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# **Sageworks Valuation Solution.**

Reduce risk and save time when performing compliant valuations

# Setting Up a Company: Company Information

## Key components of setting up a company:

- Organization Type: Toggling the organization type will alter the headers on the owner information table.
- Industry Code: Pulls from a shared database (with ProfitCents) of industry NAICS codes.

### Company Information

Supply the information below for the company.

Company Name:

Address:

City:

State/Province:

NC

Postal Code:

Year Started:

Organization Type:

C Corporation

Industry Code:

Enter a keyword or a NAICS code [List](#)

Phone Number:

Description of Business:

Primary Contact Name:

Primary Contact Email:

Owner Information

First Name	Last Name	Voting Common Shares Owned	Voting Common Shares (%)	Non-Voting Common Shares Owned	Non-Voting Common Shares (%)	Preferred Shares Owned	Preferred Shares (%)	Comments
		0	0.00%	0	0.00%	0	0.00%	

+ Add a New Owner

# Setting Up a Company: Scope of Engagement

## Key component: Method of Valuation

- **Enterprise (MVIC) Valuation**
  - Valuing the entire company, equity and debt
  - For the income approaches, it uses EBIT as an earnings stream to calculate unlevered cash flows.
  - Unlevered Cash Flow means cash is not included in working capital.
- **Equity Valuation**
  - Equity valuation only
  - For the income approaches, it uses Net Income as an earnings stream to calculate Levered Cash Flows.
  - Levered Cash Flows means cash is included in working capital.

## Scope of Engagement

1. Company Information    2. Valuation Information

Please supply the information below for the company you wish to value and click **Save and Continue** to proceed.

Valuation Date:	02/04/2015
Engagement Type:	Valuation
Ownership Interest:	Controlling
Method of Valuation:	Enterprise Value (MVIC)
Purpose and Intended Use of Valuation:	
Standard of Value:	Fair Market Value
Premise of Value:	Going-Concern
Number of Shares or Units Outstanding (if applicable):	
Number of Shares or Units Outstanding (Fully Diluted) (if applicable):	
Number of Shares or Units Being Valued (if applicable):	

**Save and Continue**

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# Integration

- ProfitCents by Sageworks and Sageworks Valuation Solution integrate seamlessly with one another, enabling data to have import be ported across solutions.
- Refer to ProfitCents documentation for information on integrating with other general ledger software.

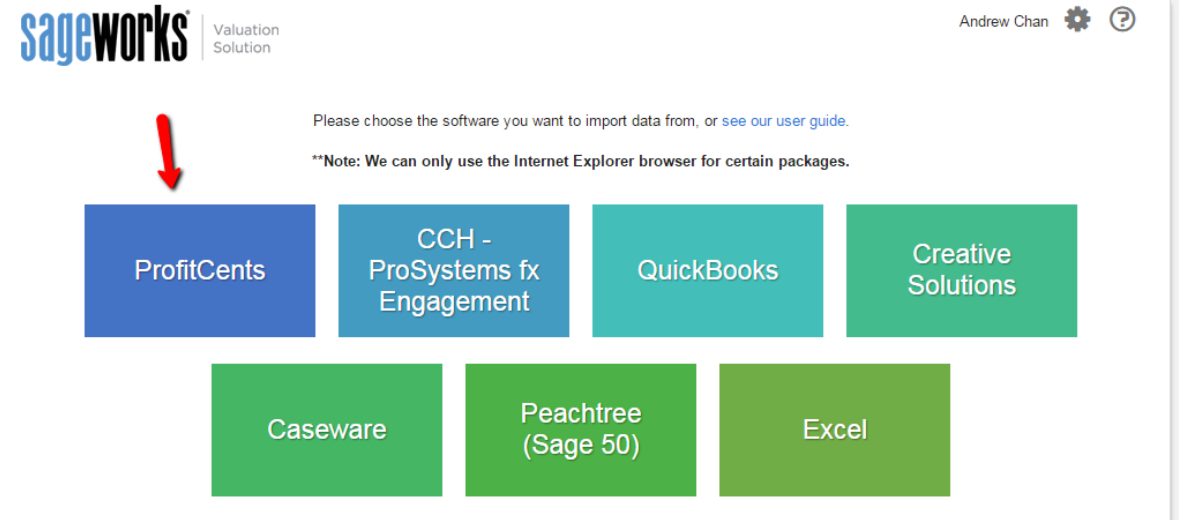
Navigation: Financial Information > Enter Financials > Integrator

# Data Transfer: ProfitCents to Valuation

## Able to import data from ProfitCents into Valuation

- Companies created in Valuation will also appear in ProfitCents

Navigation: Financial Information > Enter Financials > Integrator > ProfitCents > Select Periods > Import Periods



# Data Transfer: Valuation to ProfitCents

## Able to import data from Valuation into ProfitCents

- Companies created in ProfitCents will also appear in Valuation






Navigation in ProfitCents: Add/Edit Financials  
> Recent Companies (select desired company) >  
Import Valuation Data

### Pick Data

[Home](#) > [Companies](#) > [Pick Data](#)

Choose a set of periods from a row below that you want to work with.

[Import Valuation Data](#) 

Duration	Period	Description	
12 months	<input checked="" type="checkbox"/> 12/31/2013	Valuation data from 01/28/2015	<a href="#">Edit</a> 
	<input checked="" type="checkbox"/> 12/31/2012	Valuation data from 01/28/2015	<a href="#">Edit</a> 
	<input checked="" type="checkbox"/> 12/31/2011	Valuation data from 01/28/2015	<a href="#">Edit</a> 
	<input type="checkbox"/> 12/31/2010	Valuation data from 01/28/2015	<a href="#">Edit</a> 
	<input type="checkbox"/> 12/31/2009	Valuation data from 01/28/2015	<a href="#">Edit</a> 

[Continue](#)

[Add Period\(s\)](#)

# Entering Financials: Basics

- Add/Delete Periods using the plus and minus signs in column headers
- Adjust Period Durations/End Dates
  - Note: If the period durations and end dates do not align, the most recent period will not show in the Statement of Cash Flow.
- Add sub-accounts to the historical financials by clicking the plus sign
  - These will flow into the adjusted financials as sub-accounts.
  - Click the “x” to remove a sub-account. This will remove entries across all years.

## Financial Statements

	1. Income Statement	2. Balance Sheet	3. Statement of RE	4. Statement of Cash Flow	The Integrator
	+	-	-	-	+
	Prior 4	Prior 3	Prior 2	Prior 1	Current Period
Period Duration:	Twelve Months	Twelve Months	Twelve Months	Twelve Months	Twelve Months
Period End Date:	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
Sales (Income):	\$ 15,252,622	\$ 15,089,460	\$ 14,790,021	\$ 14,001,104	\$ 13,160,282
⊗ Prescriptions	\$ 14,020,048	\$ 13,788,991	\$ 13,511,287	\$ 12,772,037	\$ 12,061,304
⊗ Over-the-Counter	\$ 420,862	\$ 383,561	\$ 390,406	\$ 375,983	\$ 351,280
⊗ Equipment Rental	\$ 758,449	\$ 817,439	\$ 809,457	\$ 768,377	\$ 651,697
⊗ Other	\$ 53,263	\$ 99,469	\$ 78,871	\$ 84,707	\$ 96,001

# Entering Financials: Partial Periods and Annualization

- Able to input partial periods of data, but you must annualize the data
  - For the underlying annualization calculation, see the Annualization Documentation in the solution's FAQ.
  - To annualize, enter partial period duration and period end date and press Save. An Annualize link will appear under Current Period.
  - Click Annualize, and a new column will appear designating projected performance for the rest of the partial period year.
  - If you make changes to the Current Period column, click the Recalculate so the program takes into account the adjustments.
  - Once data has been annualized, apply seasonality (next slide) if applicable.

Period Duration:

Prior 4	Prior 3	Prior 2	Prior 1	Current Period
Twelve Months	Twelve Months	Twelve Months	Twelve Months	Six Months

[Annualize](#)

1. Income Statement 2. Balance Sheet 3. Statement of RE 4. Statement of Cash Flow The Integrator

Period Duration:

Prior 4	Prior 3	Prior 2	Prior 1	Current Period	Calculated
Twelve Months	Twelve Months	Twelve Months	Twelve Months	Six Months	

[Recalculate](#) [Do not Annualize](#) [+ Seasonality](#)



# Entering Financials: Seasonality

- Seasonality is applied to companies with inconsistent cash flow in a year (e.g., Ski Resort).
- To calculate seasonality, click the Seasonality link. This will add a partial period for the previous year.
- After entering the previous year's partial period financials, the program proportionally applies the prior year's cash flow to the current year.
- Example: if the company makes 4/5 of its annual revenue in the first six months of the year, we will assume that 1/5 is made in the last six months. For the current period, we assume that the current partial year's balance represent 4/5 of the company's annual revenue. The program then solves for the remaining 1/5 of the revenue and adds it to the partial period's financials.*
- If changes are made to the current period data or annualized data, click Recalculate to refresh values.

	Prior 4	Prior 3	Prior 2	Prior Partial	Prior 1	Current Period	Calculated
Period Duration:	Twelve Months	Twelve Months	Twelve Months	Six Months	Twelve Months	Six Months	Recalculate
						Do not Annualize	Remove Seasonality
Period End Date:	12/31/2009	12/31/2010	12/31/2011	06/30/2012	12/31/2012	06/30/2013	12/31/2013
Sales (Income):	\$ 15,252,622	\$ 15,089,460	\$ 14,790,021	\$ 0	\$ 14,001,104	\$ 13,160,282	\$ 13,160,282
Cost of Sales (COGS):	\$ 10,981,142	\$ 10,870,080	\$ 10,738,412	\$ 0	\$ 10,031,086	\$ 9,888,150	\$ 9,888,150
<b>Gross Profit:</b>	\$ 4,271,480	\$ 4,219,380	\$ 4,051,609	\$ 0	\$ 3,970,018	\$ 3,272,132	\$ 3,272,132
Depreciation:	\$ 114,688	\$ 17,122	\$ 73,391	\$ 0	\$ 37,610	\$ 27,090	\$ 27,090
Amortization:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Overhead or S,G, & A Expenses:	\$ 2,700,530	\$ 2,734,772	\$ 2,763,965	\$ 0	\$ 2,783,560	\$ 3,105,870	\$ 3,105,870
Other Operating Income:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Operating Expenses:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Operating Profit:</b>	\$ 1,456,262	\$ 1,467,486	\$ 1,214,253	\$ 0	\$ 1,148,848	\$ 139,172	\$ 139,172
Interest Expense:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Income:	\$ 614	\$ 1,687	\$ -11,705	\$ 0	\$ 53,869	\$ 46,023	\$ 46,023
Other Expenses:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Net Profit Before Taxes:</b>	\$ 1,456,876	\$ 1,469,173	\$ 1,202,548	\$ 0	\$ 1,202,717	\$ 185,195	\$ 185,195
Taxes Paid:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Extraordinary Gain:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Extraordinary Loss:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Net Income:</b>	\$ 1,456,876	\$ 1,469,173	\$ 1,202,548	\$ 0	\$ 1,202,717	\$ 185,195	\$ 185,195

# Adjusting Financials

- The adjusted financials copy over from the historical financials
  - Make adjustments directly into the cell.
  - The cell will highlight orange if the value differs from the historical value.
  - To check the historical value, click into the cell and a clock will appear.
  - Note that any comments made next to accounts or in the main comment box (below table) will automatically flow through to the report.

## 1. Income Statement Adjustments

## 2. Balance Sheet Adjustments

## 3. Statement of RE Adjustments

## 4. Sta

	Prior 4	Prior 3	Prior 2	Prior 1	Current Period
Period Duration:	Twelve Months ▼	Twelve Months ▼	Twelve Months ▼	Twelve Months ▼	Twelve Months ▼
Period End Date:	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
Sales (Income): ▶	\$ 15,000,000	\$ 15,089,460	\$ 14,790,021	\$ 14,001,104	\$ 13,160,282
Cost of Sales (COGS): ▶	\$ 10,981,142	\$ 10,870,080	\$ 10,738,412	\$ 10,031,086	\$ 9,888,150

## 1. Income Statement Adjustments

## 2. Balance Sheet Adjustments

## 3. Statement of RE Adjustments

## 4. Stal

	Prior 4	Prior 3	Prior 2	Prior 1	Current Period
Period Duration:	Twelve Months ▼	Twelve Months ▼	Twelve Months ▼	Twelve Months ▼	Twelve Months ▼
Period End Date:	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
Sales (Income): ▶	\$ 15,000,000	\$ 15,089,460	\$ 14,790,021	\$ 14,001,104	\$ 13,160,282
Cost of Sales (COGS): ▶	\$ 10,981,142	\$ 10,870,080	\$ 10,738,412	\$ 10,031,086	\$ 9,888,150

## 1. Income Statement Adjustments

## 2. Balance Sheet Adjustments

## 3. Statement of RE Adjustments

## 4. St

	Prior 4	Prior 3	Prior 2	Prior 1	Current Period
Period Duration:	Twelve Months ▼	Twelve Months ▼	Twelve Months ▼	Twelve Months ▼	Twelve Months ▼
Period End Date:	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
Sales (Income): ▶	\$ 15,000,000	\$ 15,089,460	\$ 14,790,021	\$ 14,001,104	\$ 13,160,282

## 1. Income Statement Adjustments

## 2. Balance Sheet Adjustments

## 3. Statement of RE Adjustments

## 4. Statement of Cash Flow

	Prior 4	Prior 3	Prior 2	Prior 1	Current Period	Comments
Period Duration:	Twelve Months ▼	Twelve Months ▼	Twelve Months ▼	Twelve Months ▼	Twelve Months ▼	
Period End Date:	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	
Sales (Income): ▶	\$ 15,000,000	\$ 15,089,460	\$ 14,790,021	\$ 14,001,104	\$ 13,160,282	
Cost of Sales (COGS): ▶	\$ 10,981,142	\$ 10,870,080	\$ 10,738,412	\$ 10,031,086	\$ 9,888,150	

# Financial Analysis: Overview

- Once data is input, SVS calculates a wide range of performance ratios
  - For the underlying calculations, users can print out/download the formula key.
  - The whitepaper describes how we clean/process data in our database.
  - The bracket shows the number of financials including in each average.
  - The Data Settings button allows users to toggle which type of information is shown on the company.
  - The ratios can be exported to Excel.

## Financial Analysis

1. Financial Ratios

2. Common Size

Industry: 23611- Residential Building Construction

Geographic Filter: All Areas

Data Source: Private Company Data

Sales Range: All Sales Ranges

About Sageworks Data

Data Settings

Formula Key

Ratio Type	Ratio	12/31/2011	Sageworks Data 12/31/2011 (4337)	12/31/2012	Sageworks Data 12/31/2012 (3962)	12/31/2013	Sageworks Data 12/31/2013 (2868)
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1. Financial Ratios

2. Common Size

Industry: 23611- Residential Building Construction

Geographic Filter: All Areas

Data Source: Private Company Data

Sales Range: All Sales Ranges

About Sageworks Data

Data Settings

Company Data

Industry Data

Which set of financials do you want to use?

What years of Sageworks Data do you want to view?

Do you want to view variance?

Historic Financials

All Years

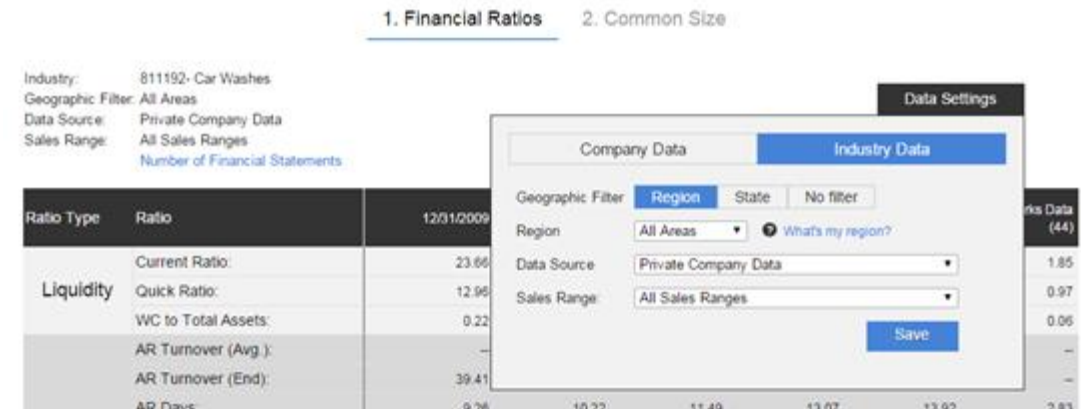
No

Ratio Type	Ratio	12/31/2011					
Liquidity	Current Ratio:	41.09					
	Quick Ratio:	29.70					
	WC to Total Assets:	0.57	0.22	0.63	0.24	0.69	0.24

# Financial Analysis: Sagemworks Industry Data

- The Sagemworks Database offers real-time industry data aggregated from our ProfitCents and Sagemworks Credit Analysis users through our cooperative data model.
- When customers run reports, we anonymize, aggregate and store data.
- We do not share any company-identifiable information from the specific companies entered in the database; only aggregated and anonymous industry-level data is reported.
- Our clients run 1,000+ reports daily, which are incorporated into the database averages.

## Financial Analysis



# Document Manager

- Helps analysts keep track of requested and received documents
  - Automatically print a list of requested or received documents by clicking the links above the table.
  - Toggle document type in Document column.
  - Mark as Requested or Received.
  - Upload a document by clicking the image of a page with an up arrow.
  - Delete a document by clicking the trash can.
  - Documents can be accessed from anywhere, using an internet connection and an SVS login.
  - SVS acts as a storage facility for documents used before, during and after an engagement, enabling collaboration and remote workplace functionality.

## Document Manager

Track document requests sent to the client you are working with. To receive documents, click on the drop-down beside the document type and mark as "Received". To upload documents, click on the icon beside the document you would like to upload and / or view an uploaded document, click on the icon beside the document you are working with.

Print list of [outstanding](#) or [received](#) documents.

Document	12/31/2011		12/31/2012		Current Period 12/31/2013		
Income Statement	Requested		Received		Requested		
Balance Sheet	Set Status		Set Status		Set Status		
Statement of Cash Flows	Set Status		Set Status		Set Status		
Statements of Stockholder's Equity	Set Status		Set Status		Set Status		
Federal Tax Return	Set Status		Set Status		Set Status		
State Tax Return	Set Status		Set Status		Set Status		
Aged Accounts Receivable Summary	Set Status		Set Status		Set Status		
Aged Accounts Payable	Set Status		Set Status		Set Status		
Top 10 Customer List	Set Status		Set Status		Set Status		
Top 10 Supplier List	Set Status		Set Status		Set Status		

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# Income Approach

- Discount Rate
- Discounted Future Benefits
- Capitalization of Benefits
- Capitalization of Excess Earnings

# Calculating a Discount Rate

- There are three primary methods for calculating the discount rate:
  1. CAPM
  2. Build-Up (most popular)
  3. Duff & Phelps
- Setting Cost of Debt, Target Capital Structure and Calculating a Discount Rate steps do not apply when conducting an equity valuation.

## ① Step 1: Choose Method(s) for Calculating the Cost of Equity

Method	Cost of Equity	Comments
CAPM:	16.25%	
Build-Up:	30.00%	
Duff & Phelps:	13.97%	

## ② Step 2: Set the Cost of Debt

	Comments
Interest Rate:	0%
Tax Rate:	0%
After-tax Cost of Debt:	0%

## ③ Step 3: Determine the Target Capital Structure

	Debt :	Equity:	Comments
	0%	100.00%	

## ④ Step 4: Choose Method(s) for Calculating the Discount Rate

Method	Discount Rate	Weighting	Weighted Average	Comments
CAPM:	16.25%	75.00%	12.19%	
Build-Up:	30.00%	25.00%	7.50%	
Duff & Phelps:	13.97%	0%	0%	



# Data Feed: US Treasury Bill/Note Yields

- In the Discount Rate section, we pull the most up-to-date treasury bill/note yield

Navigation: Valuation Methods > Income Approach > Discount Rate

- Most people use the 20-yr bond as a proxy for the risk-free rate

## ① Step 1: Choose Method(s) for Calculating the Cost of Equity

Method	Cost of Equity	Comments
CAPM:	0%	
Build-Up:	0.00%	
Duff & Phelps:	0%	

## Capital Asset Pricing Model

Please use the following cells to input the variables needed to calculate the cost of Equity using the Capital Asset Pricing Model method. In order to calculate a Beta for the Subject Company, you may use the **Beta Adjustment** button to convert a proxy beta to beta reflective of the Subject Company.

$$\text{CAPM} : E(R_i) = R_f + (ERP)\beta + RP_s + RP_u$$

		Find historical risk free rate	Comments
Risk-Free Rate ( $R_f$ ) :	0%	Other	
Equity Risk Premium (ERP) :	0%		
Beta ( $\beta$ ) :	0	Beta Adjustment	
Size Premium ( $RP_s$ ) :	0%		
Company Specific Risk Premium ( $RP_u$ ) :	0%		
Required Return on Security ( $E(R_i)$ ) :	0%		



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# Discount Future Benefits (DFB) Projection

## **Mathematical Formulas:**

- Ultimate goal is to conduct a discounted cash flow valuation
- The sum of all present values of future cash flows given a selected duration (see equation at right).

Navigation: Income Approach > Discounted Future Benefits > Click Download

- Note: A discount rate and terminal growth rate must be determined to proceed to this portion of the solution.

### DCF Formula:

$$DCF = \frac{CF_1}{(1+r)^1} + \frac{CF_2}{(1+r)^2} + \dots + \frac{CF_n}{(1+r)^n}$$

CF = Cash Flow

r = discount rate (WACC)

### Terminal Value Formula :

$$\frac{CF_{t+n}(1+g)}{k-g}$$

Where,

$CF_{t+n}$  = Cash flow in final projected period

$g$  = Terminal growth rate

$k$  = Cost of Capital (i.e. discount rate)

### Present Value Formula :

$$PV = \frac{CF_t}{(k+1)^n}$$

Where,

PV = Present value

$CF_t$  = Cash flow for the subject period

$k$  = Cost of capital (i.e. discount rate)

$n$  = Present value factor (mid-year/end of year)

# Projection Type

- In the Projection Type tab, users can adjust how many years of projected data will show
  - Ranges from a 5-10 year projection.
  - By default, the program applies the Holt-Winters Smoothing Equation to the projected period data.

Projection Control Panel

Projection Type | Projection Dials | Account Projections | Formatting | Log A Purchase

How long will the projection be?

5 Years

Update

Projected				
12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
3.00%	4.00%	3.50%	4.00%	5.00%
\$28,000,000	\$29,120,000	\$30,139,200	\$31,344,768	\$32,912,006
95.00%	91.65%	91.65%	91.65%	91.65%
\$26,600,000	\$26,688,271	\$27,622,360	\$28,727,255	\$30,163,617
1.60%	2.67%	2.67%	2.67%	2.67%
\$447,499	\$777,284	\$804,489	\$836,668	\$878,502
2.97%	4.95%	4.95%	4.95%	4.95%
\$830,204	\$1,442,022	\$1,492,493	\$1,552,193	\$1,629,802
0.44%	0.73%	0.73%	0.73%	0.73%
\$122,297	\$212,423	\$219,858	\$228,652	\$240,085
74.17%	74.17%	74.17%	74.17%	74.17%
\$20,767,600	\$21,598,304	\$22,354,245	\$23,248,414	\$24,410,835
102.57%	102.57%	102.57%	102.57%	102.57%
\$21,300,690	\$22,152,718	\$22,928,063	\$23,845,185	\$25,037,444
-2.57%	-2.57%	-2.57%	-2.57%	-2.57%
(\$533,088)	(\$554,412)	(\$573,818)	(\$596,769)	(\$626,609)
25.83%	25.83%	25.83%	25.83%	25.83%

# Projection Dials

- Use the dials or type directly into the cells to adjust projection values
- Income Statement and Balance Sheet items will adjust accordingly.
- The industry average to the right is pulled from the Sageworks Database for benchmarking.

The screenshot shows the 'Projection Control Panel' with the 'Projection Dials' tab selected. It displays a list of financial metrics, each with a slider dial and a text input field for manual entry. To the right of each metric is the 'Industry Averages' column. At the bottom are 'Start Over' and 'Save to Valuation' buttons.

Metric	Current Value	Unit	Industry Average
Sales Growth (Annual)	5.49	%	9.75%
Gross Profit Margin	36.11	%	44.21%
Gross Profit	3,309,041	\$	
Overhead Growth (Annual)	1.74	%	
Net Profit Before Taxes	472,672	\$	
Accounts Receivable Days	31	days	47.83 days
Accounts Payable Days	41.6	days	42.46 days
Inventory Days	83.8	days	64.92 days

Navigation: Projection Controls > Projection Dials (tab)

# Projection: Account Projection

- On the left-hand side of the projection Excel sheet, you'll see the letters "P" and "F"
- P = Percentage. The Excel sheet defaults to the Holt-Winters Smoothing Equation and applies it to projected periods.
- F = Fixed. The projection Excel sheet will not project growth/decline into the projected period for this item.

PFV

P

P

P

P

P

P

P

P

--

The screenshot shows a window titled "Projection Control Panel" with a close button in the top right corner. Below the title bar are five tabs: "Projection Type", "Projection Dials", "Account Projections", "Formatting", and "Log A Purchase". The "Account Projections" tab is currently selected. The main content area contains the following text: "Using the options below, you can adjust the way we project certain accounts. Begin by selecting an account from the first drop-down. Next, you can select the projection method you wish to be used on the selected account. The explanation area below will describe exactly what your choice will mean. Your projection will update immediately with your selection."

Below this text are two sections:

- 1) Select Account:** A dropdown menu showing "Sales (Income)".
- 2) Select Method:** A dropdown menu with "Projected" selected and "Fixed" as an option.

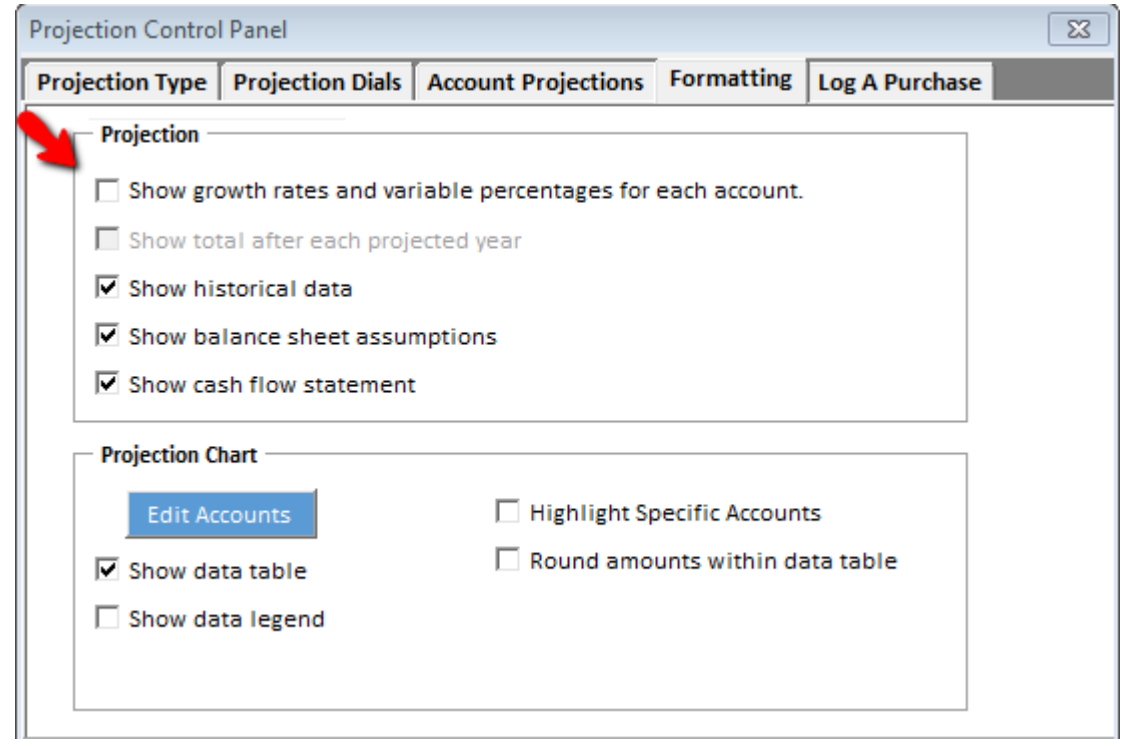
Below the dropdowns is an "Explanation" section with the following text: "For Sales (Income), the projected values will be calculated by a Regression (Holt-Winters Exponential Smoothing) analysis of the historical data. These growth rates can be quickly adjusted using the Projection Dials tab of the control panel. Changes to the growth rate can also be made on a period-by-period basis by (1) Choosing to show the growth rates for each account (on the Formatting tab), and (2) Typing the growth rates directly to the Projection tab."

At the bottom of the explanation section, it says: "First Projected Period: \$28,000,000".

# Projection: Growth Rates as a Percentage

- The key feature in the DFB model is the growth rates shown as percentages:
- Users can adjust the percentages, and the projection will adjust accordingly.
- Do not overwrite numbers when this functionality is turned on.

Navigation: Projection Controls > Formatting Tab



# Projection: Logging a Purchase

- Add a purchase to historical data or projected data to determine the impact of financing/cash purchases on the company's income, cash flows, profitability, etc.
- To edit any type of financed purchase, click the Loan Analysis tab.

Navigation:

Log a Purchase: Projection Controls > Log a Purchase > Log a Purchase (button)

Loan Analysis: Tab in the Excel sheet

Log a Purchase

Name:

Purchase Type: Fixed Asset

Amount: \$ 0

Purchase Date: 12/31/2015

Purchased With: ☐ Cash ☒ Financing

Loan Terms

Loan Amount: \$ 0

Interest Rate: 8.00 %

Remaining Term (Months): 60

Loan Type: Fixed Payment

Add Purchase Delete Purchase

Depreciation	\$310,691	\$323,364	\$296
Amortization	\$4,981	\$4,482	\$5
Overhead or S,G,& A Expenses	\$2,163,731	\$2,334,809	\$2,883
G & A Payroll Expense	\$413,370	\$518,947	\$55
Rent	\$150,422	\$143,897	\$17
Advertising	\$7,261	\$6,281	\$
Executive Compensation	\$291,555	\$285,993	\$40
Contributions	\$2,880	\$3,255	\$
Insurance	\$98,173	\$124,811	\$15
Employee benefits	\$347,625	\$354,206	\$41

Loan Analysis

Projection

Projection Chart

Financial Ratios

Valuation

# Projection: Uploading Data to the Site

- Once finished manipulating the data, users can upload data back to the website
  - In the Projection Dials tab, click the Save to Valuation button.
  - This uploads the document back to the site; users will see a pop-up confirmation.
  - Users also have the option to save a copy of the projection sheet remotely before closing the workbook entirely.

The screenshot shows a software interface titled "Projection Control Panel" with a close button in the top right corner. Below the title bar are five tabs: "Projection Type", "Projection Dials", "Account Projections", "Formatting", and "Log A Purchase". The "Projection Dials" tab is currently selected. The main area contains a list of financial metrics, each with a slider control, a text input field for a value, and a unit. To the right of these is a column for "Industry Averages". At the bottom are two buttons: "Start Over" and "Save to Valuation".

Metric	Value	Unit	Industry Average
Sales Growth (Annual)	9.93	%	22.89%
Gross Profit Margin	25.83	%	16.20%
Gross Profit	7,473,703	\$	
Overhead Growth (Annual)	22.26	%	
Net Profit Before Taxes	-67,654	\$	
Accounts Receivable Days	8.6	days	19.08 days
Accounts Payable Days	1	days	26.36 days
Inventory Days	9.1	days	232.64 days

# Capitalization of Benefits

- Calculation differs slightly depending on MVIC vs. Equity Valuation
  - MVIC earnings stream = EBIT
  - Equity earnings stream = Net Income
- To see formulas, click links to the left
  - Formulas are calculated from adjusted financials.
- Reference adjusted financials by clicking the button above the table

## Capitalization of Benefits

1. Cash Flow 2. Valuation

Please assign a weight to each of the historical periods that you would like to use to calculate the weighted average free cash flow.

[Review Adjusted Financials](#)

	12/31/2010	12/31/2011	12/31/2012	12/31/2013	Comments
EBIT:	\$ 1,469,173	\$ 1,202,548	\$ 1,202,717	\$ 185,195	
Less: Taxes:	\$ 0	\$ 0	\$ 0	\$ 0	
Plus: Depreciation and Amortization:	\$ 17,122	\$ 73,391	\$ 37,610	\$ 27,090	
Less: Change in Working Capital:	\$ 31,270				
Less: Capital Expenditures:	\$ 20,531				
Unlevered Cash Flow:	\$ 1,434,494				
Weight:	0%				
Weighted Average Free Cash Flow:	\$ 0				

### EBIT

Data is pulled from the adjusted financial statements. Calculated as Adjusted Net Income + Adjusted Interest Expense + Adjusted Taxes Paid

Add any comments here

[Export To Excel](#)

[Save](#)

[Save and Continue](#)



# Capitalization of Excess Earnings: Balance Sheet Adjustments

- The current period financials pull from historical financials
- Make adjustments by overwriting the adjusted value or entering adjustments in the center column.
- Cells will highlight orange if the value in the cell is different from the historical value.
- Click the Review Adjusted Financials button to go back and forth between adjusted financials and their current valuation.
- Click any of the links on the page to see the underlying formulas.

## Capitalization of Excess Earnings

1. Balance Sheet Adjustments

2. Cash Flow

3. Valuation

[Review Adjusted Financials](#)

	Current Period	Adjustments	Adjusted Values	Comments
Period End Date: 12/31/2013				
Cash (Bank Funds):	\$ 380,016	\$ 0	\$ 380,016	
Accounts Receivable:	\$ 501,899	\$ 0	\$ 501,899	
Inventory:	\$ 396,250	\$ 0	\$ 396,250	
Other Current Assets: ▶	\$ 1,640	\$ 0	\$ 1,640	
<b>Total Current Assets:</b>	\$ 1,279,805	\$ 0	\$ 1,279,805	
Gross Fixed Assets:	\$ 66,020	\$ 0	\$ 66,020	
Accumulated Depreciation:	\$ 0	\$ 0	\$ 0	
<b>Net Fixed Assets:</b>	\$ 66,020	\$ 0	\$ 66,020	
Gross Intangible Assets:	\$ 0	\$ 0	\$ 0	
Accumulated Amortization:	\$ 0	\$ 0	\$ 0	
<b>Net Intangible Assets:</b>	\$ 0	\$ 0	\$ 0	
Other Assets:	\$ 862,323	\$ 0	\$ 862,323	
<b>Total Assets:</b>	\$ 2,208,148	\$ 0	\$ 2,208,148	

# Capitalization of Excess Earnings: Cash Flow

## MVIC:

- Cash flow measures change if the valuation is an MVIC/Equity engagement
- EBIT/EBITDA = Unlevered FCF for MVIC valuation
- Net Income = Levered Cash Flow

	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	Comments
Adjusted EBIT:	\$ 1,456,876	\$ 1,469,173	\$ 1,202,548	\$ 1,202,717	\$ 185,195	
Adjusted EBITDA:	\$ 1,571,564	\$ 1,486,295	\$ 1,275,939	\$ 1,240,327	\$ 212,285	
Adjusted Unlevered Free Cash Flow:	N/A	\$ 1,434,494	\$ 1,106,375	\$ 1,179,445	\$ 204,253	
Weight:	0%	0%	0%	0%	0%	

What type of economic earnings would you like to use? Adjusted Unlevered Free Cash

Weighted Average Free Cash Flow: \$ 0

## Equity:

	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	Comments
Adjusted Levered Cash Flow:	N/A	\$ 1,434,494	\$ 1,106,375	\$ 1,179,445	\$ 204,253	
Adjusted Net Income:	\$ 1,456,876	\$ 1,469,173	\$ 1,202,548	\$ 1,202,717	\$ 185,195	
Weight:	0%	0%	50.00%	50.00%	0%	

---

# Market Approach

- Guideline Public Company
- Merged and Acquired Method
- Prior Transaction in Subject Company
- Rule of Thumb

# Guideline Public Company: Mergent Data Feeds

- Guideline Public Company in the solution is linked to a live Mergent feed – daily updates on public company financial data
- Files update any financial data that becomes available.
- New companies that release financials will appear in the database.

Navigation: Valuation Methods > Market Approach > Guideline Public Company

## Guideline Public Company

1. Search Criteria    2. Worksheet    3. Valuation

① Choose valuation multiples

- ☒ Multiples
- ☒ MVIC / Sales
- ☒ MVIC / EBIT
- ☒ MVIC / EBITDA
- ☒ MVIC / Free Cash Flow

② Search for the ticker symbols or [use recommended](#)

Ticker Symbol

F - Ford Motor Company

+ Add a New Ticker Symbol

Data Source: Mergent

③ Pull data from this date and earlier

1/1/2015

Note: Only financials published on and before this date will be included in the report

Save and Continue

# Merged and Acquired Company

- Inputs available for the following private company transaction databases:
  - Pratt's Stats
  - BizComps
  - DoneDeals
  - IBA
- To upload files to Sageworks, click the Import Data link
  - Note that files uploaded to the site should have "macros-disabled".
  - If any issue comes up when integrating the entire Excel file, try creating a new file consisting of only the transaction multiples.
- Mean, median and harmonic mean multiples are automatically calculated

## Merged and Acquired Company

Choose which source(s) you would like to use under the Merged and Acquired Company method to value the business.

Source	Equity Value	Weight	Weighted Equity Value
Pratt's Stats	\$ 0	0%	\$ 0
BizComps	\$ 2,151,850	0%	\$ 0
Done Deals	\$ 0	0%	\$ 0
IBA	\$ 0	0%	\$ 0
Other Source	\$ 0	0%	\$ 0
			0%
Merged and Acquired Company Valuation:			\$ 0

## BizComps

1. Multiples 2. Worksheet 3. Valuation

Import Data or enter data manually

### Asset Sales

	Mean	Median	Harmonic Mean	Subject Company	Implied Company Value - Mean	Implied Company Value - Median	Implied Company Value - Harmonic Mean	Weight	Comments
Sale Price to Annual Gross	0	0	0	\$ 13,160,282	\$ 0	\$ 0	\$ 0	0%	
Sale Price to SDE	0	0	0	\$ 185,195	\$ 0	\$ 0	\$ 0	0%	
Weighted Average					\$ 0	\$ 0	\$ 0	0%	

---

# Prior Transaction in Subject Company

- Purpose: To apply the multiples from past transactions in the subject company to future transaction(s)
  - Selects which multiples to use
  - Enter past information on that multiple
  - Program calculates weighted average of the multiples based on entries

## Rule of Thumb:

- Purpose: Reasonableness check for other valuation methods
  - Able to select from our multiples or input custom multiples
  - For pre-defined multiples, we pull in the information automatically

---

# Report Writer

- Hotfeeds
- Creating Templates
- Creating Reports

# Hotfeeds

- Hotfeeds help automate report writing by pulling in comments made throughout the Valuation
  - Comments appear as bullet points under major tables/graphs/charts.
- To find a hotfeed:
  - Use the search bar to the left of the template/report builder.
  - Expand sections manually.
- Hotfeeds pull in information specific to the subject company

Name

\* McCaffery

Select Mapping ⓘ

Type to search a merge field

- ⊕ Company Information
- ⊕ Your Information
- ⊕ Financial Charts
- ⊕ Financial Information
- ⊕ Document Manager
- ⊕ Discount Rate
- ⊕ Capitalization of Benefits
- ⊕ Discounted Future Benefits
- ⊕ Capitalization of Excess Earnings
- ⊕ Guideline Public Company Data
- ⊕ Guideline Company Transactions Method
- ⊕ Prior Transaction in Subject Company Method
- ⊕ Rule of Thumb
- ⊕ Asset Approach
- ⊕ Final Value
- ⊕ Misc



# Creating Templates

Navigation: Report Builder > Create New Report  
> Create New Template

- Name a template on the left-hand side of the text editor.
- When users insert hotfeeds into the template, the template will pull information specific to a particular report.
- Templates can be accessed across companies.
- Templates are saved to the template “bank”.
- To apply a template to a report, click the template name in the Apply Template pop-up.
- To edit an existing template, click the Edit Template link.

## Apply Template

* McCaffery	<a href="#">Edit Template</a>
1.0 CT 8.18	<a href="#">Edit Template</a>
1.0 Custom Template 8.5.2014	<a href="#">Edit Template</a>
1.0 Release Test	<a href="#">Edit Template</a>
1.1 Custom Template 8.5.14	<a href="#">Edit Template</a>
1.1 Release Test	<a href="#">Edit Template</a>
1.2 CT 8.18	<a href="#">Edit Template</a>
1.28 template 2	<a href="#">Edit Template</a>
1.28 Test template	<a href="#">Edit Template</a>
1.4 CT 8.18	<a href="#">Edit Template</a>
1.5 Custom template 8.5.14	<a href="#">Edit Template</a>
2/4 Mark Template	<a href="#">Edit Template</a>
8.18 Custom Template	<a href="#">Edit Template</a>
8.20 Custom Template1.0	<a href="#">Edit Template</a>
A- Proprietary	<a href="#">Edit Template</a>
Aaron Build out	<a href="#">Edit Template</a>

Create New Template

# Creating Reports

## Begin by applying a template to a report

- Name a report on the left-hand side of the text editor.
- After applying a template, any changes made will be exclusive to the company being valued.
- It's suggested to finish headers, footers, table of contents, etc. in Word.
- After completing a report, generate the report in Word or PDF format.
- When running a first-time report, users will be directed to the Report Panel to prove the file has properly saved.

### Report Builder

To build a report from an existing document, copy and paste the text into the report editor. Then, insert merge fields to map information from Sageworks Valuation Solution into the report.

NOTE: You must save your work before generating a preview or report.

Name: 2.11 Test Report

Select Mapping

Type to search a merge field

- Company Information
- Your Information
- Financial Charts
- Financial Information
- Document Manager
- Discount Rate
- Capitalization of Benefits
- Discounted Future Benefits
- Capitalization of Excess Earnings
- Guideline Public Company Data
- Guideline Company Transactions Method
- Prior Transaction in Subject Company Method
- Rule of Thumb
- Asset Approach
- Final Value
- Misc

[Date]

asdfasdfasdfsaf

[Engaged By]

[Engaged By Address]

Mr./Mrs. [Engaged By],

We have performed a valuation engagement, as that term is defined in the Statement on Standards for Valuation Services (SSVS-1) of the American Institute of Certified Public Accountants, of [Name of Company Being Valued] as of [Valuation Date]. This valuation uses [Standard of Value] to arrive at an estimated value. The resulting estimate of value should not be used for any other purpose or by any other party for any purpose. This valuation engagement was conducted in accordance with the SSVS-1. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

Save Preview Generate Report

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# Excel: Export Functionality

- Income Approach:
  - Capitalization of Benefits
  - Capitalization of Excess Earnings
- Market Approach:
  - Guideline Public Company (Worksheet and Valuation Tabs)
  - All Merged and Acquired Methods (Worksheet and Valuation Tabs)
  - Prior Transaction in Subject Company (Valuation Tab)
  - Rule of Thumb (Valuation Tab)

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# Other Resources Available

## Frequently Asked Questions (FAQs):

- <https://valuation.sageworks.com/USEN/FAQ.aspx?GUID=bf6ec21f-964d-4442-ace4-9476b45d23c7>

## Sageworks Valuation Solution User Guide:

- PDF found within the solution online in the Sageworks User Support section

## About our Data:

- PDF found within the solution online in the Sageworks User Support section

## Training Videos:

- (Coming Soon)

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# Contact Information

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