



Schiff Autoservices LLC

June 10, 2024

# Business Insights Report

We're here to help you understand, grow, and protect your most important asset. The insights in this report will help you make more informed decisions for your future.

---

**Prepared by:**

Mainstreet Advisory  
123 Main Street

# Summary

## Valuation estimates

### Estimated Current Valuation Range

**\$1.7m- \$2.4m**

Based on recent financials and operating practices

### Dream Valuation

**\$4.3m**

Valuation needed to accomplish your goals after exit

## Growth Opportunities & Risks

### Projected Revenue growth

**8%**

Typically 10 to 20% is an indicator of a thriving small-to-medium business.

### Risk Score

**Moderate**

Companies with low risk profiles are more marketable and more likely to sustain value over time.

### Growth opportunities

- Conduct Annual Contract Review
- Conduct Annual Cost Review
- Expand Recurring Renewing Revenue
- Explore Adjacent Products Or Services
- Prioritize Customer Retention
- Set Measure Key Performance Indicators

### Key Risks

- Owner Dependency Risk
- Retain Key Employees
- Supplier Diversity Risk
- Financial Practice Risk
- Customer Concentration Risk

## Beyond the Numbers

Recommended steps to make more informed decisions and prepare for life after your business.

### Implement a Buy-Sell Agreement

Ensure your transition is well defined and protective of the business and your personal financial interests.

Urgency:



### Evaluate your insurance coverage

Safeguard your most valuable asset to ensure your future is secure in the face of unforeseen risks.

Urgency:



### Review your Personal Estate Plan

Align your estate plans for a legacy that reflects the true worth of your achievements.

Urgency:

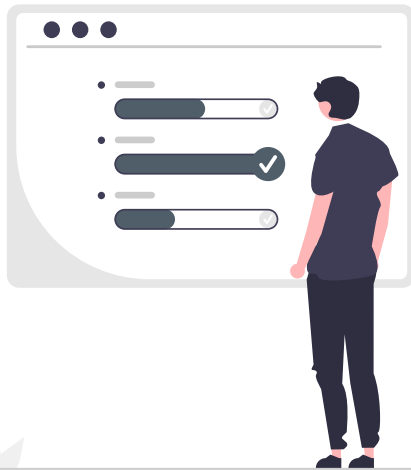


### Create a Succession & Exit Plan

Create a practical plan to minimize disruptions and ensure your transition aligns with your goals.

Urgency:





# Valuation Estimates, Opportunities, and Risks

A summary of the valuation, key growth opportunities, and risks factors of your business.

# Valuation Estimates

## Current Valuation

### Estimates

**Current Valuation  
Estimate****\$2,304,022**Current Valuation Range  
\$1,742,687 - \$2,403,081Annual Income after Exit  
\$106,500

### Key Factors

**Industry**  
**Automotive  
machine shops**

Comparable companies that have been sold or acquired in your industry were reviewed for reference. Adjustments were made to account for differences in company sizes to inform valuation estimates.

**Risk Profile**  
**Moderate**

The less risky a business is, the more marketable it is to potential acquirers or investors. See Risk Assessment for more details.

**Projected  
Sustainable  
EBITDA**  
**\$405,775**

An estimate of the cash profits your company may be able to sustainably generate in the future. Since EBITDA is a key metric used to determine value, small changes in EBITDA can have big impacts on your valuation.

## Dream Valuation

### Estimates

**Valuation Needed at Exit**  
**\$4,326,021**Annual Income after Exit  
**\$200,000**Legacy Funding  
**N/A**Planned Retirement Age  
**70**

### Key Considerations

**Tax Plan**

Estimates shown are based on average tax rates at exit. Work with a tax professional to create a personalized strategy to optimize the amount of cash you retain after exit.

**Estate & Legacy Plan**

Identifying and estimating your legacy goals with an advisor gives you a better idea of what your cash needs are after exit.

**Retirement Plan**

When you retire and your plans during retirement will inform how much annual income you need. Make your Dream Value estimate more informed by working on your retirement plan.

**Succession & Exit Plan**

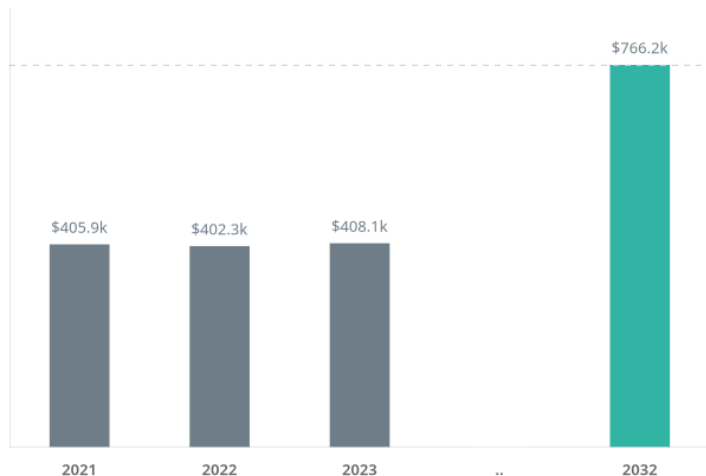
Create a practical plan with an advisor to minimize disruptions and ensure your transition aligns with your goals.

Current and Dream Valuation Estimates are based in-part on general benchmarks and should be reviewed with professional financial advisors to account for nuances in your situation. These estimates should not be considered a certified valuation and are not intended to provide the fair market value for purposes of selling a business. Estimates should only be used as reference insights for planning purposes with a professional advisor.

# Growth Opportunities

Exploring new revenue opportunities, increasing customer retention, and making operations more cost-effective through vendor renegotiations or internal workflows can help you optimize your growth and profitability.

## EBITDA: Historic v. Dream



EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization estimates the cash profits generated by your company's operations.

Annual EBITDA Needed to Reach Dream Valuation  
**\$766,188**

Years to Dream Valuation  
**8years**

Based on your Projected Annual Revenue Growth and Average Operating Margin

Average Annual Revenue Growth  
**0.7%**

Projected Annual Revenue Growth  
**8.0%**

Average Annual EBITDA Growth  
**0.3%**

Average Operating Margin  
**16.1%**

## Revenue Expansion Best Practices

### Expand recurring / renewing revenue streams

Investing in strategies that encourage repeat business not only fuels steady growth but also acts as a safety net, reducing the impact of market fluctuations on your business.

### Explore adjacent products or services

Diversifying your offerings expands revenue streams and strengthens EBITDA resilience in the long-term.

### Prioritize customer retention

A loyal customer base not only bolsters profits but also enhances your business's sustainable EBITDA.

## Cost Management Best Practices

### Conduct an annual cost review

Conducting an annual cost review is a prudent practice to identify areas for potential savings to your bottom line and uncover ways to optimize your business operations.

### Conduct an annual review of all contracts

Reviewing your contracts with customers, vendors, suppliers, and partners to make sure they still match your current business goals and identify areas to improve your profitability.

### Set and measure Key Performance Indicators (KPIs)

Formally defining the critical numbers that measure your success helps you measure performance on a daily, weekly, and monthly basis and provides a backbone for informed decision-making.

# Risk Assessment

Identifying and mitigating key risks is critical to ensure your company is around for a long time. Finding ways to mitigate the risks your business faces will ensure you're prepared for the future.

## Score

**Owner Dependency Risk**

**High**

**Retain Key Employees**

**High**

**Supplier Diversity Risk**

**Moderate**

**Financial Practice Risk**

**Moderate**

**Customer Concentration Risk**

**Moderate**

**Liquidity Risk**

**Low**

**Leverage Risk**

**Low**

## Recommended Mitigation Practices

**Delegate strategically, build process, and empower your team.**

It is likely that your profitability declines if you leave the business today. Delegating key responsibilities, documenting processes, and empowering your team to take ownership of key functions fosters a more sustainable and marketable business.

**Retain key employees and protect against losing them**

Employees are the lifeblood of your company. Consider revisiting your Employee Benefits Plan or exploring Key Person Insurance.

**Review your supplier relationships routinely**

Your business has a diversified supplier base, however, there could be risk of relying too much on your top vendor. Its recommended you review your supplier relationships routinely to enhance stability and fortify your business against potential disruptions.

**Partner with a CPA to maintain your financial records.**

Working with accounting professionals to maintain disciplined financial record keeping not only ensures regulatory compliance but also enhances the marketability of your company, positioning you for success in the eyes of potential buyers or investors.

**Expand and diversify your customer base.**

Relying heavily on a few customers for the majority of revenue increases business vulnerability. Diversify your customer base to enhance stability, mitigate risks, and fortify your business against potential fluctuations.

**Your short-term liquidity is strong**

The assets you have that can be quickly converted to cash are meaningfully greater than the liabilities you have due in the next year. Consider leveraging this solid foundation to explore strategic investments, optimize working capital, and fortify your financial position.

**Your debt-to-FMV of equity is 0.54**

A debt-to-FMV of equity ratio between 1 and 2 is considered healthy for small businesses. This may vary significantly based on industry, business goals, and risk tolerance. on industry, business goals, and risk tolerance.



# Beyond the Numbers

How to use these insights to protect your business and prepare for life after you exit.

# Protect your value with a buy-sell arrangement

Estimated Value at Risk Today

**\$2,304,022**

You have worked hard to make your business what it is today. Without a buy-sell arrangement, the value of your business is at risk in the event of retirement, death, or long-term disability.

## How it Works

**Buy-sell agreements stipulate how ownership is transferred** in the case of owner death, long-term disability, or exit.

Since ownership transfers can require large amounts of cash, **buy-sell agreements are typically backed by life insurance policies.**

Insuring your buy-sell arrangement increases the chances you or a loved one receives the potential value of your ownership in the event of retirement, death, or long-term disability.

 Work with an advisor to determine what buy-sell arrangement is right for you.

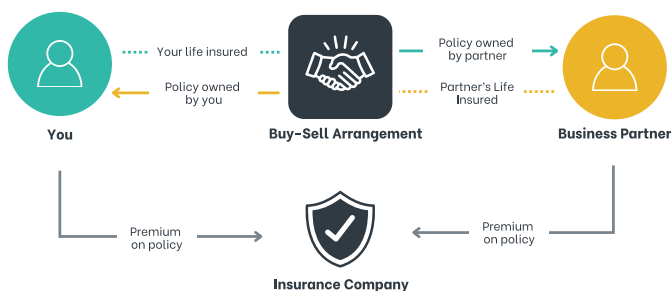
### Benefits for you, your family, and your business

- Your exit from the business is well defined and insured
- Guarantees your loved ones a buyer for an asset that may not be right for them to manage in the event of your death
- May open opportunities to optimize estate taxes
- Protects the longevity and continuity of the business after death or exit

## Example Buy-Sell Arrangement Structures

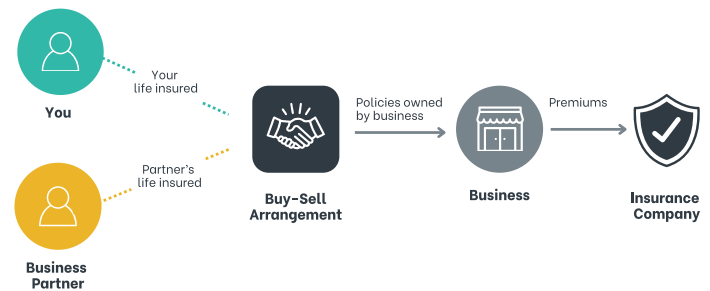
### Cross-purchase plans

Each owner purchases a life insurance policy on the other owner(s) to fund the buy-sell arrangement.



### Entity redemption plans

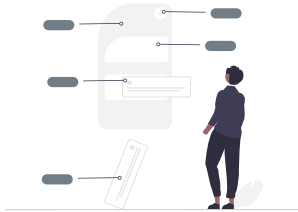
Business buys separate life insurance contracts on the owners, pays the premiums, and is the beneficiary.





# Safeguard your most valuable asset

## Secure business continuity against risk to you or your key employees



In the event you or one of your key employees is disabled or no longer able to work, you will want to ensure the overhead of the business is covered.

**Business Overhead Expense Insurance** covers the ongoing operating expenses of the business during the disability period, ensuring that the business can continue to function and meet its financial obligations.

Annual Operating Expenses at Risk:  
**\$172,954**

## Retain key employees and protect against losing them.



Employees are the lifeblood of your company. Consider revisiting your **Employee Benefits Plan** or exploring **Key Person Insurance**.

Key Employee Dependency Risk:  
**High**

## Plan your capital and liquidity needs



Make sure you have access to the right capital resources when needed to ensure smoother operations, mitigate risks, and seize new growth opportunities with confidence.

Work with an advisor to create a **Capital & Liquidity Plan**.

Liquidity Risk:  
**Low**

Ratio of Current Assets to Current Liabilities:  
**2.8**



# Let's work on your future, together.

With new insight into your business's value, growth opportunities, and risks it's time to get ready for what's next.

Schedule time with your advisor to see how they can help with these recommended next steps.

## For Your Business:

- Insurance Coverage Evaluation
- Employee Benefits Evaluation
- Capital & Liquidity Planning

## For Your Future:

- Estate & Legacy Planning
- Succession & Exit Planning
- Retirement Planning

# Appendix

A record of the financial data, business information, and dream valuation goals used to generate this report.

# Financial Data

The financial data provided to inform valuation estimates and insights.

	2023	2022	2021
<b>Revenue</b>	\$2,536,804	\$2,531,544.49	\$2,502,819
<b>Cost of Goods Sold</b>	\$1,942,418.8	\$1,940,669.6	\$1,923,970.4
<b>Operating Expenses</b>	\$176,246.33	\$178,356.93	\$172,954.3
<b>Non-Operating Expenses</b>	\$10,070.76	\$10,243.81	\$0
<b>Interest Expense</b>	\$5,124	\$5,018.09	\$4,978.35
<b>Depreciation</b>	\$21,012.32	\$20,089.7	\$19,262.36
<b>Amortization</b>	\$11,043.35	\$9,461.78	\$10,289.22
<b>Net Income</b>	\$370,889.34	\$367,704.58	\$371,364.37
<b>Owner's Compensation</b>	\$0	\$0	\$0
The amount of compensation paid to the current owners of the company each year			
<b>Profit Sharing Expenses</b>	\$0	\$0	\$0
Includes 401(k) contributions, profit sharing, or retirement payments to the owner			
<b>Other Discretionary Expenses</b>	\$0	\$0	\$0
Any other owner's expenses that otherwise wouldn't occur under different management			

## Projected Sustainable EBITDA

Projected Sustainable EBITDA is an estimated forecast of the cash profits of your company each year in the future.

\$405,774.94

# Financial Data (cont'd)

The financial data provided to inform valuation estimates and insights.

---

Assets	2023
Cash & Cash Equivalents	\$857,814
Accounts Receivable	\$596,571
Other Current Assets	\$254,798
Fixed Assets & Land	\$0
Other Long-term Assets	\$0
This includes Inventory and Other Long-term Assets	

---

Liabilities	2023
Accounts Payable	\$24,868
Credit Cards & Short-term Debt	\$22,837
Other Current Liabilities	\$571,217
Other Long-Term Debt	\$618,922

# Business Information

The business information provided to inform valuation estimates and insights.

---

**Business entity structure**

Used to estimate taxes

Limited Liability Company  
(LLC)

**Industry**

Historic exit transactions for companies of comparable industry and size are reviewed when estimating valuation

Automotive machine shops

**Customer count**

Informs customer concentration risk assessment

100+

**Percentage of revenue from top 2 customers**

Informs customer concentration risk assessment

26% - 35%

**Revenue Breakdown**

Informs quality of revenue streams and stability assessments

Recurring: 10%, Renewing: 0%,  
One-time: 90%

**Percent of revenue relying on any one vendor**

Informs vendor dependency risk assessment

60%

**Projected revenue growth within the next year**

Informs the potential for significant short-term changes in valuation

8%

**Financial record manager**

Informs financial practice risk assessment

Bookkeeper

**Likelihood of negative impact on revenue and/or profitability upon owner departure**

Informs owner dependency risk assessment

Likely

**Likelihood of negative impact on revenue and/or profitability upon key employee(s) departure**

Informs key employee dependency risk assessment

Likely

**Insurances**

Informs risk mitigation recommendations

Business Overhead Expense  
(BOE) Insurance, General  
Liability

# Dream Value Goals

Your dream valuation is the amount your business needs to be worth at exit to achieve the personal financial goals you shared below.

---

<b>Ideal Exit</b>	Sell, Transition
<b>Capital needed to achieve financial goals after exit</b>	\$0
<b>Annual income requirement for retirement</b>	\$200,000
<b>Current retirement savings</b>	\$0
<b>Age at Retirement</b>	70
<b>Percent of company ownership</b>	100%

---

## Legacy plan considerations

<b>Philanthropy</b>	\$0
<b>Weddings</b>	\$0
<b>Kids/Grandkids education</b>	\$0
<b>Other</b>	\$0

# Disclaimers

CLIENT ACKNOWLEDGES THAT RISR IS NOT A BUSINESS BROKER OR FINANCIAL ADVISOR AND THAT THE VALUATIONS AND OTHER REPORTS GENERATED BY THE SERVICES ARE NECESSARILY SUBJECTIVE IN NATURE. THE INFORMATION PROVIDED BY RISR, INCLUDING ANY REPORTS OR DELIVERABLES, DO NOT CONSTITUTE A CERTIFIED VALUATION REPORT. CLIENT ACKNOWLEDGES THAT THE QUALITY AND ACCURACY OF THE CLIENT MATERIALS WILL IMPACT THE ACCURACY OF ANY VALUATIONS PERFORMED BY RISR AND CLIENT HEREBY RELEASES RISR FROM ALL LIABILITY ASSOCIATED WITH, AND WILL HOLD RISR HARMLESS FROM ANY CLAIMS RESULTING FROM, THE CLIENT MATERIALS AND ANY INACCURACIES CONTAINED THEREIN.