Demo Company

BisValue international

Target Value

Business valuation

BisValue International AB

BisValue International AB is an international provider of business valuations.

BisValue International AB is based in Sweden. BisValue has developed this valuation report in close cooperation with Tomas Hjelström, who holds a PhD in Accounting and Financial Management.

Dr. Hjelström is active as a researcher at Stockholm School of Economics in the fields of accounting and business valuation.

Dr. Hjelström's research includes business valuation, including issues regarding ownership structures and their effect on the pricing of securities, as well as the choice of accounting method for business valuations and the use of external accounting information.

He is also a lecturer and course supervisor at Stockholm School of Economics.

Note!

All amounts are reported in thousands for the respective currency.
(2 500 000 is reported as 2 500 in tables)

Table of contents

Target value

15 000 EUR

Number of years:
5

Performance forecast by client*

Year	2017	2018	2019
Net sales	12 000	14 000	16 000
Profit/loss for the year	1 500	2 000	2 500

Performance required to achieve target value*

Year	2017	2018	2019	2020	2021
Net sales	13 932	16 254	18 576	20 182	20 787
Profit/loss for the year	1 742	2 322	2 903	2 883	2 661

Improvement required*

Year	2017	2018	2019	2020	2021
Net sales	1 932	2 254	2 576	2 799	2 883
Profit/loss for the year	242	322	403	400	369

If a required improvement shows '0' this means that the forecasts for the company's future are sufficient to achieve the desired target value.

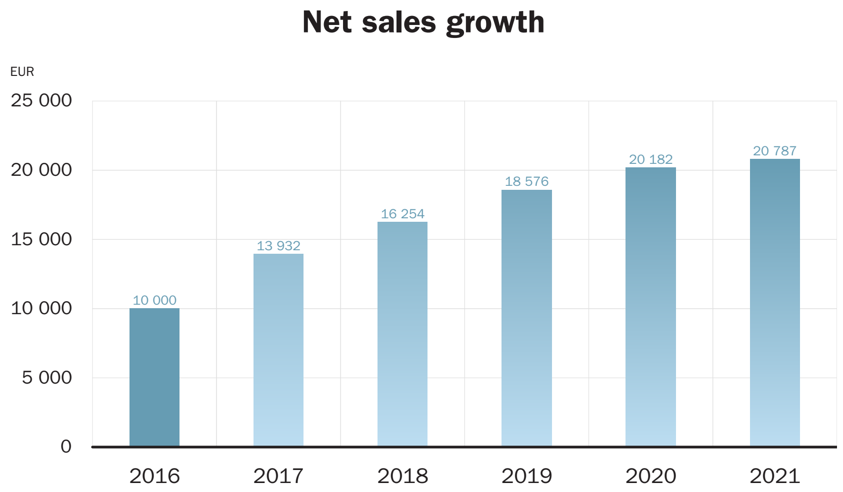
Date of analysis

Analysis performed on	12/09/2017
Analysis applies at	12/09/2017
The analysis is based on financial information from the years	2016 - 2019

* All amounts are reported in thousands for the respective currency. (2 500 000 is reported as 2 500 in tables)

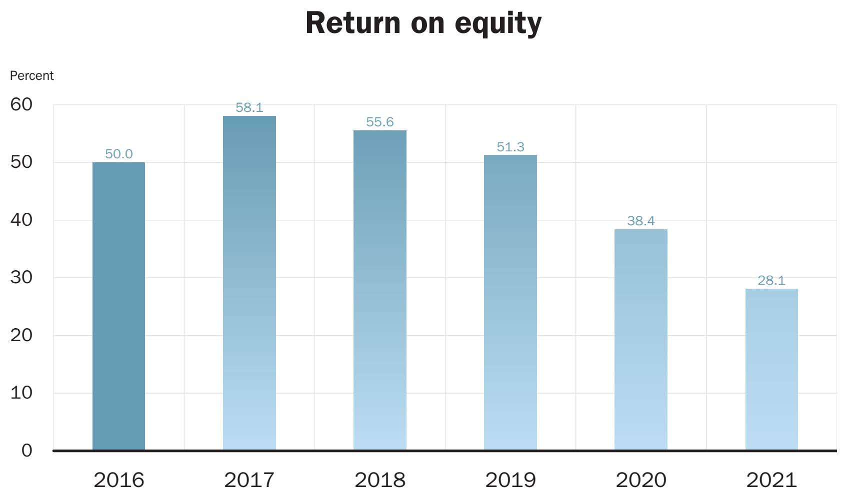
Required net sales growth

The chart shows the company's net sales in order to achieve the target value.



Required return on equity

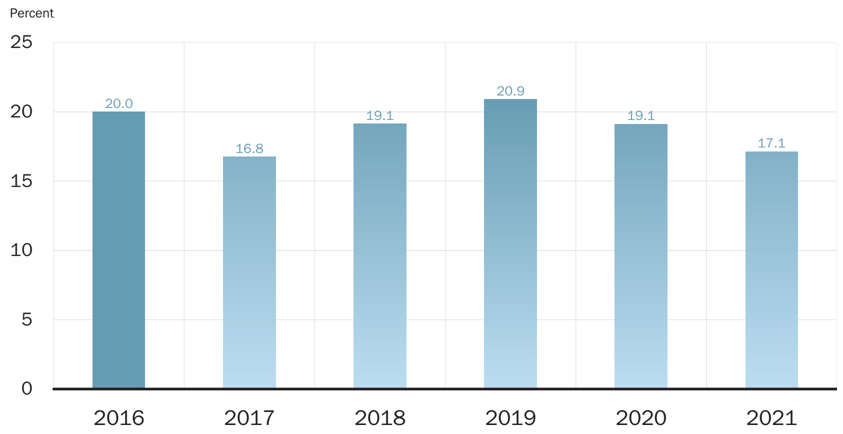
The chart shows the company's return on equity in order to achieve the target value



Required EBIT margin

The chart shows the company's return on equity in order to achieve the target value.

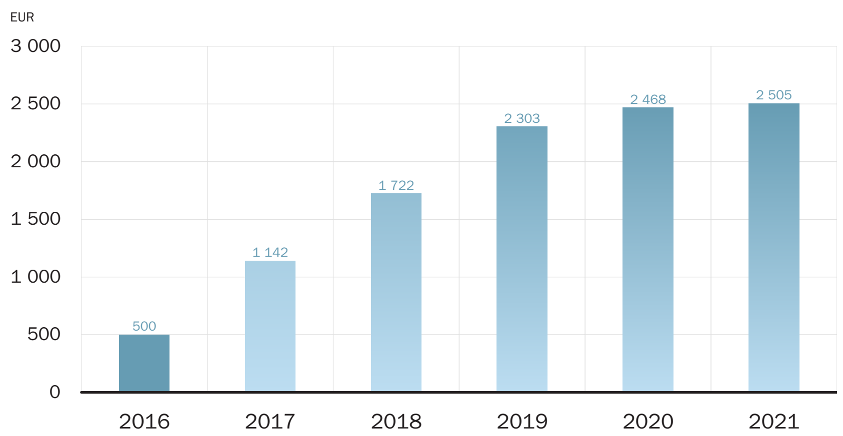
EBIT margin



Possible dividends or required capital contributions

The chart shows the company's dividend capacity and capital contribution requirements in order to achieve the target value.

Dividends or capital contributions



Valuation model and assumptions

BisValue uses an 'excess earnings' model for the calculations in the valuation report.

This model focuses on the company's ability to generate value-creating earnings in both the short and long term.

The valuation model is derived from the dividend discount model and is fully comparable with traditional cash flow models such as the dividend discount model or the cash flow model.

The advantage of the excess earnings model is that it makes direct use of key performance indicators (KPIs) on profitability and growth.

These KPIs are frequently used for the financial analysis of different types of businesses. The valuation report shows three parts of the calculated value of equity:

- The carrying amount of equity at the date of valuation.
- Value-creating earnings from the date of valuation until a future valuation horizon.
- An estimated horizon value based on long-term profitability and growth.

Carrying amount of equity

The basis of the valuation is the carrying amount of equity at the date of valuation.

This amount is obtained directly from the most recent balance sheet.

To this is added the portion of untaxed reserves that could be expected to become equity in future when these untaxed reserves are reversed for tax purposes.

Value-creating earnings

Value-creating earnings are future profits in excess of the required rate of return on equity for the company.

The required rate of return on equity is often expressed as a percentage and may be compared with the return on equity.

If return on equity exceeds the required rate of return on equity, this means that value-creating earnings are generated in the company in relation to the carrying amount of equity.

This has a positive effect on the value of the company.

Correspondingly, value-destroying earnings are generated if return on equity is less than the required rate of return on equity.

Horizon value

Calculation of the horizon value assumes that the company enjoys long-term profitable performance.

This situation is achieved when the company can be expected to have achieved a stable market position.

The valuation report uses a horizon value at the horizon date (seven years hence) that exceeds the estimated carrying amount of equity.

This is based on the assumption that the company will continue its operating activities after the next seven years and that the carrying amount of the company's assets are normally less than their market value.

The horizon value is sector-specific and is based on research results related to long-term recognised excess profitability in different sectors.

Profitability performance and growth

Value-creating earnings are calculated based on the estimated return on equity and equity growth.

These estimates are based on the company's historical relevant KPIs.

Return on equity is expected to show long-term sustained performance relative to sector performance.

The transition to a long-term sustained level takes place over what is often regarded as a normal business cycle, i.e. seven years.

This pattern is based on analyses of profitability performance by a large number of companies over a long period.

Equity growth is also based on historical growth.

Growth is assumed to reach a long-term stable level slightly earlier than for profitability.

This pattern is also based on analyses of profitability performance by a large number of companies over a long period.

Definition of KPIs and information about valuation

Return on equity
This KPI is calculated by dividing profit/loss for the year by the average carrying amount of equity for the year. This KPI is a measure of the company's profitability.

EBIT margin
This KPI is calculated by dividing operating profit by net sales. This KPI shows the margin after all operating expenses.

About the valuation
This section describes the basis for the analysis and the valuation of the company in the report.

Basis
All estimates presented in the valuation report are based on the company's historical performance and expectations of inflation and interest rate changes over the next seven years (the 'value horizon'). Estimates of the company's future performance are primarily based on the client's own forecasts and, secondarily, on research results.

Mathematical estimates in the model
A mathematical model is used that includes a number of assumptions in the form of rules and links between different parameters related to the company's financial historical performance and other parameters for the sector in which the company operates.

The calculation model used for the valuation report is academically recognised and has been tested in lots of different sectors.

It should be noted in particular that the valuation report is only based on the company's historical performance, future forecasts made by the client and the sector in which the company operates. No separate assessments of the company's position or expected performance have been made in the valuation.

In addition, it is important to emphasise that the value of equity in the company is affected by changes in the company's operating activities that could take place during the period until the valuation horizon. This may include a buyer of the company having a plan at the date of acquisition to significantly change the company's focus or to integrate the company into the buyer's existing business. This could lead to the value of the company possibly deviating significantly from a situation in which the company continues as a standalone company.

The valuation is made using the assumption that the company will continue in its current form.

Limitation of liability
The valuation report has been compiled using information from sources that may be expected to be reliable. However, BisValue International AB cannot guarantee the reliability of the sources or the comprehensiveness or reliability of the valuation report. BisValue International AB accepts no liability for any direct or indirect losses of any kind that may be attributed to the use of this valuation report.

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