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cloud market place
merger and acquisiton

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Fair Value company valuation

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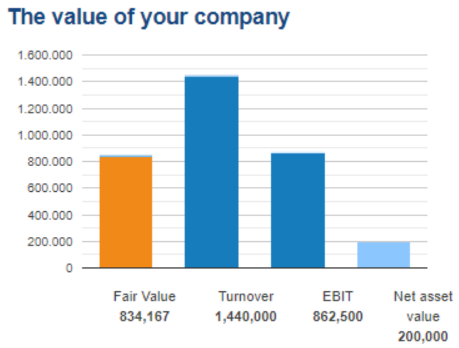
1 Management Summary

Company valuations are necessary in different phases of a company. Most of the time, these are crucial situations in which there are great opportunities but also great risks.

The valuation of a company can differ widely between the seller and the buyer because the interests are not the same.

With the Fair Value company valuation, we offer a valuation method that represents a fair basis for both sides.



Fair Value basics

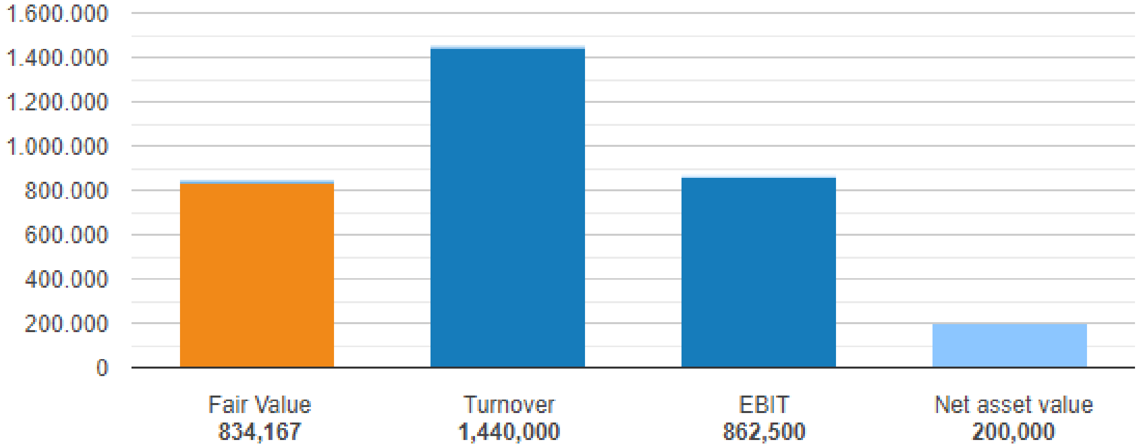
The mean value of the three following valuation methods forms the basis for the fair value company valuation.

1. <u>Multiple Sales</u>
   A new company must first find an offer and new customers in order to generate sales. This is expensive and associated with high risks, so the turnover assumed represents value.
2. <u>Multiples EBIT</u>
   A company's profitability is an additional value driver and is reflected in the EBIT multiples.
3. <u>Net asset Value</u>
   The substance value forms the basis for a company valuation. In particular, if the value falls below the intrinsic value, the owner is more likely to liquidate the company than to sell it.

In addition to the fair value, airmna.com calculates the company's rating, which represents a risk assessment.

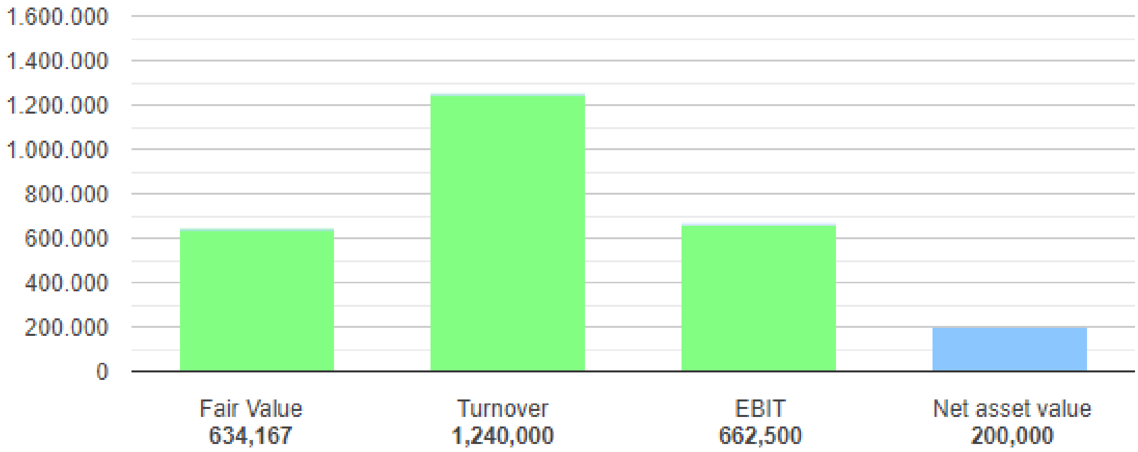
The calculated rating is between AAA and C, with AAA being the best and C being the worst. In addition to profitability and financing, the economic data for the industry and the country are also taken into account when calculating the rating.

2 Fair value company valuation



Fair Value	Fair Value = (Multiplier EBIT + Multiplier Turnover + Net asset value / 3) *Formula: 862,500 + 1,440,000 + 200,000 / 3 = **834,167***
Turnover	The turnover multiplier is based on adjusted sales before exceptional items. Exceptional items are sales that are not operational or exceptional. *Formula: 2,000,000 * 0.72 = **1,440,000***
EBIT	Multiplier EBIT (EBIT=earnings before interest and taxes). It is based on net earnings before interest and taxes. *Formula: 150,000 * 5.75 = **862,500***
Net asset value	The net asset value is calculated from the balance sheet total minus borrowed capital, taking into account hidden reserves/risks.

Goodwill / Badwill



Goodwill	Goodwill is known as a positive difference to the asset value.
Badwill	Badwill is known as a negative difference to the asset value.

2.1 Fair Value basics

The company valuation is based on the principles of www.biscau.com. In the fair value method, we combine different valuation methods and calculate the mean value from them

Link: Fair Value Company valuation:
https://airmna.com/en/mergers-acquisitions/valuation

1. The **sales multiple** is based on adjusted sales before exceptional items. Special items are sales that are not operational or extraordinary.
2. The **multiplier EBIT** (EBIT=earnings before interest and taxes). It is based on net earnings before interest and taxes.
3. The **asset value** is calculated from the balance sheet total minus borrowed capital, taking into account the hidden reserves/risks.

The sales and EBIT multipliers used depend on the industry and are provided by the business intelligence solution biscau.com

Fair Value airmna.com			
Multiples		**Multiple**	**Wert**
sales	2'000'000	0.72	1'440'000
EBIT	150'000	5.75	862'500
Asset value			
asset value	200'000	1.00	200'000
Fair Value Unternehmenswert			**834'167**

The calculated value may differ from third-party ratings. Generally recognized valuation methods are used for the company valuation.

For a comprehensive company valuation or further information, please contact: **M&A experts**

2.2 Fair Value sales

The annual turnover includes the turnover from goods, services, licenses, etc., which the company or area offered has generated in the past calendar year or 12 months, excluding VAT.

Corrections made to sales can be made and must be justified in detail.

2.3 Fair Value EBIT

EBIT = company earnings before interest and taxes. Is an international benchmark to make company results comparable.

Taxes and interest costs are added to the annual profit and the result is the EBIT. The time span for EBIT is one year or 12 months.

In the case of legal entities (stock corporations, GmbH, etc.), the wage costs of the working owners are included. In the case of natural persons (sole proprietorship, general partnership, etc.), the wage costs of the working owner are usually not included and must therefore be corrected as follows.

Fair Value EBIT	Financial statements Legal entity	Annual financial statement	Correction natural person
EBIT annual accounts			
Sales	1'125'000	1'125'000	1'125'000
Costs	-650'000	-650'000	-650'000
Wage costs	-250'000	-150'000	-150'000
expenses	-75'000	-75'000	-75'000
Correction entrepreneurs wages			**-100'000**
EBIT annual accounts	**150'000**	250'000	
Adjusted EBIT natural person			**150'000**

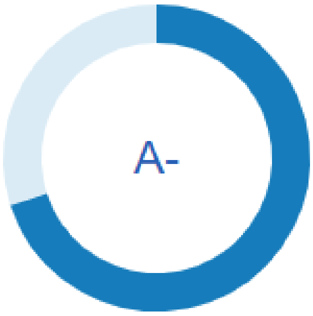
2.4 Fair Value Shareholders equity

Equity is the difference between the assets (total assets) and the liabilities (total debt capital) on the balance sheet (e.g. of companies). Equity is available to the company for an unlimited period and there are no repayment obligations.

The balance sheet must be checked beforehand in accordance with recognized valuation principles (Swiss GAAP FER, IFRS or US GAAP). We include existing hidden reserves in equity, such as assets valued too low or liabilities valued too high in the balance sheet.

		Values of the annual accounts	Hidden reserves	Total
Assets				
	Liquid fonds	50'000		50'000
	Accounts receivable	100'000	5'000	105'000
	Warehause	50'000	25'000	75'000
	Capital assets	125'000	25'000	150'000
Liabilities				-
	Short-term borrowed cap	-75'000		-75'000
	Long-term liabilities	-50'000		-50'000
	Accruals	-100'000	45'000	-55'000
Shareholders equity		**100'000**		
Hidden reserves			**100'000**	
Net Asset value including hidden reserves				**200'000**

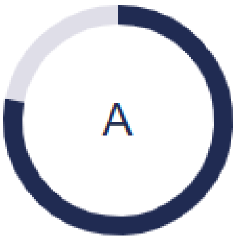
2.5 Rating and reference numbers



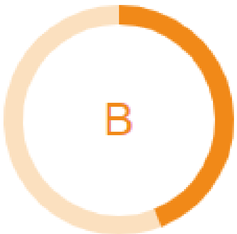
Rating

Healthy company with possible risks; favorable future security

Reference numbers



Profitability



Financing

Economy

The company rating and the evaluation of the key figures are based on the rules of www.biscau.com. The calculated rating values can deviate from the rating of the financial institutions.

Both quantitative and structural factors are considered for the rating. The quantitative factors include the industry indicators of liquidity, financing and earnings. The structural factors take into account the company's economic data.

2.6 Rating scale AAA until C

The rating assesses a company's health and future security. The biscau calculation is based on the generally recognized factors and principles of Basel III.

Risk classes	**biscau**	**S&P**	**Moody's**
Very healthy company; highest quality of future proofing	AAA	AAA	Aaa
healthy companies; high quality of the future	AA+ AA AA-	AA+ AA AA-	Aa1 Aa2 Aa3
healthy companies with potential risks; cheap secure future properties	A+ A A-	A+ A A-	A1 A2 A3
Companies with potential risks; medium quality of future proofing	BBB+ BBB BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa2
Companies with existing risks; sufficient structures assurance of future	BB+ BB BB-	BB+ BB BB-	Ba1 Ba2 Ba3
Companies with medium risks; insufficient structures assurance of future	B+ B B-	B+ B B-	B1 B2 B3
Companies with medium to large risks; endangered future proofing	CCC+ CCC CCC-	CCC	Caa
Companies with large risks; very little future proofing	CC+ CC CC-	CC	Ca
Companies with very large risks; least secure future	C+ C C-	C	C

3 Extendet exams

3.1 Due Diligence - Buyer

A due diligence is a check that is usually initiated by the buyer when purchasing companies or company holdings.

It serves to bring the future buyer as fully as possible to the knowledge of the seller, to obtain a confirmation for the previous information and information, to capture and evaluate as many opportunities and risks as possible, to obtain information for the improvement of the business.

Depending on the size and complexity of the company, due diligence can take on a large scope. For this purpose, the buyer selects the appropriate specialists who will examine the company to be acquired for him.

These experts, such as trustees, tax consultants, auditors and lawyers, sometimes also technical, industry and financial experts, are responsible for their assessments, so it can be assumed that all auditors exercise great caution and due diligence can therefore of course be very extensive.

The results of a due diligence are recorded in the due diligence report and influence the negotiations, in particular the guarantee catalog and the purchase price determination. A neutral third party can help with a plausible weighting of risks in the event of a dispute.

Credit institutions often want to see the due diligence report, its statements influence the financing.

Due diligence is a delicate matter for a seller because at the time of the review, employees are usually not yet aware of the intention to sell.

Nowadays, it is also common to set up virtual data rooms with all relevant documents and contract copies. A prospective buyer receives access rights against a protected password, which allow him to view the documents. Such a digital data room can be set up with the software **www.biscau.com** .

The provision of a virtual data room also has the not to be underestimated advantage that several prospective buyers can check at the same time without having to appear in the company or even knowing about each other.

3.2 Correction values

For SMEs, the annual financial statement is the basis of a company valuation. The annual accounts are checked in accordance with internationally recognized standards such as IFRS or Swiss GAAP FER and corrected if necessary.

- Possible corrections are:
- assets or liabilities not required for operations
- assets or liabilities rated too low or too high
- expenses not required for operations
- Non-operating income
- Excessively booked expenses such as entrepreneurial wages, finance or rent costs ...

If you want to create an assessment in the future, the budget figures are used. You get a good overview if you compare the financial indicators with the industry average. In addition, synergy potentials can be included in the evaluation by presenting the value chains and quantifying the individual positions.