



Precision Auto LLC

February 27, 2025

332710 - Automotive machine shops

Business Insights Report

We're here to help you understand, grow, and protect your most important asset. The insights in this report will help you make more informed decisions for your future.

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Summary

Valuation estimates

Estimated Current Valuation Range

\$6.1m – \$9.0m

Based on recent financials and operating practices

Dream Valuation

\$12.0m

Valuation needed to accomplish your goals after exit

Growth Opportunities & Risks

Projected Revenue growth

10%

Typically 10 to 20% is an indicator of a thriving small-to-medium business.

Risk Score

Moderate

Companies with low risk profiles are more marketable and more likely to sustain value over time.

Growth opportunities

- Conduct Annual Contract Review
- Conduct Annual Cost Review
- Expand Recurring Renewing Revenue
- Explore Adjacent Products Or Services
- Prioritize Customer Retention
- Set Measure Key Performance Indicators

Key Risks

- Owner Dependency Risk
- Key Employee Risk
- Supplier Diversity Risk
- Financial Practice Risk
- Customer Concentration Risk

Beyond the Numbers

Recommended steps to make more informed decisions and prepare for life after your business.

Implement a Buy-Sell Agreement

Ensure your transition is well defined and protective of the business and your personal financial interests.

Urgency: ● ● ●

Evaluate your insurance coverage

Safeguard your most valuable asset to ensure your future is secure in the face of unforeseen risks.

Urgency: ● ● ●

Review your Personal Estate Plan

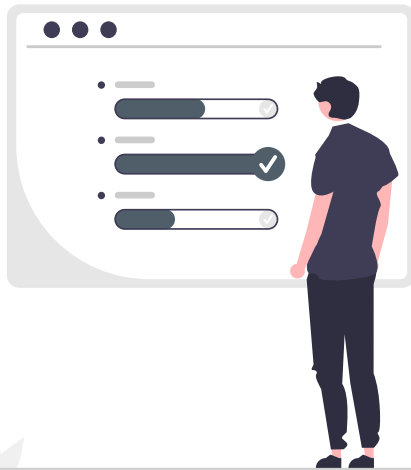
Align your estate plans for a legacy that reflects the true worth of your achievements.

Urgency: ● ● ●

Create a Succession & Exit Plan

Create a practical plan to minimize disruptions and ensure your transition aligns with your goals.

Urgency: ● ● ●



Valuation Estimates, Opportunities, and Risks

A summary of the valuation, key growth opportunities, and risks factors of your business.

Valuation Estimates

Current Valuation

Estimates

Current Valuation
Estimate

\$8,556,630

Current Valuation Range
\$6,106,053 - \$8,989,085

Annual Income after Exit
\$362,000

Key Factors

Industry Code
332710

Comparable companies that have been sold or acquired in your industry were reviewed for reference. Adjustments were made to account for differences in company sizes to inform valuation estimates.

Risk Profile
Moderate

The less risky a business is, the more marketable it is to potential acquirers or investors. See Risk Assessment for more details.

Normalized EBITDA
\$1,196,566

An estimate of the cash profits your company may be able to sustainably generate in the future. Since EBITDA is a key metric used to determine value, small changes in EBITDA can have big impacts on your valuation.

Dream Valuation

Estimates

Valuation Needed at Exit
\$12,046,303

Annual Income after Exit
\$425,000

Legacy Funding
\$1,400,000

Planned Retirement Age
63

Key Considerations



Tax Plan

Estimates shown are based on average tax rates at exit. Work with a tax professional to create a personalized strategy to optimize the amount of cash you retain after exit.



Estate & Legacy Plan

Identifying and estimating your legacy goals with an advisor gives you a better idea of what your cash needs are after exit.



Retirement Plan

When you retire and your plans during retirement will inform how much annual income you need. Make your Dream Value estimate more informed by working on your retirement plan.



Succession & Exit Plan

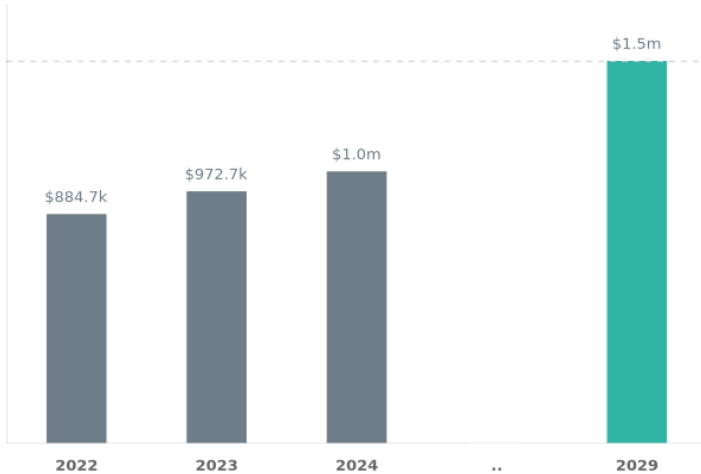
Create a practical plan with an advisor to minimize disruptions and ensure your transition aligns with your goals.

Current and Dream Valuation Estimates are based in-part on general benchmarks and should be reviewed with professional financial advisors to account for nuances in your situation. These estimates should not be considered a certified valuation and are not intended to provide the fair market value for purposes of selling a business. Estimates should only be used as reference insights for planning purposes with a professional advisor.

Growth Opportunities

Exploring new revenue opportunities, increasing customer retention, and making operations more cost-effective through vendor renegotiations or internal workflows can help you optimize your growth and profitability.

EBITDA: Historic v. Dream



EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization estimates the cash profits generated by your company's operations.

Annual EBITDA Needed to Reach Dream Valuation
\$1,477,902

Years to Dream Valuation
4 years

Based on your Projected Annual Revenue Growth and Average Operating Margin

Average Annual Revenue Growth
16.5%

Projected Annual Revenue Growth
10.0%

Average Annual EBITDA Growth
8.9%

Average Operating Margin
20.0%

Revenue Expansion Best Practices

Expand recurring / renewing revenue streams

Investing in strategies that encourage repeat business not only fuels steady growth but also acts as a safety net, reducing the impact of market fluctuations on your business.

Explore adjacent products or services

Diversifying your offerings expands revenue streams and strengthens EBITDA resilience in the long-term.

Prioritize customer retention

A loyal customer base not only bolsters profits but also enhances your business's sustainable EBITDA.

Cost Management Best Practices

Conduct an annual cost review

Conducting an annual cost review is a prudent practice to identify areas for potential savings to your bottom line and uncover ways to optimize your business operations.

Conduct an annual review of all contracts

Reviewing your contracts with customers, vendors, suppliers, and partners to make sure they still match your current business goals and identify areas to improve your profitability.

Set and measure Key Performance Indicators (KPIs)

Formally defining the critical numbers that measure your success helps you measure performance on a daily, weekly, and monthly basis and provides a backbone for informed decision-making.

Risk Assessment

Identifying and mitigating key risks is critical to ensure your company is around for a long time. Finding ways to mitigate the risks your business faces will ensure you're prepared for the future.

Score

Owner Dependency Risk

High

Key Employee Risk

High

Supplier Diversity Risk

Moderate

Financial Practice Risk

Moderate

Customer Concentration Risk

Moderate

Liquidity Risk

Low

Leverage Risk

Low

Recommended Mitigation Practices

Delegate strategically, build process, and empower your team.

It is likely that your profitability declines if you leave the business today. Delegating key responsibilities, documenting processes, and empowering your team to take ownership of key functions fosters a more sustainable and marketable business.

Retain key employees and protect against losing them

Employees are the lifeblood of your company. Consider revisiting your Employee Benefits Plan or exploring Key Person Insurance.

Review your supplier relationships routinely

Your business has a diversified supplier base, however, there could be risk of relying too much on your top vendor. It is recommended you review your supplier relationships routinely to enhance stability and fortify your business against potential disruptions.

Partner with a CPA to maintain your financial records.

Working with accounting professionals to maintain disciplined financial record keeping not only ensures regulatory compliance but also enhances the marketability of your company, positioning you for success in the eyes of potential buyers or investors.

Expand and diversify your customer base.

Relying heavily on a few customers for the majority of revenue increases business vulnerability. Diversify your customer base to enhance stability, mitigate risks, and fortify your business against potential fluctuations.

Your short-term liquidity is strong

The assets you have that can be quickly converted to cash are meaningfully greater than the liabilities you have due in the next year. Consider leveraging this solid foundation to explore strategic investments, optimize working capital, and fortify your financial position.

Your debt-to-FMV of equity is 0.14

A debt-to-FMV of equity ratio between 1 and 2 is considered healthy for small businesses. This may vary significantly based on industry, business goals, and risk tolerance. on industry, business goals, and risk tolerance.



Beyond the Numbers

How to use these insights to protect your business and prepare for life after you exit.

Protect your value with a buy-sell arrangement

Estimated Value at Risk Today

\$8,556,630

You have worked hard to make your business what it is today. Without a buy-sell arrangement, the value of your business is at risk in the event of retirement, death, or long-term disability.

How it Works

Buy-sell agreements stipulate how ownership is transferred in the case of owner death, long-term disability, or exit.

Since ownership transfers can require large amounts of cash, **buy-sell agreements are typically backed by life insurance policies.**

Insuring your buy-sell arrangement increases the chances you or a loved one receives the potential value of your ownership in the event of retirement, death, or long-term disability.

 *Work with an advisor to determine what buy-sell arrangement is right for you.*

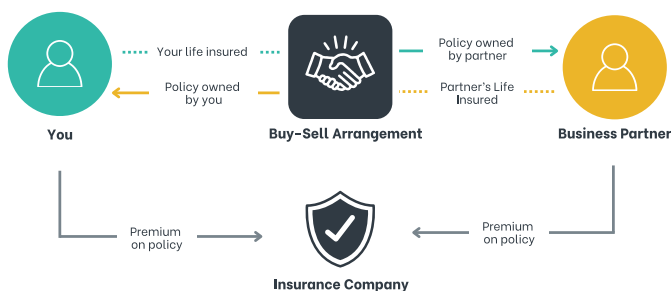
Benefits for you, your family, and your business

- Your exit from the business is well defined and insured
- Guarantees your loved ones a buyer for an asset that may not be right for them to manage in the event of your death
- May open opportunities to optimize estate taxes
- Protects the longevity and continuity of the business after death or exit

Example Buy-Sell Arrangement Structures

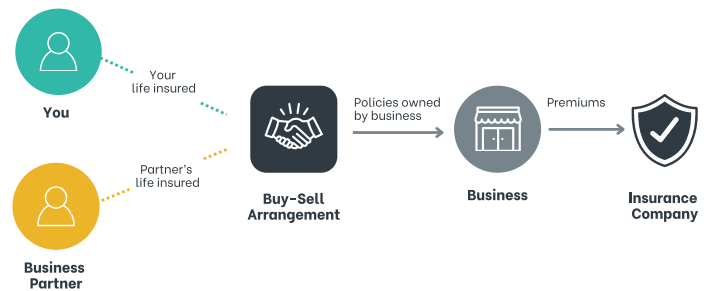
Cross-purchase plans

Each owner purchases a life insurance policy on the other owner(s) to fund the buy-sell arrangement.



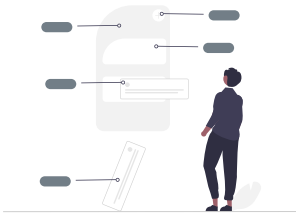
Entity redemption plans

Business buys separate life insurance contracts on the owners, pays the premiums, and is the beneficiary.



Safeguard your most valuable asset

Secure business continuity against risk to you or your key employees

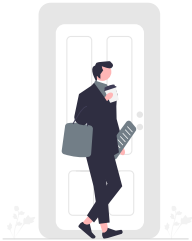


In the event you or one of your key employees is disabled or no longer able to work, you will want to ensure the overhead of the business is covered.

Business Overhead Expense Insurance covers the ongoing operating expenses of the business during the disability period, ensuring that the business can continue to function and meet its financial obligations.

Annual Operating Expenses at Risk:
\$1,160,545

Retain key employees and protect against losing them.



Employees are the lifeblood of your company. Consider revisiting your **Employee Benefits Plan** or exploring **Key Person Insurance**.

Key Employee Dependency Risk:
High

Plan your capital and liquidity needs



Make sure you have access to the right capital resources when needed to ensure smoother operations, mitigate risks, and seize new growth opportunities with confidence.

Work with an advisor to create a **Capital & Liquidity Plan**.

Liquidity Risk:
Low

Ratio of Current Assets to Current Liabilities:
2.8



Let's work on your future, together.

With new insight into your business's value, growth opportunities, and risks it's time to get ready for what's next.

Schedule time with your advisor to see how they can help with these recommended next steps.

For Your Business:

- Insurance Coverage Evaluation
- Employee Benefits Evaluation
- Capital & Liquidity Planning

For Your Future:

- Estate & Legacy Planning
- Succession & Exit Planning
- Retirement Planning

Appendix

A record of the financial data, business information, and dream valuation goals used to generate this report.

Financial Data

The financial data provided to inform valuation estimates and insights.

	2024	2023	2022
Revenue	\$5,796,069	\$4,541,881	\$4,310,801
Cost of Goods Sold	\$2,140,936	\$1,946,306	\$1,769,369
Operating Expenses	\$1,194,259	\$1,176,599	\$1,160,545
Non-Operating Expenses	\$711,100	\$710,091	\$709,174
Interest Expense	\$5,648	\$5,134	\$4,668
Depreciation	\$23,160	\$21,054	\$19,140
Amortization	\$12,172	\$11,065	\$10,059
Net Income	\$1,008,791	\$935,432	\$850,846

Adjustments to normalize EBITDA			\$200,000
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Normalized EBITDA

Normalized EBITDA is an estimated forecast of the cash profits of your company each year in the future.

\$1,196,566

Financial Data (cont'd)

The financial data provided to inform valuation estimates and insights.

Assets	2024
Cash & Cash Equivalents	\$857,814
Accounts Receivable	\$596,571
Other Current Assets	\$254,798
Fixed Assets & Land	\$0
Other Long-term Assets	\$0

Liabilities	2024
Accounts Payable	\$24,868
Credit Cards & Short-term Debt	\$22,837
Other Current Liabilities	\$571,217
Other Long-Term Debt	\$618,922

Business Information

The business information provided to inform valuation estimates and insights.

Business entity structure Used to estimate taxes	S Corporation
Industry (NAICS) Historic exit transactions for companies of comparable industry and size are reviewed when estimating valuation	332710 - Automotive machine shops
Customer count Informs customer concentration risk assessment	100+
Percentage of revenue from top 2 customers Informs customer concentration risk assessment	16% - 25%
Revenue Breakdown Informs quality of revenue streams and stability assessments	Recurring: 15%, Renewing: 0%, One-time: 85%
Percent of revenue relying on any one vendor Informs vendor dependency risk assessment	50%
Projected revenue growth within the next year Informs the potential for significant short-term changes in valuation	10%
Financial record manager Informs financial practice risk assessment	Bookkeeper
Likelihood of negative impact on revenue and/or profitability upon owner departure Informs owner dependency risk assessment	Likely
Likelihood of negative impact on revenue and/or profitability upon key employee(s) departure Informs key employee dependency risk assessment	Likely
Insurances Informs risk mitigation recommendations	General Liability

Dream Value Goals

Your dream valuation is the amount your business needs to be worth at exit to achieve the personal financial goals you shared below.

Ideal Exit	Transition
Capital needed to achieve financial goals after exit	\$0
Annual income requirement for retirement	\$425,000
Current retirement savings	\$0
Age at Retirement	63
Percent of company ownership	100%

Legacy plan considerations

Philanthropy	\$250,000
Weddings	\$250,000
Kids/Grandkids education	\$400,000
Other	\$500,000

Disclaimers

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