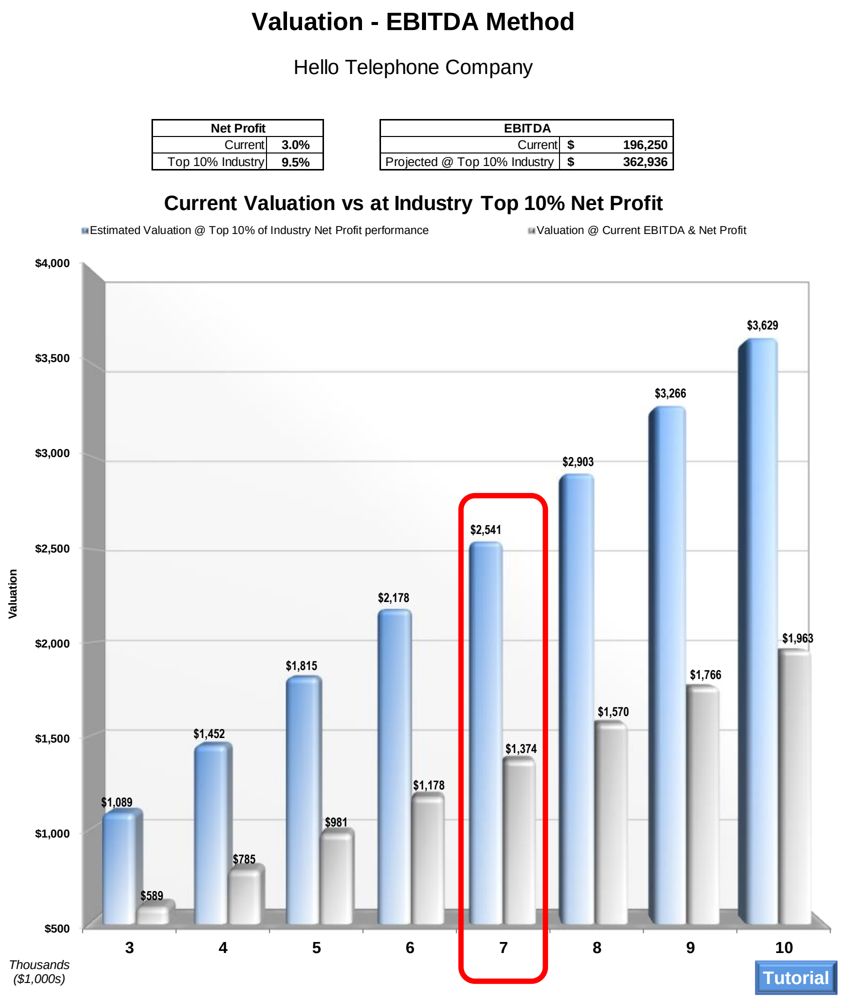
Valuation



This chart shows how your company would currently be valued using the EBITDA Method versus if the company were to improve their Net Profit to a level equal to the top 10% of their industry.

EBITDA=*Earnings –Interest –Taxes –Depreciation –Amortization*

EBITDA is a great way to understand the profits a company is generating. EBITDA is often used to calculate a sale value for a company. This method uses a company's EBITDA times a multiplier. The multiplier for a company has to be determined by comparison to other similar companies in the same business sector. We suggest contacting a valuation expert to help determine the appropriate multiplier for your company.

This chart plots the current company valuation at current EBITDA versus the top 10% in your same NACIS code based on Net Profit.

To read this chart you simply look at your EBITDA multiplier and look at the Grey Bar to see where your current valuation stands for the past 12 months. Then you compare your valuation to that if your Net Profit were to improve as a percentage to that of the top 10% of your industry. In this example we will look at an EBITDA multiplier of "7". At a multiplier of 7, this sample company valuation would be $1,374,000. If this sample company were to improve their Net Profit to the top 10% of their industry (top left box: 9.5%) at the same multiplier of 7, their valuation would be $2,541,000 - a significant improvement.

In many cases a privately held company will minimize their Net Profit to reduce their company's tax burden. This will result in a lower EBITDA and consequently a low valuation. Higher company valuation versus lowering of taxes is a trade off a company must make depending on their circumstances.