



# Check Your Company's Vitals

Introducing the  
**Diagnostic Valuation™**



# Diagnostic Valuation™

Understand the factors that  
influence your company's future

PCE's proprietary process tracks the performance of your business over time and compares it to a matrix of benchmark measures unique to your business and industry.

A Diagnostic Valuation™ of your company provides the information you need to confidently move forward with critical business decisions.



## Discovery

You gather and provide PCE a few financial reports about your business



## Analysis

Valuation models are created that incorporate both the numbers and story that drive your business' success



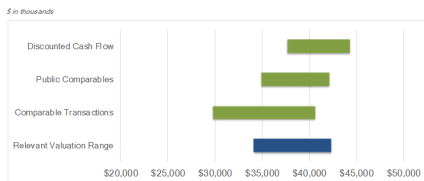
## Action

You feel confident making strategic decisions that keep you moving toward your goals

# Your custom report includes

- Value ranges for the total enterprise value of your business
- Key performance indicators (KPIs) and insights
- Comparison of your company with your peers
- Explanation of how your valuation was determined
- Budget and financial forecasting analysis
- Operational assessment and actionable checklist

## Valuation Ranges



Valuation Range / Implied Multiples

		\$34,099	\$36,148	\$38,196	\$40,245	\$42,293
FY 2017						
Revenue	\$	77,834	0.44x	0.46x	0.49x	0.52x
EBITDA	\$	7,512	4.54x	4.81x	5.08x	5.34x
FY 2018						
Revenue	\$	82,000	0.42x	0.44x	0.47x	0.49x
EBITDA	\$	8,974	3.80x	4.03x	4.26x	4.48x

- Total Enterprise Value (TEV) was used for Valuation purposes and excludes Cash
- Each method was weighted equally

PRESENTATION TO: XXXXX Inc.  
This report is expressly provided by PCE Advisory, LLC and is subject to the disclaimer contained herein.

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## Shareholder Value

Net shareholder value represents the equity value of the business as it includes the impact of debt and accounts for liquid assets (cash as well as net working capital).

	Low	High
Value Range	\$34,099	\$42,293
Plus: Cash	5,870	5,870
Less: Debt	(2,333)	(2,333)
Excess Net Working Capital (+/-)	9,277	9,277
<b>Net Shareholder Value</b>	<b>\$46,913</b>	<b>\$55,107</b>

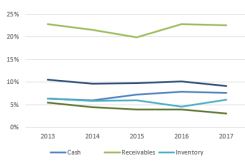
\$ in thousands

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## Growth Trends

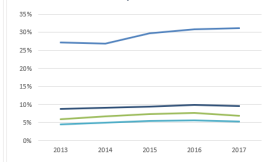
### Value Drivers as a % of Revenue



### Insights:

Key asset accounts: cash, receivables and inventory have grown consistently with revenue. Fixed assets are growing at a pace just below revenue.

### Overall Profitability Trends



### Insights:

The company experienced high levels of growth in the historic 5 year period. Gross profit margins have increased with revenue growth, while overall profitability has remained stable and saw a decline in 2017.

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## Working Capital Analysis

	2013	2014	2015	2016	2017
Current Assets (less cash)	19,236,582	21,401,619	21,160,163	22,662,927	23,987,335
Current Liabilities (less debt)	7,438,701	8,429,074	7,344,496	8,485,782	8,199,178
Net Working Capital (+/-)	11,777,881	12,972,545	13,823,667	14,177,145	15,788,157
LTM Revenue	\$ 60,615,283	\$ 68,897,224	\$ 72,021,273	\$ 75,972,855	\$ 77,834,078
<b>Net Working Capital to Sales</b>	<b>19.4%</b>	<b>18.8%</b>	<b>19.2%</b>	<b>18.7%</b>	<b>20.3%</b>
Median NWC to Sales	19.2%				
Industry Median NWC to Sales	7.3%				
<b>Excess Net Working Capital</b>					<b>\$ 9,277,234</b>

### What is it:

Net working capital is the difference between a company's current assets and current liabilities, net of cash & cash equivalents and short term debt. It measures liquidity and the ability to meet short-term obligations. Net working capital to sales measures how well working capital is managed and can indicate if a business company has enough working capital to support operational expenses and other short term liabilities. While business has its unique working capital needs, excess net working capital can indicate inefficient use of assets.

### What does it tell me about my company:

With the company's net working capital to sales ratio of 19.2% well above the peer group median of 7.3%, an excess net working capital of \$9.3 million is substantial. The drivers of excess working capital for the company are increases in inventory and receivables, with slower sales. The inability to sell inventory quickly or at all, lax collection policies, and faster than average payoff times to suppliers all contribute to the large excess. Excess net working capital can be reduced by writing off obsolete inventory, implementing stricter collection policies, and reviewing supplier discounts to ensure they are the best use of short term assets.

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## Comparison with Industry Ratios

Information about other companies in the same or similar industry can be useful in assessing the financial and operational health of a company. This information is generally identified using the Standard Industrial Classification (SIC) code for their industry.

	2017	2016	2015	2014	2013
Industry	2820	2820	2820	2820	2820
Ratio	Ratio	Ratio	Ratio	Ratio	Ratio
I. Liquidity Ratios					
Current	1.5	1.8	3.5	1.5	1.8
Acid-test (Quick)	1.2	1.5	2.8	1.2	1.5
II. Profitability Ratios					
Profit margin to total assets	11.7%	4.1%	18.9%	10.7%	4.0%
Profit margin to total equity	35.6%	10.6%	25.5%	33.6%	16.7%
III. Activity Ratios					
Age of receivables	70.0	86.0	81.2	70.0	86.0
Age of inventory	3.0	3.0	2.1	2.9	3.1
Age of payables	11.7	8.9	5.0	11.7	8.9
Age of inventory	49.0	8.0	31.6	49.0	8.0
Age of payables	37.8	26.3	10.9	37.8	26.3
IV. Leverage Ratios					
Total debt to equity	2.0	1.3	0.4	1.7	1.3
Times interest earned	27.3	2.8	93.6	19.7	2.7
V. Working Capital					
Working capital to sales	9.55%	11.40%	27.55%	8.55%	11.40%

Sources: (1) Company 10-K/10-Q/10-17, Company 10-K/10-Q/10-16, Company 10-K/10-Q/10-15, Company 10-K/10-Q/10-14, Company 10-K/10-Q/10-13, Company 10-K/10-Q/10-12, (2) 10-K/10-Q/10-11, 10-K/10-Q/10-10, 10-K/10-Q/10-09, 10-K/10-Q/10-08, 10-K/10-Q/10-07, 10-K/10-Q/10-06, 10-K/10-Q/10-05, 10-K/10-Q/10-04, 10-K/10-Q/10-03, 10-K/10-Q/10-02, 10-K/10-Q/10-01, 10-K/10-Q/10-00, 10-K/10-Q/10-99, 10-K/10-Q/10-98, 10-K/10-Q/10-97, 10-K/10-Q/10-96, 10-K/10-Q/10-95, 10-K/10-Q/10-94, 10-K/10-Q/10-93, 10-K/10-Q/10-92, 10-K/10-Q/10-91, 10-K/10-Q/10-90, 10-K/10-Q/10-89, 10-K/10-Q/10-88, 10-K/10-Q/10-87, 10-K/10-Q/10-86, 10-K/10-Q/10-85, 10-K/10-Q/10-84, 10-K/10-Q/10-83, 10-K/10-Q/10-82, 10-K/10-Q/10-81, 10-K/10-Q/10-80, 10-K/10-Q/10-79, 10-K/10-Q/10-78, 10-K/10-Q/10-77, 10-K/10-Q/10-76, 10-K/10-Q/10-75, 10-K/10-Q/10-74, 10-K/10-Q/10-73, 10-K/10-Q/10-72, 10-K/10-Q/10-71, 10-K/10-Q/10-70, 10-K/10-Q/10-69, 10-K/10-Q/10-68, 10-K/10-Q/10-67, 10-K/10-Q/10-66, 10-K/10-Q/10-65, 10-K/10-Q/10-64, 10-K/10-Q/10-63, 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