

BUSINESS VALUATIONS 101

Choosing the right valuation for the right purpose

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Succession Plus | Capitaliz | LightYear Group



Today's session

A practical decision framework for accountants and advisers

01

WELCOME

LYG

5 min

02

WHY VALUATIONS

Craig

10 min

03

TECHNICAL DEEP DIVE

Andrew

30 min

04

Q&A

Panel

10 min

05

NEXT STEPS

LYG

5 min



WHY VALUATIONS

Overview and need for valuations

The valuation question is rarely “*What is it worth?*”

The better question is “*What decision must this valuation support?*”

- | | | |
|---|----------------------------|--|
| 1 | TRANSACTION | Sale, acquisition, buyout |
| 2 | TAX & STRUCTURE | CGT, restructure, related party |
| 3 | OWNERSHIP | ESOP, shareholder entry or exit |
| 4 | PLANNING | Succession, value gap, strategy |
| 5 | DISPUTE / EVENT | The 5 Ds (Death, Disability, Divorce, Distress, and Disagreement) and other triggers |

PURPOSE
→
SCOPE
→
EVIDENCE
→
OPINION

Why 30 June 2027 matters under the proposed CGT reforms

30 JUNE 2027

**Proposed valuation
benchmark date**

Private business owners may need a defensible market value as at this date to support future capital gains calculations.

WHY PRIVATE BUSINESS IS DIFFERENT

There is no public market price. A robust methodology, evidence and documentation are required.

WHY START EARLY

Early action provides more time to prepare information, address weaknesses and secure adviser capacity.

IMPORTANT

The reforms are described as proposed. Final requirements should be confirmed against enacted legislation and current tax advice.

A valuation before 1 July 2027 is more than a tax exercise

ESTABLISH A DEFENDABLE BASELINE

Document market value using an appropriate methodology and supporting evidence.

IDENTIFY VALUE DRIVERS

Understand what is creating value, destroying value and increasing buyer risk.

CREATE TIME TO IMPROVE

Address owner dependence, management depth, recurring revenue, systems and scalability.

SUPPORT OWNERSHIP OPTIONS

Provide a foundation for ESOPs, management buy-outs, family succession and capital raising.

PREPARE FOR TRANSACTIONS

Strengthen future M&A planning and readiness for external buyers.

REDUCE THE RISK OF WAITING

Avoid compressed timeframes, reduced adviser availability and limited opportunity to act on findings.



TECHNICAL DEEP DIVE

How we value private companies

Match the level of rigour, independence and reporting to the decision being made.

A working decision framework

When is a BIR appropriate and when is a formal valuation needed?

BUSINESS INSIGHTS REPORT (BIR)

Best suited to:

- Strategic planning and succession
- Benchmarking and value acceleration
- Establishing a practical value baseline
- Ongoing advisory conversations

FORMAL / CERTIFIED VALUATION

Typically considered for:

- Transactions with greater reliance
- Tax, legal or regulatory purposes (CGT events, restructures)
- Shareholder events and disputes (family law, commercial law: buy-sell, hostile, non-hostile)
- Other situations requiring an independent opinion (financial reporting)

Key test: who will rely on the valuation, for what purpose, and with what consequence?

The choice in one page

Use the lowest level of complexity that remains fit for purpose

DECISION POINT	BIR	FORMAL VALUATION
Primary use	Advisory and planning	Decision / transaction reliance - by the ATO, courts or counterparties
Perspective	Value baseline and business insight	Independent valuation opinion - by an accredited valuer
Inputs	Financial + non-financial + benchmarks	Detailed evidence aligned to purpose - and the valuation date
Output	Valuation, risks, drivers, roadmap	Formal report and supporting analysis - signed, with methodology and rationale
Refresh	Useful for ongoing value tracking	Triggered by purpose or transaction - a CGT event, sale or dispute

TECHNICAL DEEP DIVE

Valuation inputs

The quality of the conclusion depends on the quality of the evidence.

Valuation inputs

Inputs across BIR and formal valuations

PURPOSE & DATE

Why the valuation is needed and the relevant valuation date

FINANCIALS

Historical performance, current trading, forecasts, add-backs and normalisations

BUSINESS CONTEXT

Revenue model, customer and supplier concentration, people, systems and IP

MARKET EVIDENCE

Industry benchmarks, comparable transactions and economic context

RISK & RETURN

Maintainable earnings, growth, risk profile and required return

TECHNICAL DEEP DIVE

BIR process & outputs

What is the Business Insights Report?

A practical business valuation and diagnostic designed to turn value insight into an action plan.



VALUATION

Establishes current value, value gap, and potential value using financial performance, risk and market evidence.

BUSINESS DIAGNOSTIC

Assesses financial and non-financial value drivers, including owner dependence, management, customers, systems and governance.

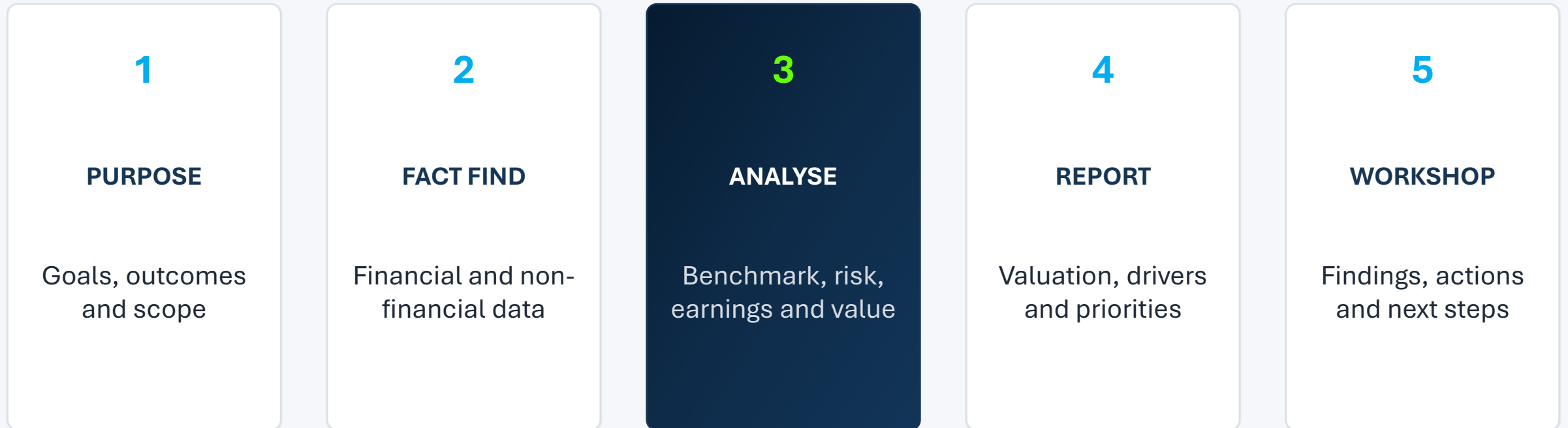
IMPLEMENTATION ROADMAP

Translates findings into prioritised actions to reduce risk, improve transferability and build business value.

Best suited to strategic planning, succession and ongoing value acceleration discussions.

BIR process

A practical valuation embedded in a broader business diagnostic

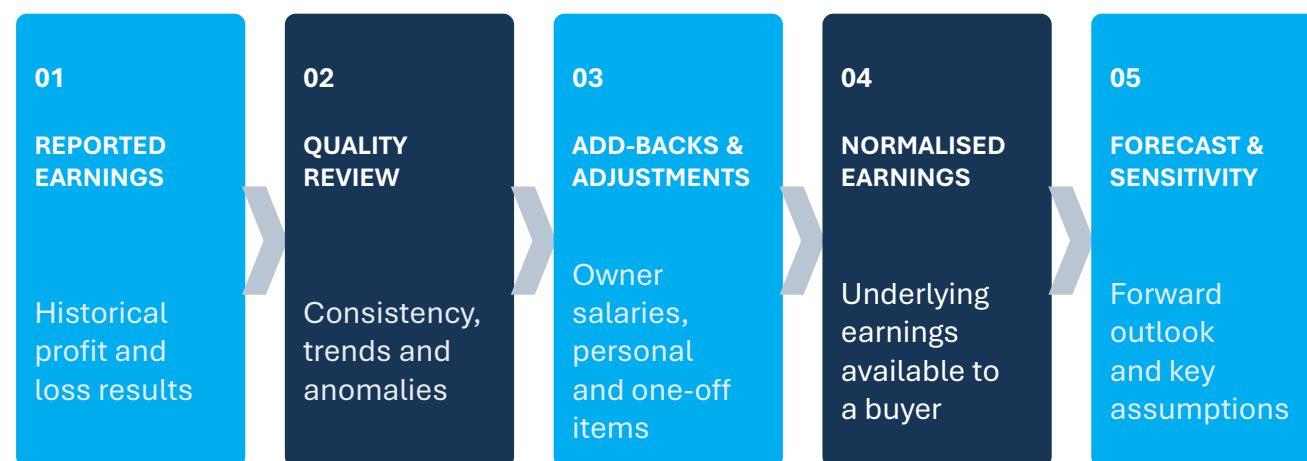


Inside the financial analysis

Turning reported results into a maintainable earnings base for valuation

NORMALISATION BRIDGE

A transparent path from reported performance to maintainable earnings



OUTPUT | A documented and supportable maintainable earnings figure

WHAT WE TEST

- **Earnings quality**: Are profits recurring and supported by evidence?
- **Adjustments**: Are add-backs reasonable, consistent and documented?
- **Working capital**: What level is required to operate the business?
- **Forecasts**: Are assumptions credible and aligned with capacity?
- **Sensitivity**: Which variables have the greatest impact on value?

The objective is not to maximise earnings.
It is to establish a credible and defensible earnings base.

Inside the non-financial analysis

Non-financial factors explain the risk behind the numbers

OWNER DEPENDENCE

Reliance on the owner for decisions, relationships, sales and operating knowledge

CUSTOMER CONCENTRATION

Revenue exposure where one or a small number of customers represent a material share of income

MANAGEMENT DEPTH

Capability of the leadership team to operate and grow the business without the owner.

SYSTEMS AND PROCESS

Documented, repeatable processes that support consistency, scalability and transferability

GROWTH QUALITY

Sustainability of growth, including recurring revenue, pipeline strength and margin quality

GOVERNANCE

Quality of reporting, controls, accountability and decision-making disciplines

BIR analysis

Benchmarking Firms

Cost Structure Benchmarks	Smith Engineering Inc. Demo	IBISWorld Industry
	2025	Engineering Services in the US Industry
Income	\$8,093,000	-
Sales	100.00%	100.00%
Total revenue	100.00%	100.00%
Cost of Sales - Direct Labour	6.76%	6.57%
Cost of Sales - Purchases	43.92%	43.10%
Gross profit	49.32%	50.33%
Marketing/Advertising	0.09%	1.20%
Rent	0.04%	1.20%
Depreciation	3.15%	4.46%
Wages + On-costs - Indirect Labour	12.28%	11.93%
All other costs	17.42%	16.14%
Total expenses	32.98%	34.93%
Profit margin (before tax)	16.34%	15.40%

BENCHMARKING

Performance against relevant peers

Profit Gap Analysis

Your Profit Gaps Relative to the Most Profitable Firms	The Business	Benchmark Firms	Profit Gap
Average benchmark COGS		49.67%	
Your business revenue	\$8,093,000		
COGS benchmark		\$4,019,793	
Your COGS	\$4,101,720		
% of Revenue	50.68%		
Profit Gap			\$81,927
Average benchmark employment costs		11.93%	
Your business revenue	\$8,093,000		
Employment costs benchmark		\$965,495	
Your Employment costs	\$994,192		
% of Revenue	12.28%		
Profit Gap			\$28,697
Average benchmark Other overhead costs		23.00%	
Your business revenue	\$8,093,000		
Other overhead costs benchmark		\$1,861,390	
Your Other overhead costs	\$1,674,632		
% of Revenue	20.69%		
Profit Gap			No Profit Gap
Your Total Profit Gap		Relative to Benchmark Firms	
Reducing your cost of sales purchases could yield			\$81,927
Bringing your personnel numbers back could yield			\$28,697
Reducing non-wages & salary overheads could yield			-
Total Profit Gap			\$110,624
Which equates to the following % of your current Profit			8.37%

PROFIT GAP

The difference between current value and potential value. This quantifies the opportunity and focuses the implementation plan.

Beta Factor Scorecards

Economy	Lower Risk -0.2	0	Higher Risk +0.5	
Foreign Exchange Impacts				0.1250
Interest Rates				0.0500
Inflation				0.0900
Industry	Lower Risk -0.2	0	Higher Risk +0.5	
Future Impacts				0.2000
Type of Business / Business Model				0.0700
Product Mix				0.0500
Competition				0.1750
Barrier to Entry				0.2000
Market Share				0.1500
Marketability of Equity				0.1500
Business	Lower Risk -0.2	0	Higher Risk +0.5	
Corporate Governance				0.1500
Management Skills / Performance Record				0.1000
Past performance - sustainability - financial				0.1000
Intellectual Property / Intangible Assets				0.1100
Technology				0.1000

RISK PROFILE

Financial and non-financial scoring

Current value and the potential value

The BIR connects today's position to a commercially achievable future state.

CURRENT VALUE

What the business is worth today, based on current earnings, risk and market evidence.

Business Valuation

	2022	2023	2024	2025	2026 Forecast
Revenue	\$5,771,884	\$6,561,310	\$7,481,200	\$8,093,000	
EBIT	\$828,283	\$1,176,195	\$1,057,114	\$1,322,456	
Op Tax	\$132,870	\$185,824	\$188,268	\$219,013	
NOPAT	\$695,413	\$990,371	\$868,846	\$1,103,443	\$1,800,000
Growth Rate		42%	12%	27%	63%
Weighting		10.00%	20.00%	40.00%	30.00%
Weighted Average of Earnings					\$1,254,164

Enterprise Valuation

Cost of Capital					20.73%
Growth Rate					2.00%
Capitalization Multiple (Intrinsic)					5.34
Enterprise Value (Capitalization of Earnings Method)					\$6,696,123

Business Valuation

Equity Valuation

Enterprise Value (Capitalization of Earnings Method)	\$6,696,123
Add Cash & Cash Equivalents	\$214,657
Less: Short-term Debt	\$107,000
Less: Long-term Debt	\$1,627,135
Equity Value (Capitalization of Earnings Method)	\$5,176,645
Number of Shares Issued	100
Owner's Value per Share	\$51,766.45

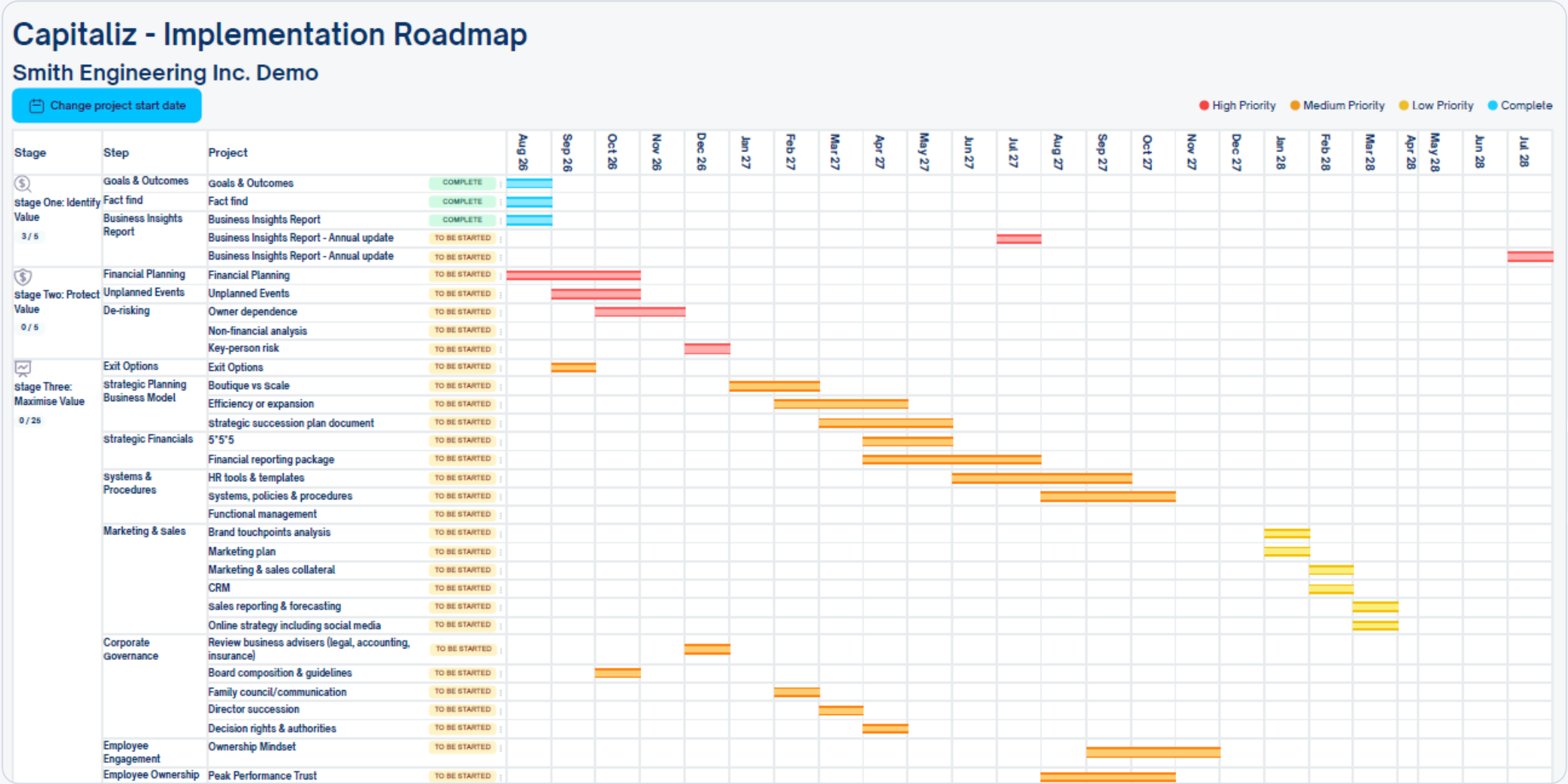
POTENTIAL VALUE

What the business could be worth if priority risks are reduced and key value drivers improve.



Implementation roadmap

Value first, then the roadmap



Case study: an architect firm's value growth journey

1 ESTABLISHING THE BASELINE

Around four years ago, the firm completed a Business Insights Report to understand its current value, potential value and the factors limiting growth.

2 IDENTIFYING THE VALUE GAP

The BIR highlighted the priority financial and non-financial improvements required to reduce risk, strengthen the business and close the gap between current and potential value.

3 IMPLEMENTING THE 21-STEP PLAN

The business moved into strategic advisory, using the 21-step implementation framework to turn the BIR findings into action. The program focused on strengthening strategy, financial performance, management capability, systems, governance and business transferability.

4 BUILDING A STRONGER TEAM

As part of the implementation, an employee share ownership plan was introduced to retain key employees, reward their contribution and align the team with the business's future growth and value.

5 CHOOSING TO KEEP BUILDING VALUE

When the owners initially went to market approximately 12 months ago, a buyer offered \$21 million. The owners withdrew from the sale because they believed further value could still be created.

6 RETURNING TO MARKET

Twelve months later, the business returned to market. The same buyer came back with an offer of \$28 million, and the sale is now in its final stages.

Following several years of value-improvement work, the business received a materially higher offer when it returned to market. The result reflected business performance, market conditions, transaction dynamics and the improvements implemented by the owners.

2023 Valuation

2025 Valuation

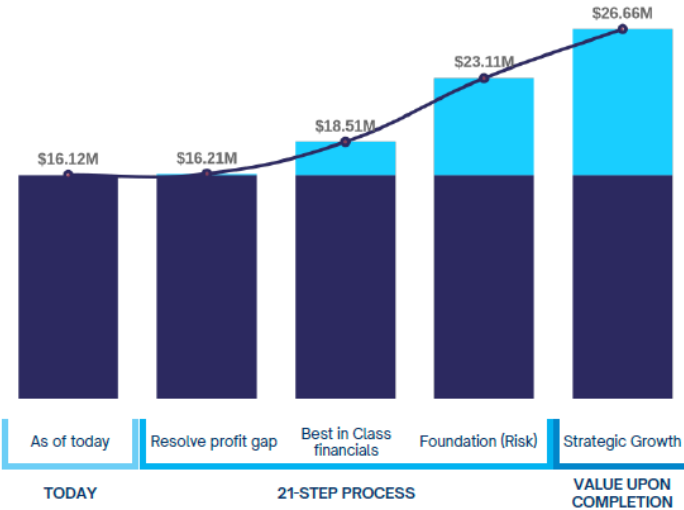
Value Trend

FY 2023

Value Potential

	As of today	Resolve profit gap	Best in Class financials	Foundation (Risk)	Strategic Growth
Revenue	\$11,902,532	\$11,902,532	\$11,902,532	\$11,902,532	\$11,902,532
EBITDA	\$4,320,815	\$4,344,723	\$4,962,810	\$4,962,810	\$4,962,810
NOPAT	\$3,074,087	\$3,091,097	\$3,554,761	\$3,554,761	\$3,554,761
EBITDA Multiple	3.73	3.73	3.73	4.66	5.37
NOPAT Multiple	5.24	5.24	5.24	6.50	7.50
Valuation	\$16.12M	\$16.21M	\$18.51M	\$23.11M	\$26.66M

Current Valuation Potential Valuation



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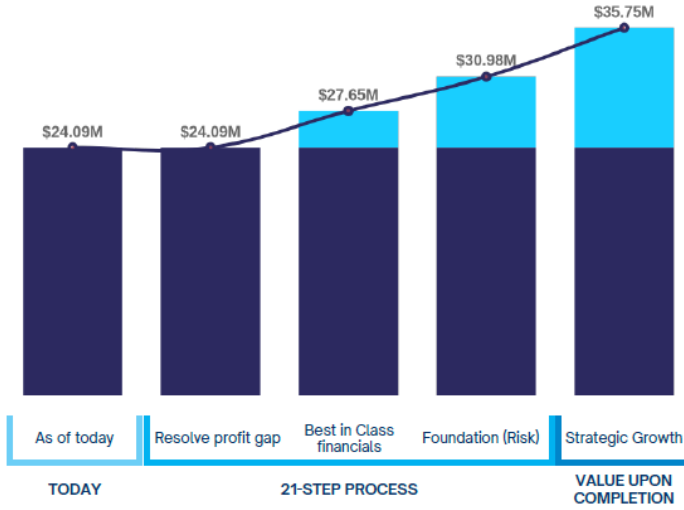
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FY 2025

Value Potential

	As of today	Resolve profit gap	Best in Class financials	Foundation (Risk)	Strategic Growth
Revenue	\$15,251,840	\$15,251,840	\$15,251,840	\$15,251,840	\$15,251,840
EBITDA	\$5,627,925	\$5,627,925	\$6,460,015	\$6,460,015	\$6,460,015
NOPAT	\$4,144,988	\$4,144,988	\$4,766,736	\$4,766,736	\$4,766,736
EBITDA Multiple	4.28	4.28	4.28	4.80	5.53
NOPAT Multiple	5.81	5.81	5.81	6.50	7.50
Valuation	\$24.09M	\$24.09M	\$27.65M	\$30.98M	\$35.75M

Current Valuation Potential Valuation



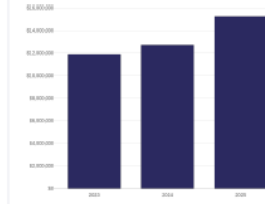
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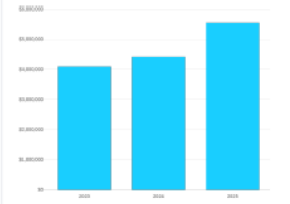
FY 2025

Value trend over time

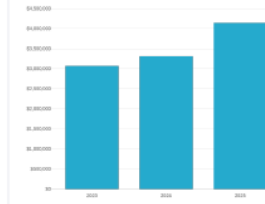
Revenue (3 years)



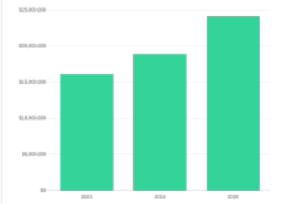
EBIT (3 years)



NOPAT (3 years)



Enterprise Valuation (3 years)



	2023	2024	2025
Revenue	\$11,902,532	\$12,711,788	\$15,251,840
EBIT	\$4,098,783	\$4,413,745	\$5,556,906
NOPAT	\$3,074,087	\$3,308,160	\$4,144,988
Enterprise Valuation	\$16,117,616	\$18,865,081	\$24,089,877

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Dynamic Revaluation



Business Insights Report

Dynamic Revaluation

Potential Value

Real-Time Valuation

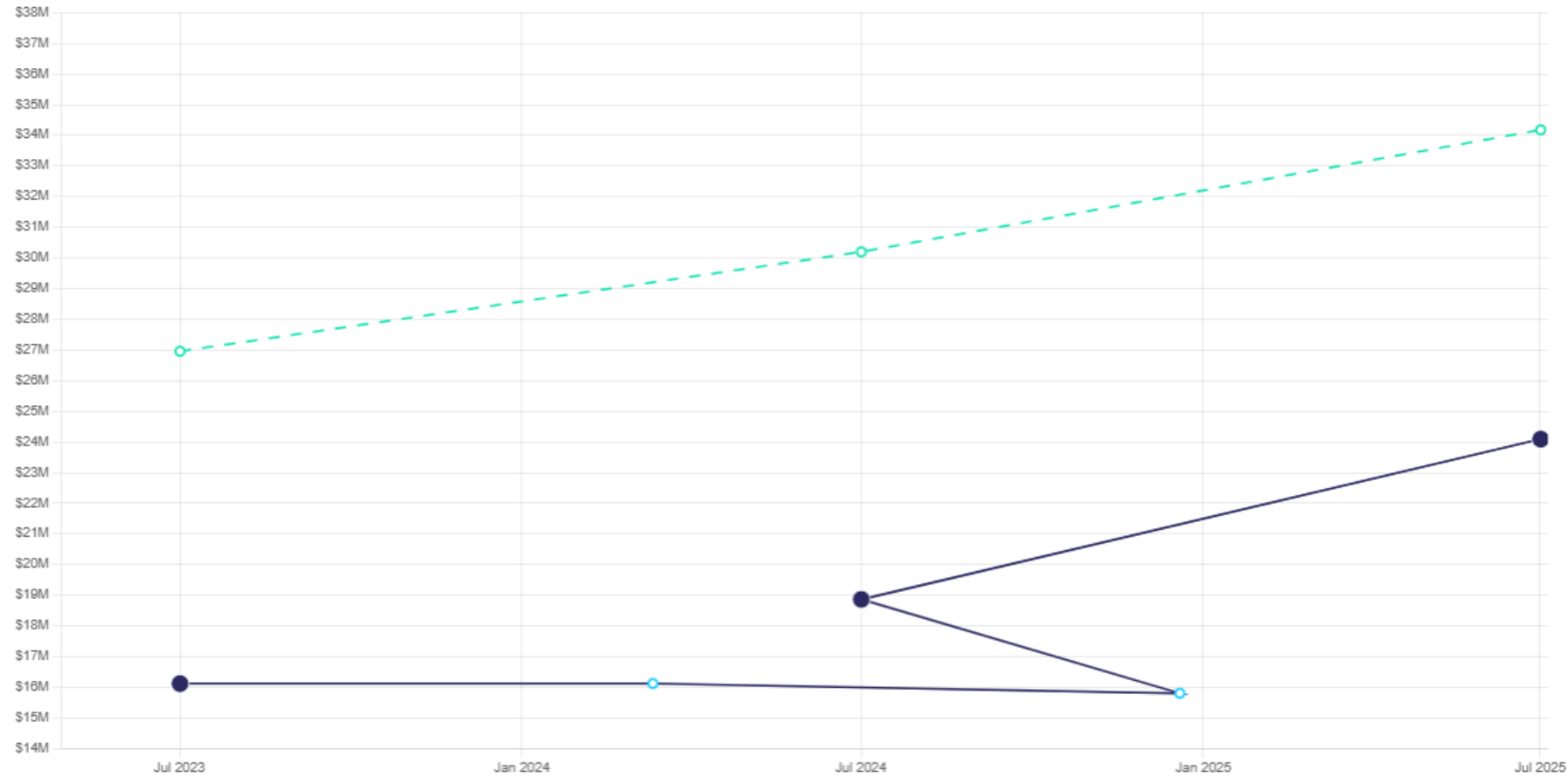
\$24.09M

↑ 0% Since '25 Report

Total Valuation Increase

\$7.97M

↑ 49.46% Total



TECHNICAL DEEP DIVE

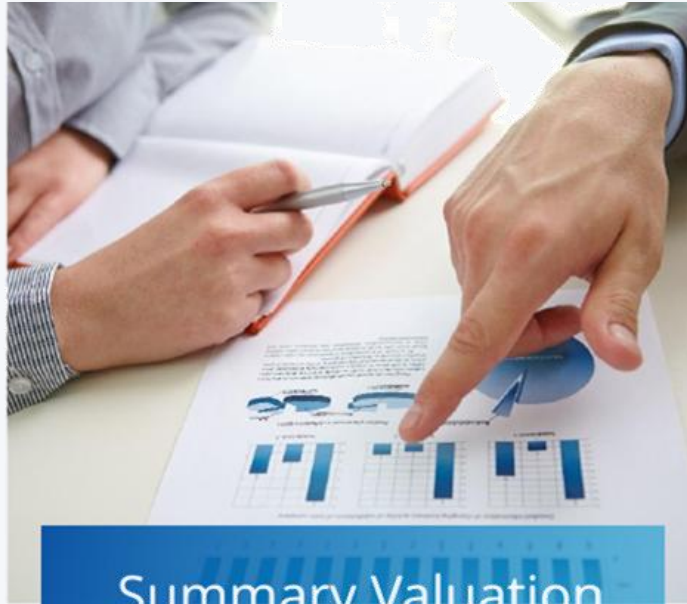
Formal valuation process & outputs

Our Formal Valuation Process



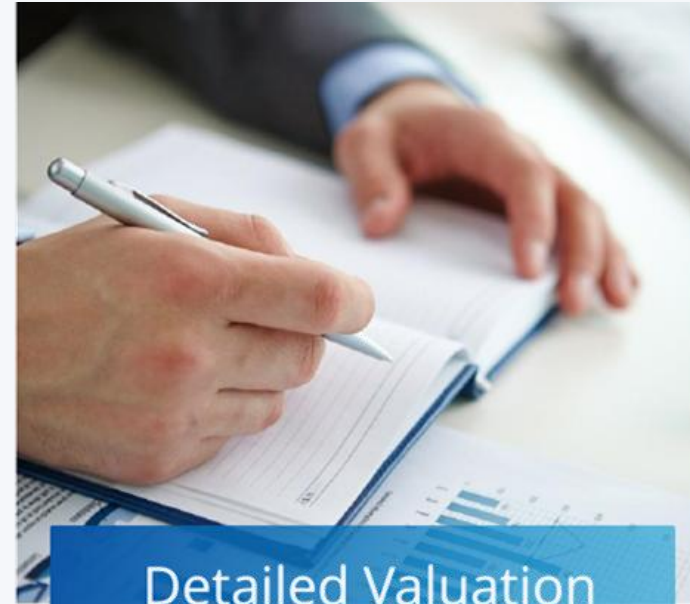
Report Style

Dependent on your valuation purpose



Summary Valuation Report (certified)

Compliant with APES225, this is a shorter report in nature containing only the most relevant and mandatory information documented within. Appropriate for clients that require consideration and application of relevant valuation methods in a summary format with low risks of outside scrutiny and no chance of litigation.



Detailed Valuation Report (certified)

Compliant with both APES225 & IVS, a detailed report is appropriate for clients that require a comprehensive report due to a higher chance of outside review and/or litigation (e.g. ATO, partner dispute). A detailed report provides a longer narrative of steps in the valuation and touches on what methods we did not use but did consider, compared to a summary valuation report.

Standards of Value

Standard	Example of Buyer	Example of Company Value
Fair Market Value	A hypothetical market participant	\$8m
Fair Value	Anyone, distinction between litigation or financial reporting	\$8m
Investment Value	Investment fund/specific investor	\$4 – 40m
Synergistic Value	Strategic player, could be horizontal or vertical etc.	\$20m

Valuation approaches



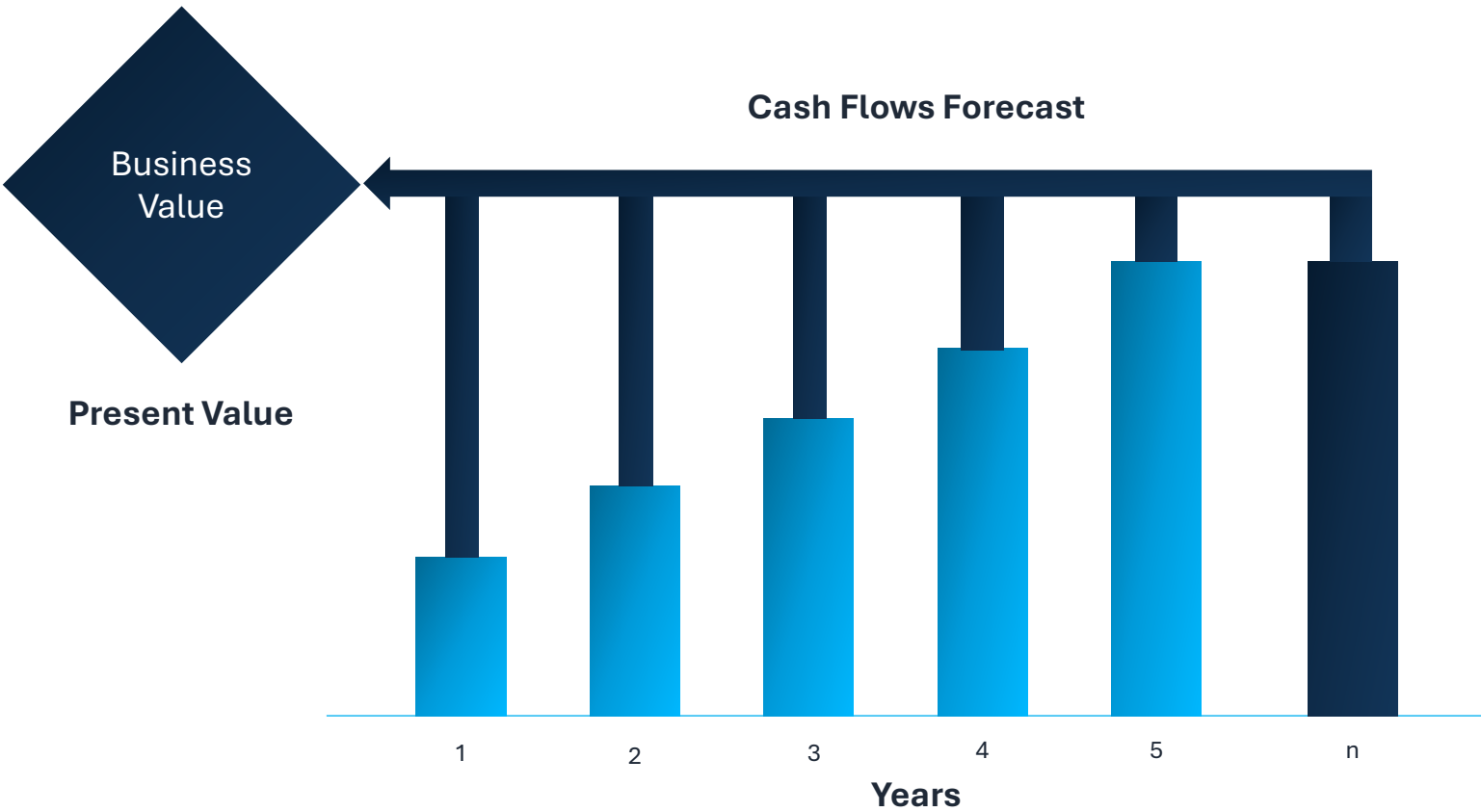
Income approach

01

Capitalised Economic Income Method

02

Discounted Economic Income Method



Discount Rate



Market approach

01

Guideline Public Company Method

02

Guideline Transaction Method

Selecting Comparable Companies



Selection of Multiples

Price to Revenue
Price to EBITDA



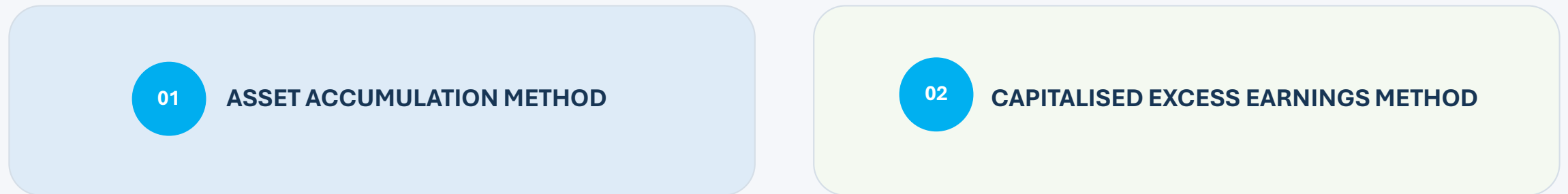
Application of Multiples



Asset approach



COMMON METHODS



Best suited where asset values are a primary driver of the business, or as a supporting cross-check.

Drivers of value

Value increases when earnings grow, profitability strengthens and risk reduces.

01

GROWTH

- Revenue quality
- Recurring income
- Scalable pipeline

02

PROFITABILITY

- Maintainable earnings
- Margin resilience
- Cash conversion

03

RISK

- Owner independence
- Customer diversity
- Systems and governance

VALUE CREATION EQUATION

GROWTH

+

PROFITABILITY

-

RISK

=

BUSINESS VALUE

Case study: a formal valuation behind a CGT restructure

THE SITUATION

An established, owner-operated Australian services business restructuring into a new holding structure ahead of succession.

WHY A FORMAL VALUATION

The rollover relied on market value at a specific date, with the ATO the ultimate audience if reviewed.

THE APPROACH

Normalised maintainable earnings, a capitalisation methodology with cross-checks, and a documented evidence file.

THE JUDGMENT CALLS

Owner remuneration add-backs, related-party arrangements and working capital, set against benchmark evidence.

THE OUTCOME

A signed formal report supporting the restructure, delivered before the transaction date.

THE LESSON

Start before the deadline: evidence gathered early is what makes a value defensible later.



Q&A

Panel Discussion

Q&A follow-up

A useful checklist for accountants and advisers (questions to ask before accepting an engagement)

- What is the purpose and relevant valuation date?
- Who will rely on the valuation?
- Is independence or certification required?
- What financial and non-financial evidence is available?
- Are there related entities, consolidated accounts or unusual adjustments?
- What deadline or transaction timetable applies?

GOOD SCOPING

Reduces rework and ensures the valuation remains fit for purpose.

Start with the decision, not the method.



NEXT STEPS

**Identify the clients who need a valuation
and start the conversation early.**

How to arrange a valuation

Simple pathway for LYD advisers and their clients

1

IDENTIFY THE DECISION

What decision
will rely on the
valuation?

2

CHOOSE THE PATH

BIR or formal
valuation

3

CONFIRM SCOPE & FEE

Purpose, timing,
information and
price

4

PROVIDE INFORMATION

Financial and
non-financial
evidence

5

RECEIVE & APPLY

Use the output
to progress the
client decision

Valuation options and pricing

Select the level of analysis and reporting that fits the purpose.

BUSINESS INSIGHTS REPORT

FROM
\$9,000
+ GST

Includes

- Financial and non-financial analysis
- Current value, potential value and value gap
- Industry benchmarking and risk assessment
- Prioritised value improvement roadmap
- Findings workshop

Best suited to strategic planning, succession and value acceleration.

FORMAL VALUATION

FEE CONFIRMED

AFTER SCOPING

Includes

- Defined purpose, basis and valuation date
- Detailed financial analysis and normalisation
- Appropriate methodology and cross-checks
- Independent valuation opinion
- Formal report with supporting rationale

Best suited to tax, transactions, disputes and independent reliance.

What determines the fee? Purpose and reliance | Business complexity | Entity structure | Information quality | Reporting deadline

All fees are indicative and subject to scope. Additional entities, complex structures, urgent delivery or specialist analysis may require a separate fee.

Let's get started.

Bring us the decision, the context and the evidence.

We will help identify the valuation pathway that is fit for purpose.

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READY TO GET STARTED?

Scan to order your valuation

A simple next step for you and your clients.

01

SCAN

Open the QR code using your phone camera.

02

SUBMIT

Provide the client details and valuation purpose.

03

NEXT STEP

Our team will confirm the right pathway and scope.

SCAN QR CODE



ORDER A VALUATION

Use the QR code to begin the enquiry.