

FY 2021



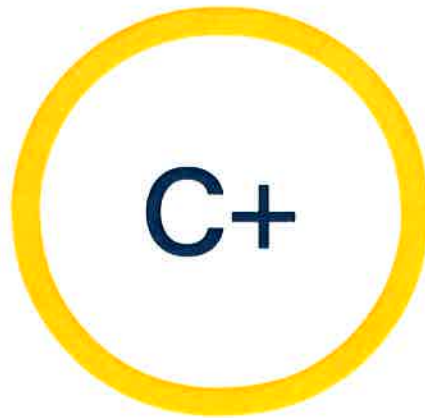
# Business Insights Report



# Strategic Overview

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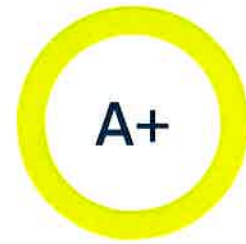
Business Insights



Financial



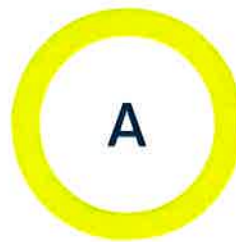
Foundation



Credit



Strategic Growth



Benchmark



# Financial Analysis

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# Normalized Profit & Loss

## Revenue

	2019	2020	2021
Sales	\$19,172,850	\$10,523,629	\$8,410,965

## Cost Of Sales

COS Goods	\$9,827,560	\$4,869,413	\$4,135,737
COS Other	\$7,229,320	\$3,263,373	\$2,551,454
COS Fixed	-	-	-
Non-Cash COS	-	-	-
<b>Gross Profit</b>	<b>\$2,115,970</b>	<b>\$2,390,843</b>	<b>\$1,723,774</b>

## Expenses

Fixed	\$1,480,216	\$1,307,473	\$1,673,151
Variable	\$19,114	\$212	-
Non-Cash Expenses	\$107,936	\$136,003	\$177,058
<b>Total Expenses</b>	<b>\$1,607,266</b>	<b>\$1,443,688</b>	<b>\$1,850,209</b>
<b>Operating Income</b>	<b>\$508,704</b>	<b>\$947,155</b>	<b>-\$126,435</b>
Other Income	-\$202	\$647,685	\$1,430,482
<b>Earnings Before Interest &amp; Tax</b>	<b>\$508,502</b>	<b>\$1,594,840</b>	<b>\$1,304,047</b>

## Interest

Interest Expense	\$8,055	\$6,415	\$1,237
Other Loan Interest	-	-	-
Interest Received (Excess Cash)	\$1,754	\$176	\$79
<b>Net Interest</b>	<b>\$6,301</b>	<b>\$6,239</b>	<b>\$1,158</b>
Tax Expense (Notional)	\$130,070	\$409,859	\$336,145

<b>Net Operating Profit After Tax</b>	<b>\$378,432</b>	<b>\$1,184,981</b>	<b>\$967,902</b>
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Adjustments	-\$29,470	\$141,241	\$965,179
<b>Net Income</b>	<b>\$401,601</b>	<b>\$1,037,501</b>	<b>\$1,565</b>
Dividends Paid	-	-	-
<b>Retained Earnings</b>	<b>\$401,601</b>	<b>\$1,037,501</b>	<b>\$1,565</b>
Adjustments To Retained Income	-	-	-

# Financial Ratios

## Liquidity

	Value	Target	Result
Current Ratio	4.68:1	2.00:1	✓
Quick Ratio	4.68:1	1.00:1	✓

## Working Capital

	Value	Target	Result
Account Receivable Days	106.8 days	45.0 days	✗
Account Payable Days	23.4 days	55.0 days	✓
Inventory (WIP) Days			Not Applicable

## Profitability Ratios

	Value	Target	Result
Gross Profit Margin	20.49%	18.50%	✓
Profitability %	15.50%	4.30%	✓
NOPAT %	11.51%	3.20%	✓

## Efficiency Ratios

	Value	Target	Result
Return On Equity	0.05%	12.00%	✗
Return On Total Assets	32.90%	7.00%	✓
Return On Capital Employed	40.18%	10.00%	✓
ECROCE	29.82%	8.00%	✓

## Asset Usage

	Value	Target	Result
Activity Ratio	2.59 times	2.00 times	✓
Asset Turnover Ratio	2.12 times	1.50 times	✓
GM Return on Inventory			Not Applicable
Working Capital Absorption Rate	24.15%	35.00%	✓

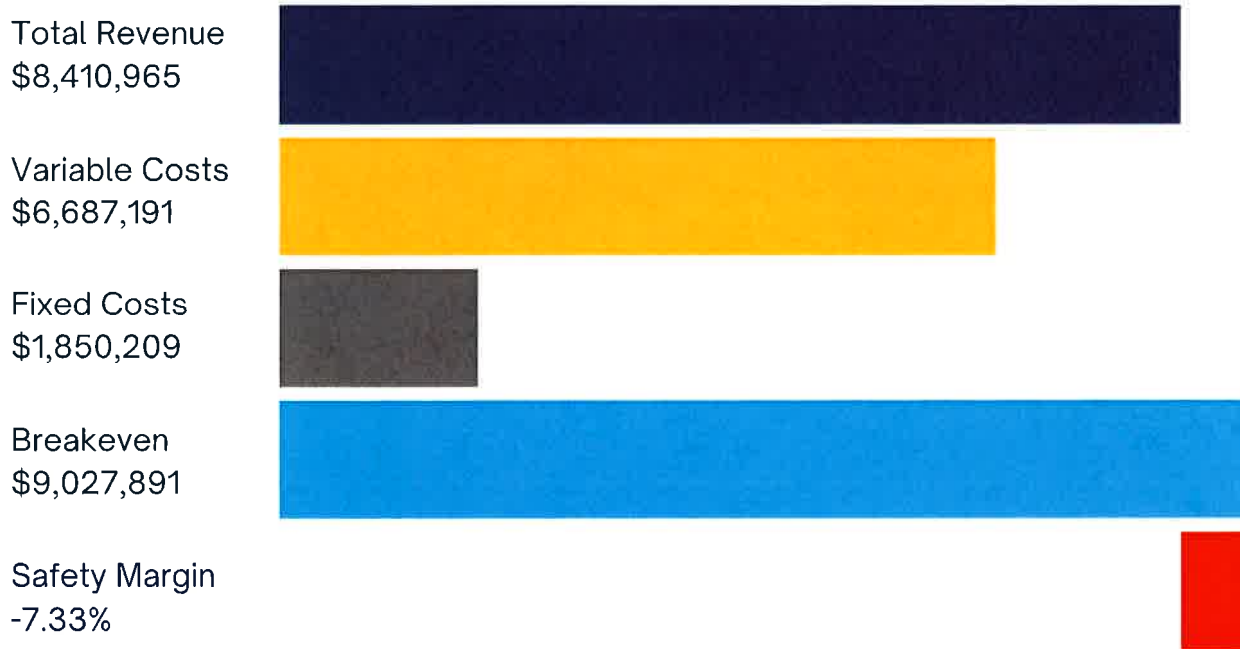
## Gearing

	Value	Target	Result
Interest Coverage Ratio	1,126.12 times	3.00 times	✓
Debt to Equity Ratio	0.02:1	1.00:1	✓

## Other

	Value	Target	Result
Sustainable Growth Rate	0.05%	10.00%	✗
Marginal Cash			Not Applicable
Earnings per Share			Not Applicable
Free Cash Flow	\$1,018,701.64	\$750,000	✓

# Breakeven Analysis



## Variable costs

COS Goods	\$4,135,737
COS Other	\$2,551,454
Variable Expenses	\$0
<b>TOTAL Variable Costs</b>	<b>\$6,687,191</b>

## Fixed costs

COS Fixed	\$0
Non-Cash	\$0
Fixed Expenses	\$1,673,151
Non-Cash Expenses	\$177,058
<b>TOTAL Fixed Costs</b>	<b>\$1,850,209</b>

Total Sales \$8,410,965

Variable Cost % 79.51%

Breakeven \$9,027,891

Safety Margin -7.33%

# Industry at a Glance

## Key Statistics

### Revenue

\$225.36 billion

2017 - 2022  
2022 - 2027  
2017 - 2027

2.2%  
0.23%



### Profit

\$12.62 billion

2017 - 2022  
2017 - 2022

1.8%



### Profit Margin

5.6%

2017 - 2022  
2017 - 2022

-1%



### Businesses

227,675

2017 - 2022  
2022 - 2027  
2017 - 2027

2.13%  
1.1%



### Employment

1,144,114

2017 - 2022  
2022 - 2027  
2017 - 2027

3.41%  
0.9%



### Wages

\$70.44 billion

2017 - 2022  
2022 - 2027  
2017 - 2027

2.97%  
0.76%



## Key External Drivers

**1.46%**

Per capita disposable income

**1.88%**

Value of residential construction

**-5%**

Value of private nonresidential construction

**-3%**

Private investment in manufacturing structures

**3.66%**

Access to credit

**5.83%**

Housing starts

## Industry Structure

### Positive Impact

Capital Intensity

Low

Concentration

Low

Globalization

Low

### Mixed Impact

Life Cycle

Mature

Revenue Volatility

Medium

Technology Change

Medium

### Negative Impact

Industry Assistance

Low

Regulation

Heavy

Barriers to Entry

Low

Competition

High



# Benchmarking Analysis

Cost Structure Benchmarks

Industrial Power Solutions  
2021

(IBISWorld)  
Electrical contractors and  
other wiring installation  
contractors

<b>Revenue</b>	<b>\$8,410,965</b>	<b>-</b>
Revenue	100.0%	100.0%
Cost of Sales	79.5%	81.3%
<b>Gross Margin</b>	<b>20.5%</b>	<b>18.7%</b>
Occupancy costs	2.3%	3.6%
Depreciation	1.8%	1.2%
Repairs & maintenance	0.2%	0.4%
Employment costs *	9.9%	7.7%
All other costs/other income	7.9%	1.5%
Total expenses	5.0%	14.4%
<b>Profit Margin (before tax)</b>	<b>15.5%</b>	<b>4.3%</b>

\* excluding direct labors



# Foundation Scorecard

## Business Model

2 out of 5

- ✔ Boutique vs Scale
- ✘ Competition and Barrier to entry
- ✔ Business plan
- ✘ Market Share
- ✘ Scorecard/Dashboard KPI's

## Financial Management

2 out of 5

- ✔ External advisers
- ✔ Budgets & Cashflows
- ✘ Strategic financials
- ✘ Benchmarking
- ✘ Reporting package

## Compliance

3 out of 5

- ✔ OHS / WHS
- ✔ Licences / trademarks / registrations
- ✘ Compliance - financial
- ✔ Compliance - non-financial
- ✘ Risk analysis

## People

3 out of 5

- ✔ Base - Job Descriptions, KPI's
- ✔ Performance Management
- ✘ Remuneration strategy
- ✔ Core Values, Vision
- ✘ Ladder to Equity

## Management team

2 out of 5

- ✘ Management team
- ✔ Functional Management
- ✘ Ownership Mindset
- ✘ Analytics / technology
- ✔ Senior management stability

# Foundation Ratios

## Business Model

	Value	Target	Result
Boutique vs Scale	100	75	
Competition and Barrier to entry	50	75	
Business plan	100	75	
Market Share	50	75	
Scorecard/Dashboard KPI's	70	75	

## Financial Management

	Value	Target	Result
External advisers	75	75	
Budgets & Cashflows	100	75	
Strategic financials	50	75	
Benchmarking	0	75	
Reporting package	0	75	

## Compliance

	Value	Target	Result
OHS / WHS	75	75	
Licences / trademarks / registrations	100	75	
Compliance - financial	50	75	
Compliance - non-financial	100	75	
Risk analysis	0	75	

## People

	Value	Target	Result
Base - Job Descriptions, KPI's	100	75	
Performance Management	100	75	
Remuneration strategy	70	75	
Core Values, Vision	100	75	
Ladder to Equity	0	75	

## Management team

	Value	Target	Result
Management team	67	75	
Functional Management	86	75	
Ownership Mindset	10	75	
Analytics / technology	50	75	
Senior management stability	100	75	



# Strategic Growth Scorecard

## Corporate Governance

0 out of 5

- ✘ Board
- ✘ Independent director/chair
- ✘ Board systems
- ✘ Reporting pack
- ✘ Shareholders agreement

## Risk management

2 out of 5

- ✘ Policies & Procedures
- ✘ Business Continuity Plan
- ✘ Key person risk
- ✔ Business Insurance cover
- ✔ Cyber risk

## Revenue / Sales

1 out of 5

- ✘ Owners sales reliance
- ✔ Client concentration & satisfaction
- ✘ Digital marketing
- ✘ Diversification
- ✘ CRM & Sales processes

## Growth Model

3 out of 5

- ✔ Sustainable growth rate
- ✘ Strategic IP
- ✔ Export potential
- ✔ Growth strategy
- ✘ Intangible Assets






## Succession & Exit plan

0 out of 5






- ✘ Ownership Succession - exit plan
- ✘ Management Succession
- ✘ Due Diligence documents
- ✘ Information memorandum
- ✘ Marketability of Equity

# Strategic Growth Ratios






## Corporate Governance

	Value	Target	Result
Board	0	75	
Independent director/chair	0	75	
Board systems	0	75	
Reporting pack	0	75	
Shareholders agreement	67	75	






## Risk management

	Value	Target	Result
Policies & Procedures	5	75	
Business Continuity Plan	0	75	
Key person risk	15	75	
Business Insurance cover	100	75	
Cyber risk	100	75	






## Revenue / Sales

	Value	Target	Result
Owners sales reliance	0	75	
Client concentration & satisfaction	100	75	
Digital marketing	0	75	
Diversification	67	75	
CRM & Sales processes	50	75	

## Growth Model

	Value	Target	Result
Sustainable growth rate	91	75	
Strategic IP	0	75	
Export potential	100	75	
Growth strategy	100	75	
Intangible Assets	0	75	

## Succession & Exit plan

	Value	Target	Result
Ownership Succession - exit plan	0	75	
Management Succession	50	75	
Due Diligence documents	50	75	
Information memorandum	0	75	
Marketability of Equity	0	75	



# Non-Financial KPI Commentary

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# Foundation

When assessing the valuation of any business, there are some foundational items that buyers, investors and lenders would expect to see in a mid-market company. This scorecard measures these essential items and assesses the overall risk score of the business based on the results.

## Business Model

### Boutique vs Scale

All businesses sit along the scale of boutique ( think Ferrari ) and scale ( think Toyota ). If you want to maximize the value of your business and exit successfully, then your business model needs to be either boutique or scale, and every part of the business needs to match this model. If it's a mix of both, you're in 'no man's land', and your ability to maximize business value decreases substantially.

### Competition and Barrier to entry

Competition exists in nearly any industry and for every business, but not all competition is equal. The Barrier to entry ( for example, licenses and qualifications the owner might need before they can operate the business or a register of expensive machinery and equipment required to commence business ) can create a level of protection from the competition—some businesses ( think real estate agents, for example, are highly competitive. As a general rule, the harder it is for new entrants to challenge incumbents, the better.

### Business plan

As the saying goes, if you fail to plan, you plan to fail. The purpose of the Strategic Business Plan is not only to illustrate the feasibility of your business idea but also to serve as a communication document to your key stakeholders, investors and employees. The plan should map critical milestones, risks and opportunities for value acceleration.

### Market share

There are advantages and disadvantages to controlling more significant percentages of a business's market, but monitoring that level over time provides management with a powerful instrument in guiding the business's strategy in the long term. For example, firms with a substantial market share are often less susceptible to pricing competition.

### Scorecard/Dashboard KPIs

Knowledge is power. Technology has advanced to a point where businesses can monitor, in near-real-time, the performance of critical activities their companies undertake (pipeline, HR, financial metrics and CRM.) While this was once the realm of the best-performing businesses, adopting these technological and data-driven approaches to daily decision-making is critical to business performance.

## Financial management

### External advisors

External advisers are an excellent source of new ideas. They can provide an outsider's perspective on issues that may be difficult to resolve internally and add specific experience and expertise that business owners cannot hold.

### Budgets & Cashflows

The business direction will likely suffer if adequate tools are not in place to illustrate its financial position and where it expects and aims to be in the future. Projecting budgets and cashflows will guide performance, and a review of actual performance vs these goals holds stakeholders accountable for performance.

### Strategic financials

Long-term strategic forecasts are a critical ingredient in long-term strategic planning. The strategic financial goals must match the business's long-term ( exit ) plan.

### Benchmarking

Benchmarking can be a helpful exercise in determining the business' competitiveness and can be used to inform or support the objectives set out in the Strategic Business Plan. Comparison with competitors and industry averages can highlight over or underperformance.

### Reporting package

A monthly reporting pack should include everything the board or leadership team needs to make informed decisions. It should contain a mixture of financial, non-financial and leading KPIs to measure and monitor business performance to match the business and financial plans.



## Compliance

### OH&S / WH&S - Occupational Health & Safety / Workplace Health & Safety

If your workplace is unsafe, none of its other qualities will be relevant because it is at the highest possible level of risk. However, having a robust OH&S system helps to ensure your workplace is safe. Ideally, your workplace's health & safety system protects your workforce and other stakeholders and encourages best-in-class performance.

### Licenses / trademarks / registrations

Certain business types must hold licenses, registration and compliance requirements to operate. This is a barrier to entry ( preventing those without the required license from operating the business ) and must be carefully monitored to ensure compliance.

### Compliance - Financial

Businesses that actively manage their financial affairs and ensure they are current with all financial requirements also demonstrate structure and discipline and are therefore of lower risk.

### Compliance - non-financial

Businesses must also comply with various non-financial requirements across multiple areas, implying structure, discipline, and lower risk.

### Risk analysis

A responsible risk mitigation culture at a business, as manifested in strong identification, measure and control measures put in place, has many and varied benefits, including but not limited to sound operational processes, a pleasant workplace experience for employees and attractiveness to buyers, investors and lenders.

## People

### Base - Job Descriptions, KPIs

A position description is valuable for communicating objectives and roles to staff. Great position descriptions stimulate employee engagement and should clearly describe roles, responsibilities, and KPIs.

### Performance management

Performance reviews are an opportunity to align your employees' interests with the goals and objectives of the business. Many businesses overlook formal performance reviews and informal performance feedback to increase employee engagement and monitor performance.

### Remuneration strategy

A remuneration strategy that aligns reward with crucial business outcomes will encourage performance and produce a close alignment between behavioural results and business outcomes.

### Core Values, Vision

If your business is clear on its values - why it is in business and how it wants to behave worldwide - customers, employees, and suppliers are much more likely to be aligned. Alignment is critical to business success.

### Ladder to Equity

There is a sequential order in which to use remuneration to bring out the best in a business's talent. In an ideal world, an employee would graduate up the ladder sequentially, beginning with Income (e.g. a base salary), then Income (e.g. a commission structure), then a profit share, then equity (or partial ownership itself) and lastly, control (e.g. Directorship).

## Management team

### Management team

Leadership is doing the right things; management is doing things right. Your company will have a much better chance of success if your managers work well together, with clear roles and productive meetings and can run the business without owner involvement.

### Functional Management

Organizing roles and functions around a central managerial philosophy creates rhythm in a business, keeping role overlap, duplication, confusion and gaps to a minimum.

### Ownership Mindset

The very best businesses communicate information about financial performance to their staff in a responsible manner, so they know how their day-to-day actions impact it, but also supply them with a structure that enables those same staff to influence the performance of the business positively. Ownership mindset is about employees thinking and acting like business owners.

### Analytics/technology

The businesses best positioned to take advantage of rapidly changing conditions are those with a strong command of internal and external data and can use it to make decisions. This should occur in every area of operation within the business.

### Senior management stability

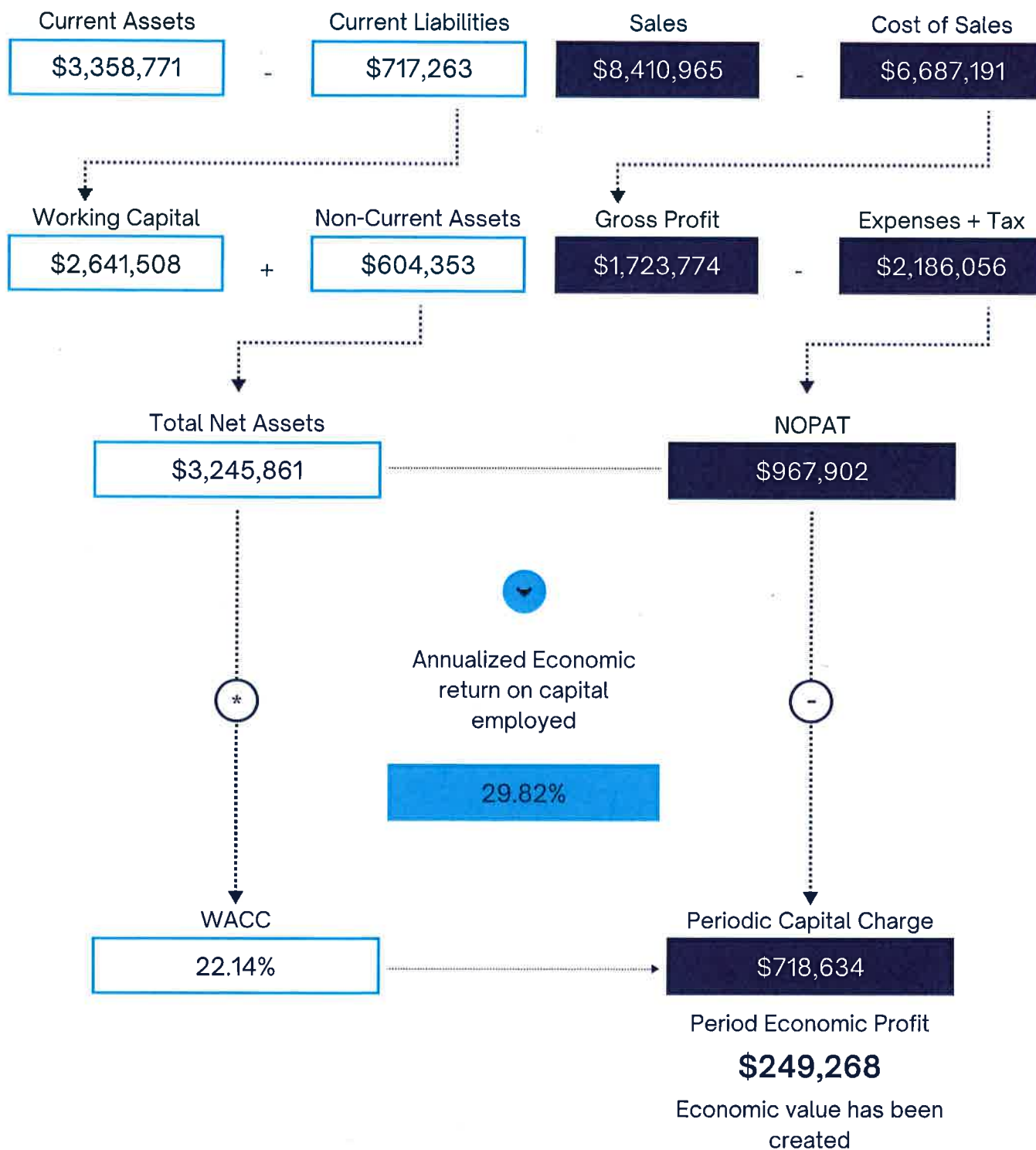
Longevity of tenure among managerial staff is a classic hallmark of a well-run business. Senior experienced team who have been with the business for an extended period will drive culture and performance.



# Valuation Summary

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# Economic Profit Analysis



# Business Valuation

	2019	2020	2021	2022 Forecast	
Revenue	\$19,172,850	\$10,523,629	\$8,410,965		
EBIT	\$508,502	\$1,594,840	\$1,304,047		
Op Tax	\$130,070	\$409,859	\$336,145		
NOPAT	\$378,432	\$1,184,981	\$967,902	\$1,100,000	
<b>Growth Rate</b>	<b>0%</b>	<b>213%</b>	<b>-18%</b>	<b>14%</b>	
<b>Weighting</b>	<b>10.00%</b>	<b>20.00%</b>	<b>40.00%</b>	<b>30.00%</b>	
<b>Weighted Average of Earnings</b>					<b>\$992,000</b>

## Enterprise Valuation

Cost of Capital	22.14%
Growth Rate	2.50%
Capitalization Multiple (intrinsic)	5.09
<b>Enterprise Value (Capitalization of Earnings Method)</b>	<b>\$5,050,917</b>

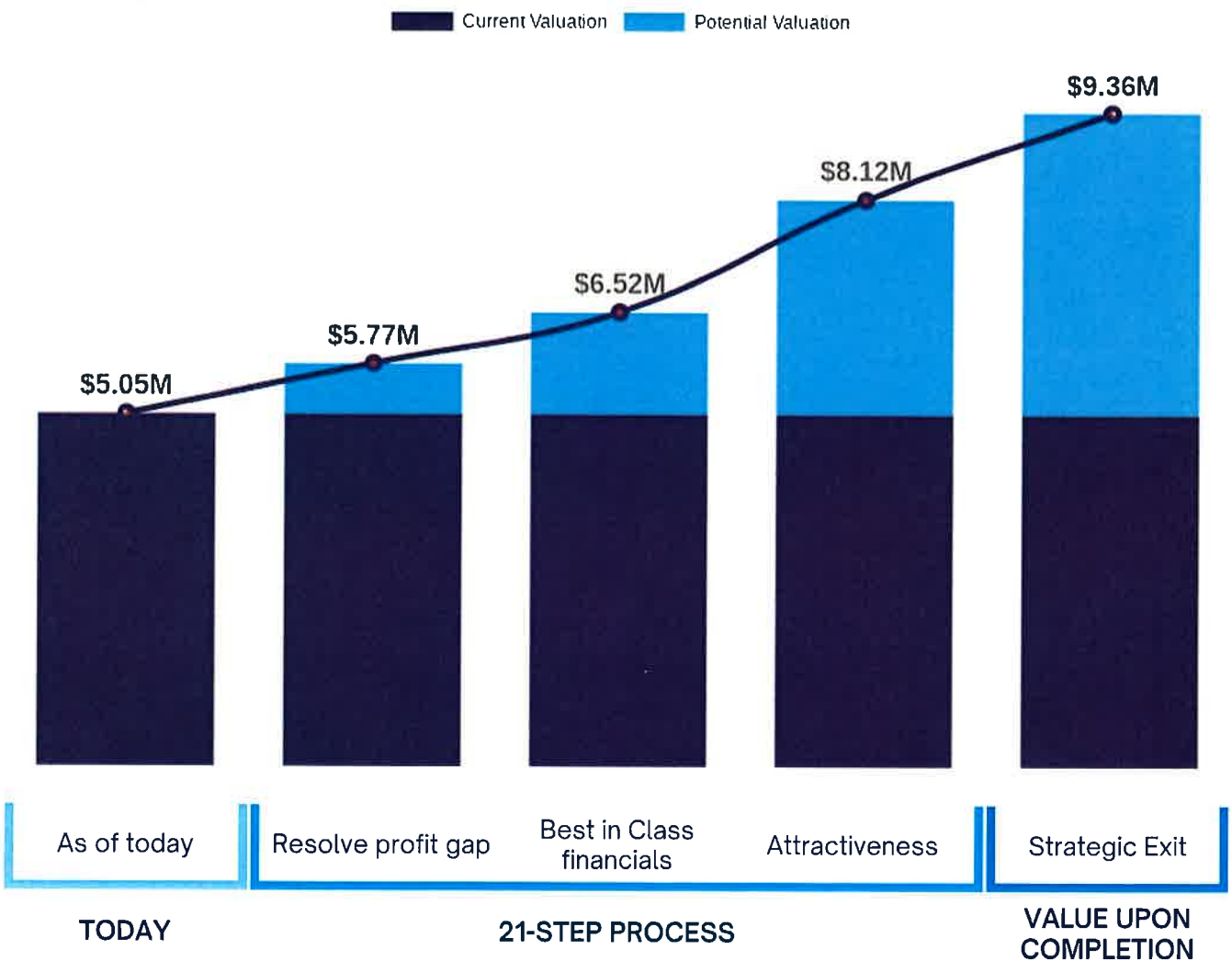
# Business Valuation

## Equity Valuation

<b>Enterprise Value (Capitalisation of Earnings Method)</b>	<b>\$5,050,917</b>
Add: Cash & Cash Equivalents	\$898,139
Less: Short-term Debt	\$68,574
Less: Long-term Debt	\$4,776
<b>Equity Value (Capitalisation of Earnings Method)</b>	<b>\$5,875,706</b>

# Value Potential

	As of today	Resolve profit gap	Best in Class financials	Attractiveness	Strategic Exit
Revenue	\$8,410,965	\$8,410,965	\$8,410,965	\$8,410,965	\$8,410,965
EBITDA	\$1,481,105	\$1,667,817	\$1,859,251	\$1,859,251	\$1,859,251
NOPAT	\$967,902	\$1,106,484	\$1,248,573	\$1,248,573	\$1,248,573
EBITDA Multiple	3.41	3.41	3.41	4.37	5.04
NOPAT Multiple	5.22	5.22	5.22	6.50	7.50
Valuation	<b>\$5.05M</b>	<b>\$5.77M</b>	<b>\$6.52M</b>	<b>\$8.12M</b>	<b>\$9.36M</b>





## Forecast Profit and Value Potential

In our 12-year experience, value maximization for privately-held businesses frequently focuses on the wrong areas. Column 1 shows the valuation of the business today, columns 2 & 3 show the potential value increase based on financial improvements using profit gap (benchmarking) and columns 4 & 5 show the potential increase based on a strategic exit strategy.

### VPI™ – Value Potential Index

Our index is based on over 700 business valuations collected over a twelve-year period, allowing us to track the key metrics that drive valuations and project potential value over time by implementing the recommendations from our Capitaliz Business Insights Report.

The index includes economic, industry, and business-based risk scores to determine the appropriate multiple. Gaps identified in the report including profit gap, benchmarking, exit readiness, and attractiveness to determine value potential.

The index is recalculated each time a new valuation is completed and updated regularly with any changes in economic factors, industry trends or business sentiment.

The use of our proprietary index allows us to accurately assess the value potential for each business and determine the most appropriate actions to take in the order of priority that will most affect the valuation.

The use of Capitaliz on a monthly basis to track actions and dynamically revalue the business each quarter (with updated financials) enables the process to be monitored and measured, and all stakeholders to be held accountable for agreed-upon actions.