabilities to Tangible Worth Ratio Table below to see how SCC performed for prior years as well as its average performance over the last three years.

Liabilities to Tangible Worth - Company vs. Industry

| Year | Industry | Company | Rating |
|---|---|---|---|
| 2019 | 1.80 | N/A | Higher |
| 2020 | 0.90 | 2.80 | Higher |
| Last 12 Months | 0.90 | 2.27 | Higher |
| Average | 1.20 | 2.53 | Higher |



# DEBT MANAGEMENT RATIOS

Leverage ratios can signal how much protection a company's assets provide for the debt held by creditor(s). Highly leveraged firms are companies with high debt in relation to the net worth (i.e., equity). These companies are more vulnerable to business downturns than those with lower debt-to-worth positions. While leverage ratios help measure a company's vulnerability, keep in mind that these ratios vary greatly depending on the requirements of particular industry groups.

## Debt-to-Equity Ratio

### *How's the ratio calculated?*

Total debt divided by total equity

### *What's included?*

Long-term debt includes all debt with maturities greater than one year.  Total equity includes total assets less total liabilities.

### *What does the ratio mean?*

The debt-to-equity ratio determines the extent of SCC's non-equity capital used to finance its assets.
Firms whose ratio is greater than 1.0 use more debt  than equity to finance their operations and they have less flexibility to borrow. If the ratio is less than 1.0, they use more equity than debt to finance operations and they have more flexibility to borrow. However, a comparison to the industry is also important because companies in different industries operate and scale using different levels of debt and equity.

### *How does this impact a potential sale of SCC?*

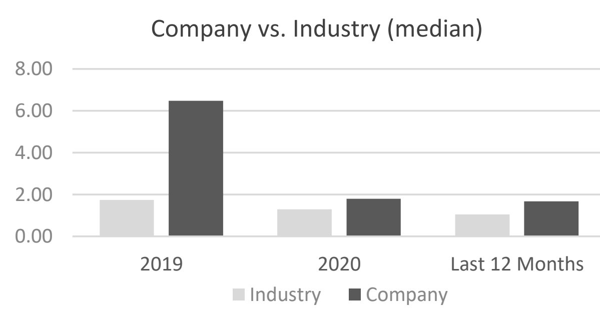
The higher the ratio, the riskier SCC will appear to potential buyers. If the ratio is closer to zero, an potential buyer may feel that SCC is not realizing its potential profit by borrowing and increasing operations.

### *How does SCC compare to its industry?*

The debt-to-equity ratio of SCC has been compared to its industry to gain insight into the company's flexibility to borrow. For the Last 12 Months, SCC's debt-to-equity ratio was higher than industry, meaning SCC has less flexibility to borrow than other companies in its industry. You can refer to the Debt-to-Equity Ratio Table below to see how SCC perfomed for prior years as well as its average performance over the last three years.

Debt-to-Equity Ratio - Company vs. Industry

| Year | Industry | Company | Rating |
|---|---|---|---|
| 2019 | 1.74 | 6.47 | Higher |
| 2020 | 1.30 | 1.80 | Higher |
| Last 12 Months | 1.05 | 1.68 | Higher |
| Average | 1.36 | 3.32 | Higher |



# PROFITABILITY RATIOS

Profitability ratios measure the ability of a company to generate returns for its shareholders, financial performance and management strength. These ratios will indicate how efficiently a company utilizes its assets and manages its expenses. Profitability ratios can act as a starting point when examining the value of a company and provide an indication of the company's bottom-line.

## Gross Profit Margin Ratio

***How's the ratio calculated?***

Gross profit divided by sales

***What's included?***

Gross profit includes a company's sales less the cost of goods sold.

***What does the ratio mean?***

The gross profit margin measures SCC's ability to generate an acceptable markup on its product or service in the face of competition.
For many startups and high growth companies, the revenues may not exceed the cost of goods sold, resulting in a negative profit margin. Eventually, the revenues must exceed the cost of goods sold in order for the company to be successful. The gross profit margin is most useful when compared to a similarly computed ratio for comparable companies or to an industry standard.

***How does this impact a potential sale of SCC?***

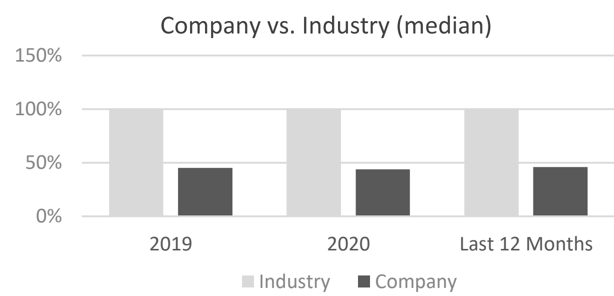
A potential buyer will want to understand a company's gross profit margin because the margin is the percentage of revenue that is left over for operating expenses and investments after you account for the cost of sales. There is no specific margin a company should strive for, so it's important for a potential buyer to compare a company's margin across its industry, as well as a year-over-year comparison.

***How does SCC compare to its industry?***

The gross profit margin ratio of SCC has been compared to its industry to gain insight into the company's ability to generate markup. For the Last 12 Months, SCC's gross profit margin ratio was below industry, meaning SCC either has lower sales prices or higher costs (or a combination of both) when compared to its industry. You can refer to the Gross Profit Margin Table below to see how SCC performed for prior years as well as its average performance.

Gross Profit Margin - Company vs. Industry

| Year | Industry | Company | Rating |
|---|---|---|---|
| 2019 | 100% | 45% | Lower |
| 2020 | 100% | 44% | Lower |
| Last 12 Months | 100% | 46% | Lower |
| Average | 100% | 45% | Lower |



# PROFITABILITY RATIOS

Profitability ratios measure the ability of a company to generate returns for its shareholders, financial performance and management strength. These ratios will indicate how efficiently a company utilizes its assets and manages its expenses. Profitability ratios can act as a starting point when examining the value of a company and provide an indication of the company's bottom-line.

## Operating Profit Margin Ratio

***How's the ratio calculated?***

Operating profit divided by sales

***What's included?***

Operating profit includes a company's gross profit less operating expenses.

***What does the ratio mean?***

The operating profit margin measures SCC management's ability to control operating expenses.
Management generally has greater control of operating expenses than it has over revenue, so the operating profit margin is a good indication of how well a company's management team is managing operating expenses. The higher the operating profit margin, the less financial risk. The lower the operating profit margin, the higher the risk.

***How does this impact a potential sale of SCC?***

A potential buyer will be interested in the operating profit margin to gain an understanding of how well a company is managing its operating expenses in order to maximize its profitability. There is no specific margin a company should strive for, so it's important for a potential buyer to compare a company's margin across its industry, as well as a year-over-year comparison.

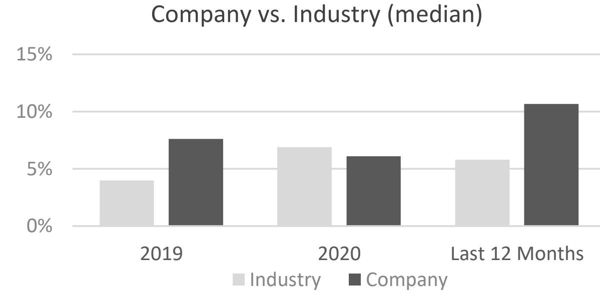
***How does SCC compare to its industry?***

The operating profit margin ratio of SCC has been compared to its industry to gain insight into the company’s ability to control operating expenses. For the Last 12 Months, SCC's operating profit margin  ratio was above industry, meaning SCC more efficiently controls its operating expenses in comparison to its industry. You can refer to the Operating Profit Margin Table below to see how SCC performed for prior years as well as its average performance over the last three years.

Operating Profit Margin - Company vs. Industry

| Year | Industry | Company | Rating |
|---|---|---|---|
| 2019 | 4% | 8% | Better |
| 2020 | 7% | 6% | Lower |
| Last 12 Months | 6% | 11% | Better |
| Average | 6% | 8% | Better |

Company vs. Industry (median)



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## ABOUT
## CERTIFIED VALUATIONS

*Learn more about the importance of certified valuations*

ABOUT
# CERTIFIED VALUATIONS

Protect Yourself, Your Business and Your Livelihood. Certified valuation reports are invaluable for supporting business acquisitions, divestitures, estate planning, partner disputes & buyouts, marital dissolutions, and bank loan applications - when the valuation must be credible and stand up to scrutiny. All reports are prepared by our NACVA Certified Valuation Analyst (CVA), who adheres to the high professional standards set forth by NACVA and other leading standards, such as USPAP.

***What is a "certified" business valuation report?***
This information valuation is not a certified valuation, which is also known as a certified business appraisal. A certified business valuation adheres to professional valuation standards, conducted by a business valuator who is certified by a professional, accredited organization, such as the National Association of Certified Valuators and Analysts (NACVA). While information valuations are insightful for strategic planning and deciding whether you should consider selling your business, it does not carry the same weight or have the same level of credibility as a certified appraisal.

***What is a "certified" business valuation report?***
A business valuation report issued by a certified valuator holds credibility. Whether you are a business owner contemplating the sale of your business, buying out a partner or needing an expert for a legal case – you will want to obtain a valuation report that is credible and protects you against others from discrediting the valuation.

An informational valuation or any other business valuation report issued by an uncertified valuator may expose you to unnecessary risks. A business valuation report conducted by a certified valuator adheres to professional and ethical valuation standards, thereby protecting you against these unnecessary risks.

***When does my company need a certified business valuati***
A certified business valuation and report will help position you and your business for the most favorable outcome in the following areas:

- Mergers and Acquisitions
- Sales and Divestitures
- Buy/Sell Agreements
- Share Redemptions
- Partner & Shareholder Buyouts
- Marital Dissolutions
- Gift & Estate Planning
- Employee Benefit Plans
- Business Litigation

# CERTIFIED VALUATION
# REPORTS

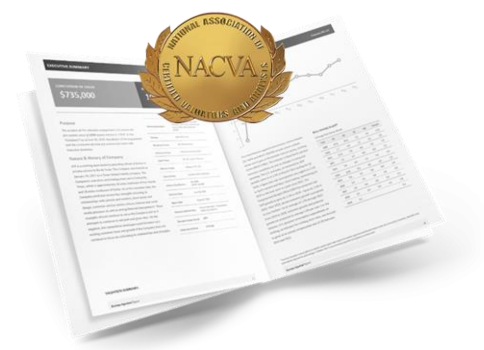
Certified valuation reports communicate the results of a valuation engagement as a conclusion of value based on the valuation method most appropriate for the business. These reports are conducted by certified appraisals and hold up to legal scrutiny as well as provide the necessary detail for negotiations. The three types of certified business valuation reports we offer are oral, summary and detailed. Below is an overview of what these reports entail and how they differ.

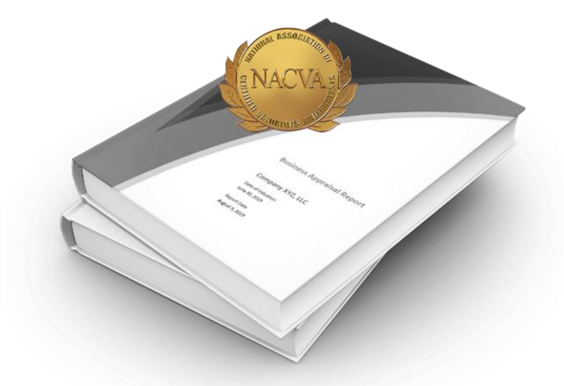

## Certified Oral Report

An oral report is a certified report prepared by a certified appraiser that is orally conveyed. This report is delivered as a 1-hour consultation over Zoom or an in-person meeting. Each report is augmented by a supplemental package (typically a PDF presentation), so that copious note taking is not required. It is ideal for planning purposes, internal management use, or friendly partner or shareholder transactions. These reports take the less time to prepare than our summary reports and are the lowest cost certified report we offer.

## Certified Summary Report

A summary report provides a condensed version of the information provided in a detailed report but is more documented in written format than an oral report. It is a standalone report. Summary reports are typically 65 or more pages in length and can be easily read to quickly understand the valuation of the company. Common uses are when substantiating information is needed to be presented to third parties for acquisitions, divestitures, IRS submissions for gifts and estate planning, partner disputes and bank loan reports.




## Certified Detailed Report

A detailed report helps the intended users understand the data, reasoning, and analyses underlying the valuation analyst's conclusion of value. It includes more detail than the summary report. Detailed reports are typically 100 or more pages in length and include highest level of in-depth written analysis of the nature & history of company, industry & economy, financial analysis and conclusion of value. This type of report is best when you expect a lot of scrutiny over the value or when there is a high level of interest in detailed support and explanation of the valuation for complicated businsses, court cases and IRS-related estate planning purposes.

# TYPES OF REPORTS
# WE OFFER

Business valuation reports can be prepared for many different purposes, and the individuals who request them have different needs or decisions to be made. The three types of business valuation reports we offer are certified valuation reports, non-certified valuation reports and quality of earnings (QoE) reports. Below is a summary of what these reports entail, how they differ, and who might benefit most from each type.


## Certified Valuation Reports

Certified valuation reports are invaluable for supporting business acquisitions, divestitures, estate planning, partner disputes, marital dissolutions and bank loan applications - when the valuation must be credible and stand up to scrutiny. We offer three types of certiifed reports: oral, summary and detailed (see previous page). These types of reports are best when you expect a lot of scrutiny over the value or when there is a high level of interest in detailed support and explanation of the valuation. All reports are prepared by our valuation team and signed by a NACVA Certified Valuation Analyst (CVA).

## Non-Certified Valuation Reports

Non-Certified Valuation Reports are less time-intensive to produce and more affordable. They provide valuable insight to establish a market price, support exit planning or inform internal business planning decisions. This valuation report is best for individuals who don't need a certified valuation and are comfortable with more limited procedures and reporting. All reports are prepared by financial professionals on our valuation team.



## Quality of Earnings (QoE) Reports

Quality of Earnings (QoE) reports provide a more affordable and value-added way to estimate the future performance of a business to support the due diligence phase of an acquisition. The QoE report includes a careful analysis of historical revenues and expenses, sales and major customer concentrations and expense add-backs. All reports are prepared by our team of NACVA-certified Master Analysts in Financial Forensics (MAFF).

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## CONTACT
# INFORMATION

*You can contact us for your next step*

# SAMPLE REPORT

## CONTACT US

Thank you for choosing FIRM'S NAME for your valuation needs!
You can contact me anytime with questions about your report.


### FIRM'S NAME
Street Address
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www.samplereport.com

### Valuation Team
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phone number