

# Business Valuations Online

Accountant Report for Yummy Food Manufacturers & Distributors Pty Ltd (SAMPLE)



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Accountants Business Diagnostic Report

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**YUMMY FOOD MANUFACTURERS & DISTRIBUTORS PTY  
LTD (SAMPLE)**

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As requested by Elvis Presley of Yummy Food Manufacturers & Distributors Pty Ltd (SAMPLE)

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## Maximising the value of Yummy Food Manufacturers & Distributors Pty Ltd (SAMPLE)

Yummy Food Manufacturers & Distributors Pty Ltd (SAMPLE) is located in and it operates in the Meat, Poultry and Smallgoods Wholesaling in Australia industry. As a part of our valuation of the business we have undertaken analysis of the financial statements of the business and considered its performance relative to the industry average. This analysis is summarised in the business overview in the next section of this report.

Following our analysis of the Yummy Food Manufacturers & Distributors Pty Ltd (SAMPLE) we determined that the most appropriate valuation methodology to apply was the Capitalisation of Future Maintainable Earnings method.

In order to maximise the value of Yummy Food Manufacturers & Distributors Pty Ltd (SAMPLE) it needs to maximise its future maintainable earnings, whilst also reducing its risk profile relative to similar businesses.

## The Future Maintainable Earnings

When valuing a business based upon its earnings, it is a no-brainer that maximising the earnings of the business will increase its value. In order to address the profitability of the business particular attention should be paid to the performance of the business relative to its industry peers. The business overview in the next section highlights where the cost structure of Yummy Food Manufacturers & Distributors Pty Ltd (SAMPLE) differ from those of the average players in its industry.

## The Capitalisation Rate or 'Multiple'

The capitalisation rate, or 'multiple' is a risk assessment of and for the business; it considers the industry, the turnover level, the relative financial performance of the business, insurance and credit risk, specific commercial risks, entity specific risks, reliance upon key employees, owners or key customers, geographic risks, competitor risks, and reliance upon key suppliers, amongst other things. The risk of investing in the business is then weighed against the government bond 10-year yield rate, which is accepted to be the risk-free rate of return. This means that an investor can expect a yield of 2% per annum (or thereabouts) without being subjected to any risk, so any investment of higher risk ought to offer commensurately higher returns.

In short, by reducing the risks associated with business as an investment its value to a potential purchaser is increased. To that end, I have provided you with a listing of known risks associated with Yummy Food Manufacturers & Distributors Pty Ltd (SAMPLE) within this report so that you can assist the business owner in maximising the value of their business.

Our valuations seek to determine what a willing but not anxious buyer would pay in an arm's-length transaction from a willing but not anxious seller, assuming that they had access to the same information provided to us.

## Overview of the Industry

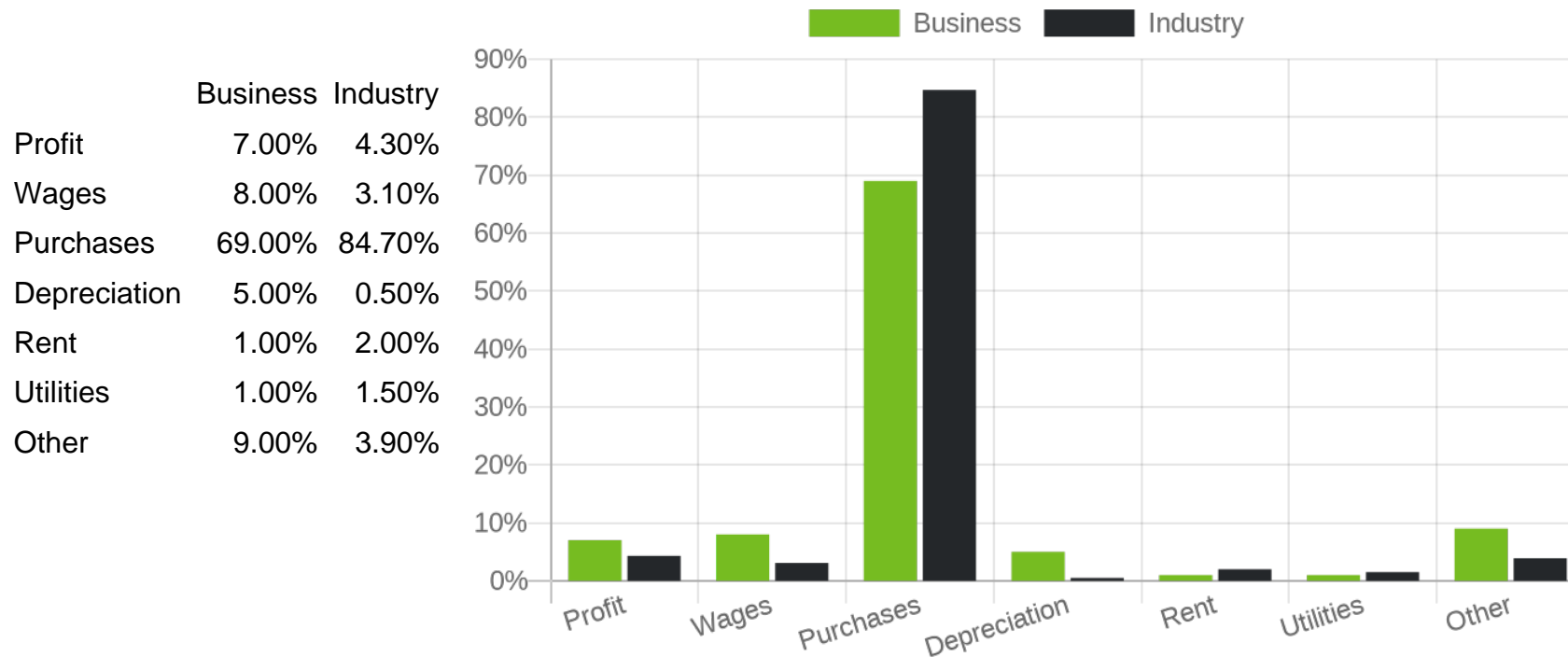
You have indicated that Yummy Food Manufacturers & Distributors Pty Ltd (SAMPLE) operates in the Meat, Poultry and Smallgoods Wholesaling in Australia industry. An analysis of the Meat, Poultry and Smallgoods Wholesaling in Australia industry provides the following key industry insights:

<b>Revenue</b> <b>\$16.25bn</b>	<b>Profit</b> <b>\$698.91m</b>	<b>Avg Turnover</b> <b>\$12.86m</b>	
<b>Businesses</b> <b>1264</b>	<b>Avg # Employees</b> <b>7.00</b>	<b>Avg Revenue / Employee</b> <b>\$1.84m</b>	
<b>Life Cycle Stage</b> <b>Mature</b>	<b>Revenue Volatility</b> <b>Steady</b>	<b>Capital Intensity</b> <b>Medium</b>	<b>Technology Change</b> <b>Medium</b>
<b>Growth Risk Level</b> <b>Medium</b>	<b>Sensitivity Risk Level</b> <b>Low</b>	<b>Structural Risk Level</b> <b>Medium - High</b>	<b>Overall Risk Level</b> <b>Medium - Low</b>

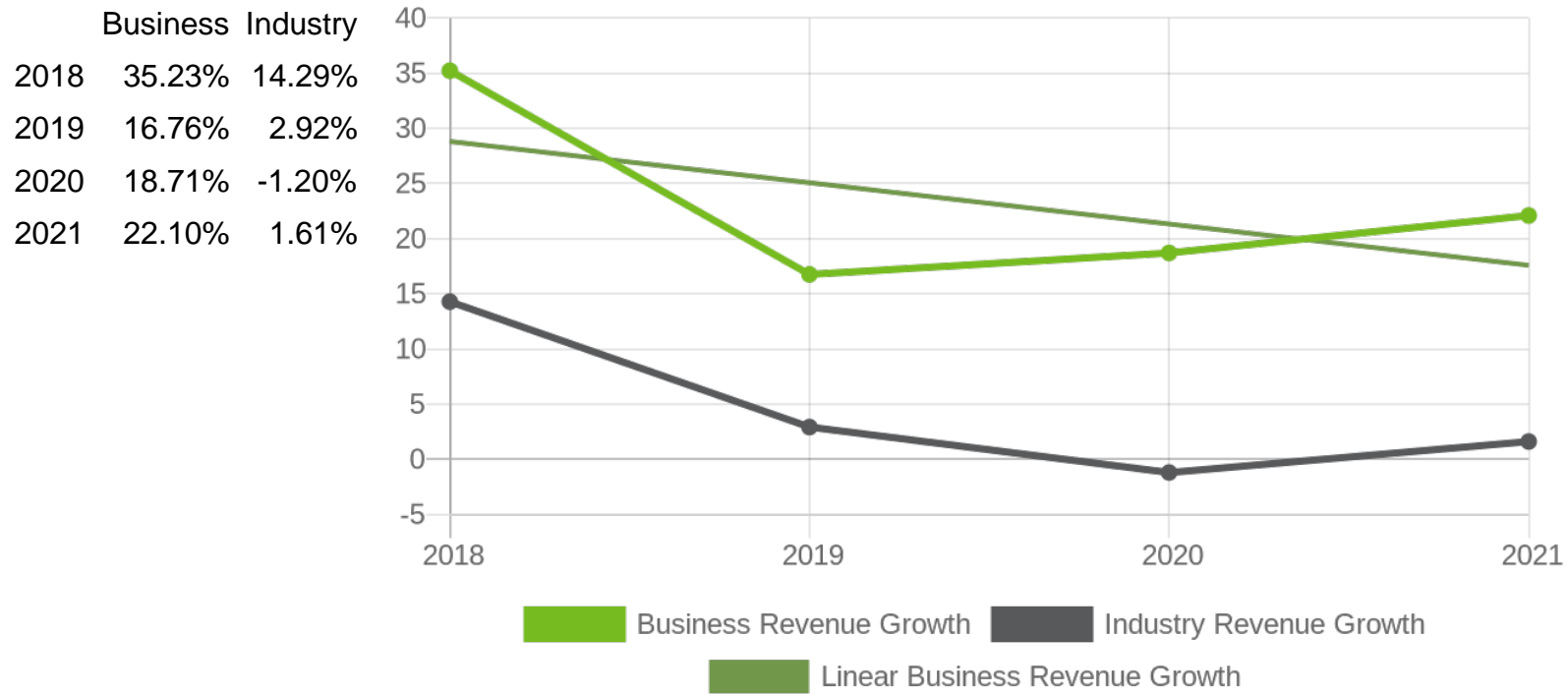
## Overview of Business

We have undertaken an assessment of Yummy Food Manufacturers & Distributors Pty Ltd (SAMPLE) relative to the performance of the rest of the industry to allow us to consider the performance of Yummy Food Manufacturers & Distributors Pty Ltd (SAMPLE) within the context of the rest of the industry.

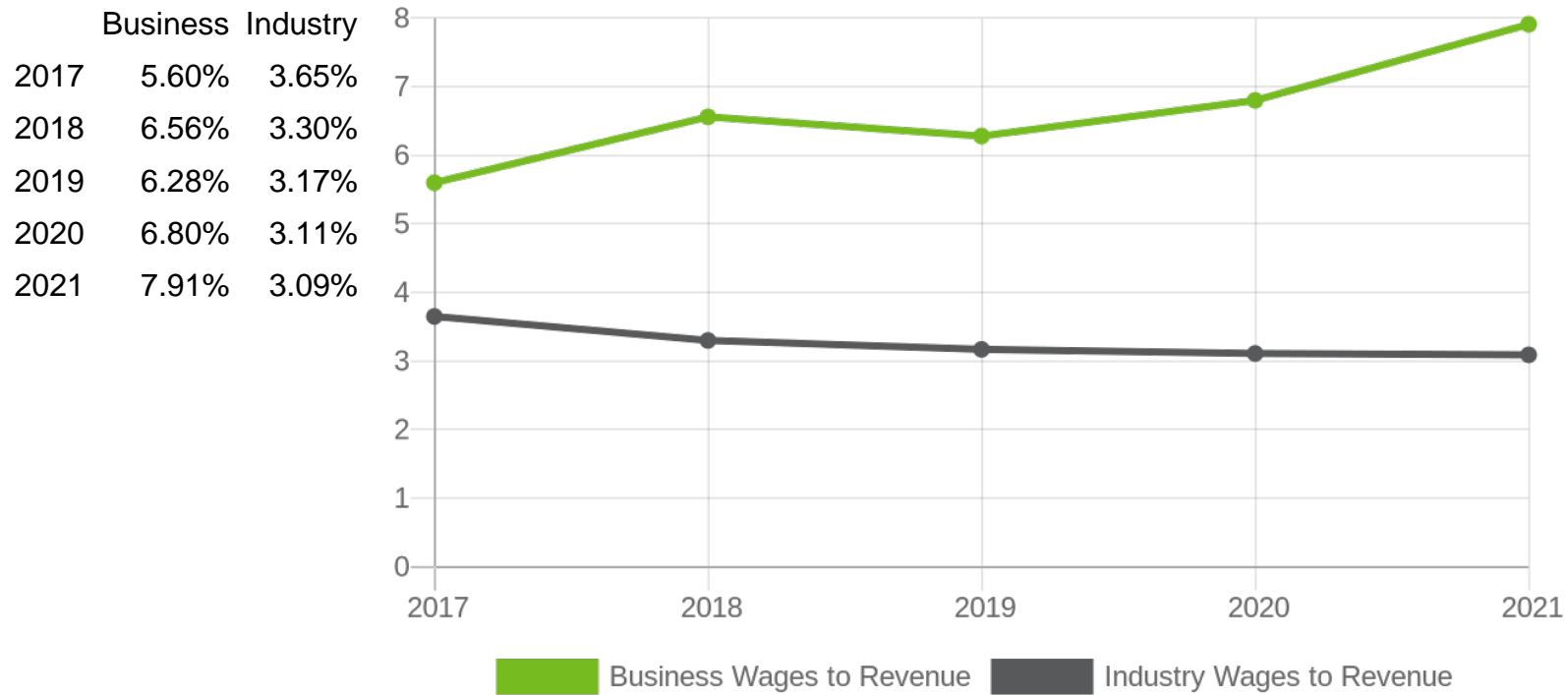
### Unadjusted Business Cost Structure Relative to Industry



## Business vs Industry Revenue Growth








## Business vs Industry Wages to Revenue



## Financial Statement Assessments

An examination of the key financial ratios of the entity has been undertaken for the Profit & Loss for the year ended 2021 and the Balance Sheet as at 2021, with the following results:

### Efficiency and solvency tests

<b>Liquidity Ratio</b>	Current Assets	\$2,208,648.00	
	Current Liabilities	\$1,364,302.00	
		1.62 : 1	
<b>Quick Ratio</b>	Quick Assets	\$1,506,856.00	
	Current Liabilities	\$1,364,302.00	
		1.10 : 1	
<b>Net Asset Position</b>	Total Assets	\$3,983,269.00	
	Total Liabilities	\$2,122,777.00	
		1.88 : 1	
<b>Accounts Receivable Turnover Ratio</b>	Current Accounts Receivable	\$1,407,810.00	
	Total Revenue	\$15,051,205.00	
		10.69 : 1	
<b>EBIT Margin</b>	Earnings Before Interest & Tax	\$1,095,339.00	
	Total Revenue	\$15,051,205.00	
		7.28%	



**Return on Assets**

Net Assets	\$1,860,492.00
Earnings Before Interest & Tax	\$1,095,339.00
	58.87%



**Gross Margin**

Gross Profit	\$4,747,257.00
Total Revenue	\$15,051,205.00
	31.46%

**Operating Cash Flow to Current Liabilities**

Operating Cash Flow	\$1,903,506.00
Current Liabilities	\$1,364,302.00
	1.40 : 1



## Non-Financial Business Risks

Based upon the responses to our questionnaire during the report ordering process, Yummy Food Manufacturers & Distributors Pty Ltd (SAMPLE) needs to develop the following so as to reduce their non-financial business risks and in so doing increase their FME capitalisation rate (multiple), and thus its overall value.

Many businesses are location specific, and thus it is incredibly important that the business has secure, long-term leases in place at the time of valuation (or sale) to ensure that the risk of losing the location does not severely detract from the value of the business. Yummy Food Manufacturers & Distributors Pty Ltd (SAMPLE) has indicated that its location is critical and that it has a lease of 0.00 years remaining. The general rule of thumb is: the longer the lease, the lower the risk.

## Employee Risks - General

Employees are simultaneously one of the businesses greatest assets and one of its greatest risks. In order to mitigate the risks to the business posed by the staff members, the business should consider implementing the following:

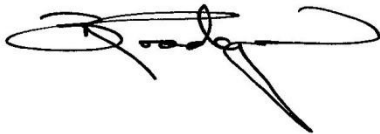
- Selection procedures that increase the probability of finding the right staff for the business
- Ensuring that several people perform key tasks and provide backup in the event of illness or sudden departure
- Where possible employees should be rotated through various functions or departments to familiarise themselves with other areas of the business whilst also ensuring retention of skills should a key staff member leave
- Ensure that suitable OH&S policies are developed and implemented to minimise risks. For example, safe driver training and regular maintenance of vehicles and other equipment
- Ensure employment contracts are up-to-date and include confidentiality agreements and / or reasonable restraint of trade agreements. At a minimum with key staff or where appropriate all staff
- Ongoing training for staff consistent with the needs of the business (whilst also considering the personal development of the staff member)

## Thank You

Thank you for referring this matter to Business Valuations Online. I trust that the information contained within the Business/Entity Valuation Report, this Adviser's Analysis Report, as well as the Diagnostic Dashboard have provided insights into the value of Yummy Food Manufacturers & Distributors Pty Ltd (SAMPLE), the underlying value drivers, and the specific risks associated with the business. Through the application of your professional skills and experience and the formulation and implementation of a strategic approach with the business owner(s), it is likely that you can assist in significantly increasing the profitability, reducing the risk, and maximising the value of Yummy Food Manufacturers & Distributors Pty Ltd (SAMPLE).

Should you wish to discuss the content of any of the reports, please do not hesitate to contact me or one of the team on 1300 2VALUE (1300 282583).

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Brett Goodyer', with a stylized flourish at the end.

Brett Goodyer  
Director  
FCPA B.Com MForAccy