

**Intrinsic Valuation**

**Initial Meeting Questionnaire**

**Information Required**  
**to**  
**Undertake the Intrinsic Valuation**

## **Overview**

The Intrinsic Value Assessment is used to assist the owners of the business in gaining insight into the underlying value of the business.

## **Valuation**

The value of any business is its future cash flows discounted back to present value at its risk adjusted rate. All companies of note value their projects and capital expenditure (Capex) decisions on this basis.

We use this method in calculating the intrinsic value of a business, whilst using a number of assumptions which are always listed in the report.

## **Method of Calculation**

Future free cash flows (FFCF) are discounted back to present value at a risk adjusted rate, being the weighted average cost of capital.

Free cash flow is defined as net operating profit after tax and before interest (NOPAT) less the change in capital. The change in capital is the aggregate of the changes in working capital and fixed capital.

The cost of capital, or WACC, as it is commonly referred to, is the weighted average cost of capital (debt & equity).

## **Confidential Information**

The confidential information recorded in this questionnaire will be used to help assess the intrinsic value of your business.

## **Purpose of Your Advisor**

The purpose of your advisor during the process is to assist you in the process of having an Intrinsic Value Assessment of your business undertaken.

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**NOTE: This completed agreement is Mandatory to process**

## Business Details

### Overview:

The following information is for the purpose of documenting the business's identity, structure, key people involved and key advisors. It is used to provide information for the introduction to the report, and to provide contact details and reference information for the intrinsic valuation.

### Item 1: Your Legal Structure

Select the current legal structure of your main trading entity:

- Limited Liability Company
- Proprietary Limited Company
- Non-Profit
- Partnership
- Sole Trader or
- Other.

### Item 2: Director's / Partner's Names

Record the current owners, directors, partner's names within the business and what percentage of the business they own. Please provide (as an attachment) qualifications and experience of each owner.

	Person's Name	Position	% Owned
#1	<input type="text"/>	<input type="text"/>	<input type="text"/>
#2	<input type="text"/>	<input type="text"/>	<input type="text"/>
#3	<input type="text"/>	<input type="text"/>	<input type="text"/>
#4	<input type="text"/>	<input type="text"/>	<input type="text"/>
#5	<input type="text"/>	<input type="text"/>	<input type="text"/>
			<input type="text" value="100%"/>

### Item 3: Key Personnel

If the business is not mainly dependent on the owners for its ongoing operations and sustainability then list the key personnel and positions in the table below?

	Name	Position
#1	<input type="text"/>	<input type="text"/>
#2	<input type="text"/>	<input type="text"/>
#3	<input type="text"/>	<input type="text"/>
#4	<input type="text"/>	<input type="text"/>
#5	<input type="text"/>	<input type="text"/>

**Item 4: Your Business Advisors**

Every business plan needs details of your advisor/banker:

Please record them in the spaces provided.

Your Bank Name	<input type="text"/>
Your Accountant's Name	<input type="text"/>
Your Solicitor	<input type="text"/>
Your Insurance Co.	<input type="text"/>

**Item 5: Name of Business Advisor**

Place the name of the business advisor in the area provided.

**Item 6: Description of Business Activities**

Detail a brief description of your business below. This may be answered using the following text: "We are in the business of ..."

**Item 7: Industry you operate in**

List the industry that you operate in. If you operate in more than one industry please list them all and the percentage allocation of revenue.

Industry	% of Total Revenue
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>

The following link will help you identify what industry you operate in.

<http://www.ecom.unimelb.edu.au/research/databases/Compustat/dataguide/gicscodes2.html>

**Item 8: Style of Business**

Please indicate what style of business you are operating:

Multiple-choice answers are accepted.

- Primary Producer  % of annual revenue
- Manufacturer  % of annual revenue
- Wholesaler  % of annual revenue
- Distributor  % of annual revenue
- Retailer  % of annual revenue
- Service Based  % of annual revenue
- Professional  % of annual revenue
- Other \_\_\_\_\_  % of annual revenue

**100%**

**Item 9: Closest Public Companies to Your Business**

List the Public Companies traded on the Australian Securities Exchange (ASX) that are closest to the industry or industries that your business operates in.

Company	Ticker Code (if Known)

The listed public companies that are closest to the industry or industries that your business operates in will obviously be included in the industry that you operate in. The following link will help you identify what industry you operate in.

<http://www.ecom.unimelb.edu.au/research/databases/Compustat/dataguide/gicscodes2.html>

The following link lists all listed public companies traded on the ASX. You can download the full list by clicking the link at the top of the list and just below the heading titled "Listed Companies"

<http://www.asx.com.au/asx/research/listedCompanies.do>

Once you have downloaded the list (Excel format) you can do a sort on the GICS Industry Group.

If all else fails your advisor can supply you with a list compiled in sector order.

**Item 10: Purpose of Business Valuation**

Please indicate the reason for the valuation:  
Multiple-choice answers are accepted.

- |   |                      |                     |
|---|----------------------|---------------------|
| <input type="checkbox"/> Knowledge of Intrinsic Value     | <input type="text"/> |                     |
| <input type="checkbox"/> Target Value                     | <input type="text"/> |                     |
| <input type="checkbox"/> Sell parcel of shares/securities | <input type="text"/> | % or number of sale |
| <input type="checkbox"/> Sell Total Business externally   | <input type="text"/> |                     |
| <input type="checkbox"/> Sell Total Business internally   | <input type="text"/> |                     |
| <input type="checkbox"/> Business Loan                    | <input type="text"/> | amount              |
| <input type="checkbox"/> Raise Capital                    | <input type="text"/> | amount              |
| <input type="checkbox"/> Joint Venture                    | <input type="text"/> |                     |
| <input type="checkbox"/> Franchise Business               | <input type="text"/> |                     |
| <input type="checkbox"/> Other _____                      | <input type="text"/> |                     |

**Item 11: Target Value**

List your targeted Value and the time period to achieve the targeted value.

Targeted Value \$.....  
 Period to Achieve (E.g. 4 years or 6 years or...) .....

**Item 12: Past Financial Information Required**

**Please provide a copy of your past Profit & Loss and Balance Sheets showing four financial year periods (e.g. for comparative statements 2 sets: 2006&2007; 2008&2009). Four Financial periods are preferable but if not available less can be acceptable.**

**NOTE: The provision of the financial reports is critical.**

**Item 13: Personal Income or Expenditure included in Past Financial Information Required**

List any personal income or expenditure (included as business income or expenditure) that is included in the past years Profit and Loss Statements and is considered not to be necessary to run the business (outside of the normal commercial operations of the business).

E.g. Salary paid to a non working relative  
 Vehicle expenses paid by business where vehicle is used by non working relative.

Expense	Amount			
	2006	2007	2008	2009

**Item 14: Owners Salaries included in Financial Information Required ....**

This question is looking at ascertaining what are the commercially based salary amounts for the business owners (what are the salaries required to employ external persons to take the place of the owners) and what amount of salaries have been included in the financial statements.

Note: The owners’ salaries are the salaries actually included in the financial statements and forecasts.

The commercially based salary amounts may be the same as the owners’ salaries, but may often be different to the actual owner salaries paid. E.g. where the owners take all profits out of the business as salaries or where they take out no or minimal salaries and leave the profits in the business as retained income. Certainly in both these cases the Commercially Based Salaries would be different to the actual owner salaries.

**Included in Financial statements:**

	2006	2007	2008	2009
Existing Owners Salaries				
Commercially Based Salaries would be				

**Included in Projected Forecasts:**

	2010	2011	2012	2013
Existing Owners Salaries				
Commercially Based Salaries would be				

**Item 15: Projected Financial Information Required**

4 years Projected Profit and Loss and Balance Sheet information (where the projected years follow the last historical year). Four Financial periods are preferable but less can be acceptable. **Template is included at the end of this Questionnaire.**

If Projected Balance Sheet information is not available please list the forecasted Capital expenditure over the next four years and note if there will be any changes to the last period accounts receivable, inventory and accounts payable days. **Template is included at end of this Questionnaire.**

**Item 16: Contingent Liabilities**

List any contingent liabilities not shown in the financial statements supplied that exist at the completion date of this questionnaire and include the estimated amount of the liability if known. E.g. court case, pending legal claims; outstanding debt unlikely to be collected and not previously provided for as doubtful

No statement assumes that there are no additional contingent liabilities:

**Item 17: Other Events**

At this completion date list any other events or items not listed in the financial statements supplied that may affect the future value of this business. E.g. Business premises likely to be compulsorily acquired by State Government requiring the need to relocate the business.

No statement assumes that there are no other events or items:

**Item 18: Constitution**

Provide a copy of the constitution, trust deed or partnership agreement or at least a copy of the clauses pertaining to “disposal of shares or securities”.

**Item 19: Signature of Completion & Provision of Financial Reports**

Completion Date

You're Name

You're Business

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Your signature of completion



<b>Business:</b> .....				
<b>Projected Information</b>				
<b>Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>No Months</b>	12	12	12	12
<b>PROFIT &amp; LOSS</b>				
Sales				
Less Cost of Goods Sold				
<b>Gross Profit</b>				
Fixed Expenses				
Depreciation Expense				
<b>Total Expenses</b>				
<b>EBIT</b>				
Less Net Interest paid				
<b>Operating Profit (before tax)</b>				
Income Tax				
<b>Operating Profit After Tax</b>				
Retained Profit Beg. of Year				
Retained earnings end of year				
Less Dividend				
<b>Retained Profit End-of-Year</b>				
<b>BALANCE SHEET</b>				
<b>Current Assets</b>				
Net Trade Debtors				
Inventory				
Other Current Assets				
<b>Total Current Assets</b>				
<b>Non Current Assets</b>				
Property Plant & Equip.(Net)				
<b>Total Non Current Asset</b>				
<b>TOTAL ASSETS</b>				
<b>Less Liabilities</b>				
<b>Current Liabilities</b>				
Trade Creditors				
Bank Overdraft				
Leases				
Other Current Liabilities				
<b>Total Current Liabilities</b>				
<b>Non Current Liabilities</b>				
Assoc. Co. Loans - Debt				
Employee Provisions				
<b>Total Non Current Liabilities</b>				
<b>TOTAL LIABILITIES</b>				
<b>TOTAL NET ASSETS</b>				
<b>SHAREHOLDERS EQUITY</b>				
Issued Capitals				
Retained Profits				
<b>Total Shareholders Equity</b>				
No. of Issued Shares				

**Projected Information: (Continued)**

If the Projected Balance Sheet information table included above has not been completed then please complete the following tables.

**Capital Expenditure:**

<b>Business:</b> .....				
<b>Forecasted Information</b>				
<b>Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
No Months	12	12	12	12
<b>Capital Expenditure</b>				

**Working Capital:**

If there are projected changes to working capital parameters please note these in the following table ensuring that you enter a + sign for an increase in days and a – sign for a decrease in days. Each change is based on the preceding year. For example if Debtor days at year-end 2009 were 50 days and they are projected to be 45 days at year-end 2010 and 35 days at year-end 2011, 2012 and 2013 then you would enter – 5 in the 2010 column and -10 in the 2011 column and leave 2012 and 2013 blank.

<b>Business:</b> .....				
<b>Forecasted Information</b>				
<b>Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
No Months	12	12	12	12
<b>Debtor Days – Changes</b>				
<b>Inventory Days – Changes</b>				
<b>Creditor Days – Changes</b>				