



STRATEGIC VALUATION ASSOCIATES

CrossCheck® Business Valuation Report

Confidential

Valuation Date: August 31, 20XX

Report Date: September 21, 20XX

Coffee Roasting Technologies, Inc.
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BUSINESS VALUE

An estimate of Business Value has been made based upon the review and analysis of the financial projections, history, and business profile provided to SVA by the client. This information was incorporated into our valuation methodology, financial model, and independent analysis to produce an estimate of Business Value.

The value of Coffee Roasting Technologies, Inc. is estimated at:

\$1,536,000

as of August 31, 2016, with an **Equity Value** of **\$1,388,300** determined after adding the **Cash Balance** of **\$52,300** and subtracting **\$200,000** of **Interest Bearing Debt** and **Long Term Liabilities**. We have also estimated a *high* and *low* range of value at \$1.9 million and \$1.3 million, respectively. Please see the *Valuation Results* schedule for a complete breakdown of the elements of your company's value.

VALUATION SUMMARY \$ 000s			
Range	LOW	BASE	HIGH
Business Value	1,278	1,536	1,858
Less: Beginning Debt		-200	
Plus: Beginning Cash		52	
Equity Value		1,388	

OWNERSHIP. The Business Value presented above assumes 100% ownership. Please see the comments regarding majority/minority ownership positions in *Marketability Discounts and Control Premiums* section.

COMPANY BACKGROUND AND PROJECTIONS.¹ Coffee Roasting Technologies, Inc. (CRT) specializes in the development, sale and distribution of coffee roasting equipment. The company has been in business since 2002 and currently employs 14 people. CRT serves specialty roasters throughout the Northeastern Atlantic corridor. The company operates out of its headquarters in Boston, MA. 3 years of historical data and 5 years of projections, as provided to SVA by the client, were used to develop an unlevered cash flow forecast. These projections show very strong growth over the next five years averaging a compound 22.4% per year. Sales increase from \$1.3 million in 2017 to \$2.3 million in 2021. Historical Sales have increased 4% from \$818,000 in 2014 to \$848,000 in 2016. Throughout the forecast the company's Gross Margin ranges from 70% in 2017 to 74% in 2021. This represents an improvement over historical Gross

¹ Historical fiscal year ends Dec. 31. The forecast period fiscal year represents the next 12-month period from the date of this report, shown as 2017.

Valuation Results

USD, unless otherwise noted

Coffee Roasting Technologies - Business Valuation

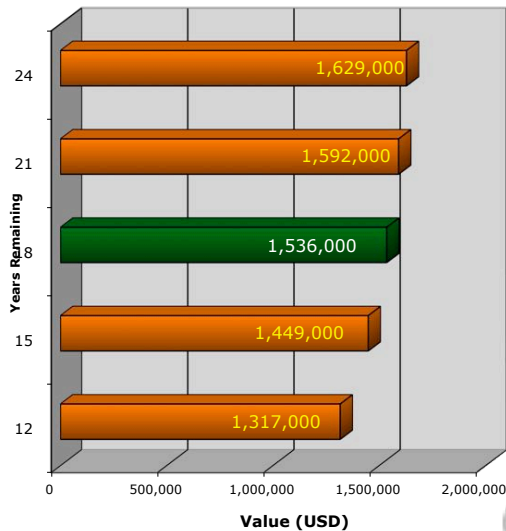
Company Description

Coffee Roasting Technologies' (CRT) line of business is the sale and service of coffee bean roasting equipment. CRT has been in business since 1995. It serves specialty roasters throughout the Northeastern US. Headquartered in Boston, Massachusetts, the business has a very experienced management team employing a total of 14 people, including 4 sales representatives. Sales are currently concentrated in 12 East coast states where the business enjoys an excellent reputation; however, future buyer plans to expand operations to an additional 20 high potential markets in 13 Western and Midwest states. Company's primary competitive advantage is a proprietary, but currently unpatented, roasting technology that produces extremely consistent results from batch to batch. Once a coffee formulation is finalized its chemical composition is essentially blueprinted. As the new owner implements its expansion plan, it is expected the company will likely receive buyout offers from its major competitors as they seek to acquire this innovate technology and commence worldwide export of this new roasting process.

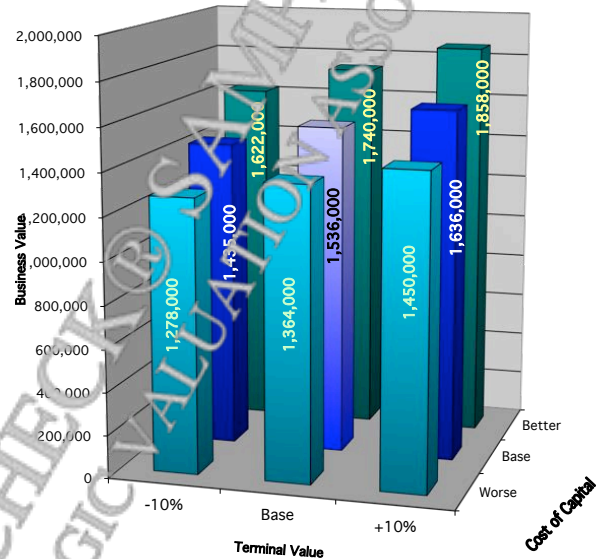
Summary of Business Value

Present Value*	
Forecast Cash Flows	531,000
Terminal Value	1,005,000
Business Value	1,536,000
Less: Beginning Debt	(200,000)
Plus: Beginning Cash	52,000
Equity Value	1,388,000
*Cost of Capital	18.7%
Adjusted Asset Value	468,000
Less: Current Liab. & LTD	(231,000)
Adjusted Net Asset Value (NAV)	217,000

Business Value Sensitivity to Remaining Years in Business



Valuation Matrix



You have indicated that you expect your company to remain in business for the next 16-20 years. The expected Business Value of \$1.5 million was developed using an average of 18 years. Adjusting the expected business life in plus or minus 3-year increments illustrates how the Business Value changes based on remaining years in business.

Your Business Value Estimate is Equivalent To:

LTM		NTM
1.8X	Sales	1.2X
7.2X	PCFwOC	7.9X
18.1X	EBITDA	16.4X
68.2X	NCF	n.m.

LTM - Last Twelve Months; NTM - Next Twelve Months

Notes to Valuation Results

We place the highest emphasis on the Base Case result (highlighted in middle of Valuation Matrix). It incorporates your projections and business profile within our analytical framework. Because no forecast works out exactly to plan, we thought it was important to give you an idea of the range of values from High to Low that your business opportunity might fall within. To do so we varied both the cost of capital and terminal value (+/-10%). Our objective is to help you identify a reasonable range of your company's intrinsic value. The High and Low values help to illustrate the impact of cash flow growth that is better or worse than expected beyond your forecast (TV). This could be for a number of reasons such as 1) better than expected market acceptance of a new product or service; 2) loss of key employees; 3) change in technology; 4) increased competition; etc. Similarly, the Better and Worse range of your cost of capital could vary from the Base Case, for example, due to 1) changes in inflation and borrowing rates; 2) company/industry volatility relative to the market; etc.

Business Profile

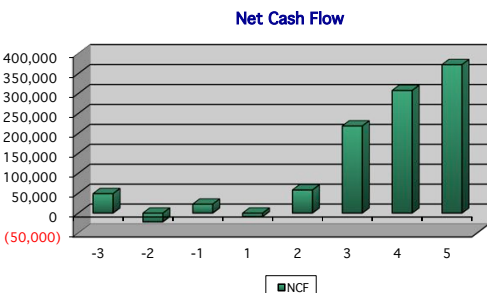
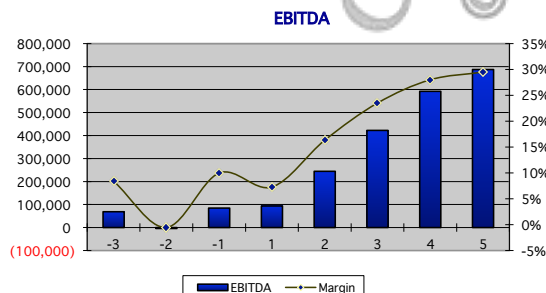
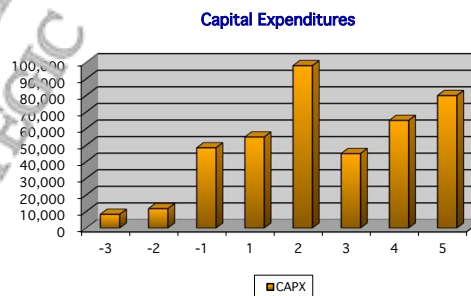
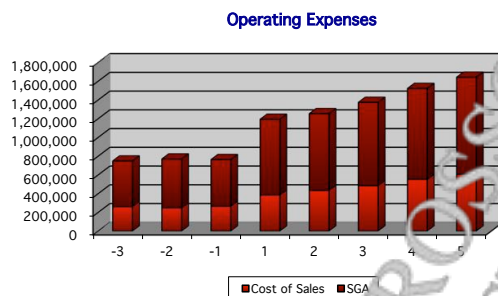
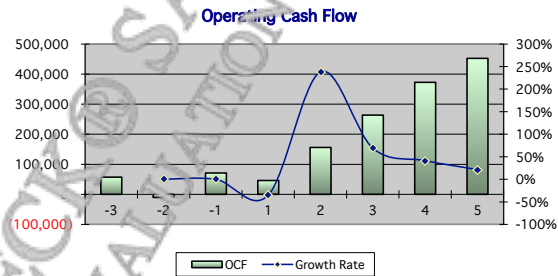
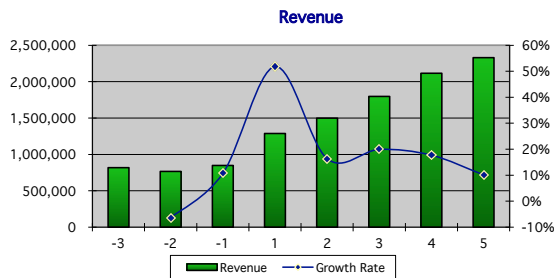
Coffee Roasting Technologies - Business Valuation

USD, unless otherwise noted

Timeline (Year)	Normalized Historical			Forecast				
	2014	2015	2016	2017	2018	2019	2020	2021
	-3	-2	-1	1	2	3	4	5

Key Statistics

Category	2014	2015	2016	2017	2018	2019	2020	2021
Financials								
Revenue	818,146	766,403	848,251	1,287,700	1,498,500	1,797,200	2,115,600	2,330,200
EBITDA	68,796	(4,081)	84,664	93,800	244,520	422,400	592,300	687,100
Net Income	25,015	(36,341)	27,477	28,145	113,438	223,275	325,325	376,610
Working Capital Source/(Use) of Funds	n.a.	(8,387)	(752)	(34,060)	(29,016)	(40,305)	(46,334)	(5,830)
Operating Cash Flow	57,227	(10,156)	70,991	46,085	156,022	263,570	372,591	452,366
Capital Expenditures	8,367	11,799	48,471	55,000	98,000	45,000	65,000	80,000
Net Cash Flow	48,860	(21,955)	22,520	(8,915)	58,022	218,570	307,591	372,366
Total Assets	458,551	450,682	453,664	524,479	583,188	594,513	620,384	621,178
Working Capital Targets								
Operating Cash Balance					6 Weeks Cash Expenses			
Average Age of A/R					30 Days			
Inventory Turnover to Annual Cost of Sales					6 Times			
Average Age of A/P					20 Days			
Operating Performance								
Sales Growth Rate		-6%	11%	52%	16%	20%	18%	10%
Gross Margin	68%	68%	69%	70%	71%	73%	74%	74%
EBITDA Margin	8%	-1%	10%	7%	16%	24%	28%	29%
Market Rate Payroll as % of Revenues	36%	40%	39%	34%	31%	29%	26%	25%
Sales/Total Assets	1.8X	1.7X	1.9X	2.5X	2.6X	3.0X	3.4X	3.7X
Return on Assets	5%	-8%	6%	5%	19%	38%	52%	60%
New Funding								
Annual External Funding Requirement				(8,915)	0	0	0	0
Cumulative				(8,915)				
Valuation								
Business Value				1,536,000				
Multiple of Last Twelve Month's Sales				1.8X				



Cash Flow Statement

USD, unless otherwise noted

Coffee Roasting Technologies - Business Valuation

	← 2014	Normalized Historical	Forecast	→ 2018	2019	2020	→ 2021	
Timeline (Year)	-3	2015	2016	2017	2	3	4	5

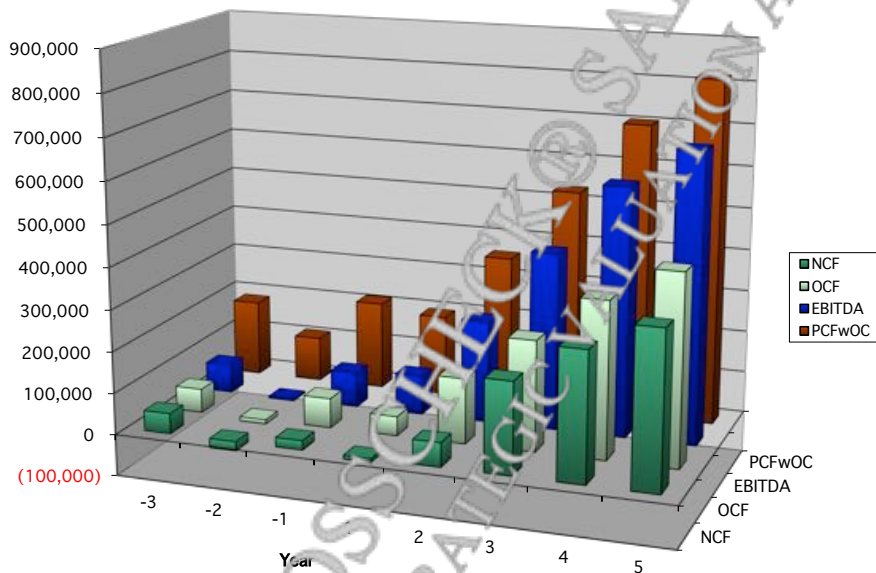
Cash Flow - The Real Bottom Line

Ultimately what your business opportunity is worth to you and others is the cash it returns to its investors. Cash in excess of basic operating expenses and taxes will allow you to invest in new plant and equipment, research and development for your products and services, pay back interest and loans, and finally pay yourself a dividend or higher owner's compensation.

The Cash Flow Statement and graph below will help you and those interested in the operations of your business to see how things look from a variety of perspectives. Keep in mind that the historical data is shown with interest expense and related tax benefit removed.

EBITDA	68,796	(4,081)	84,664	93,800	244,520	422,400	592,300	687,100
Other Income/(Expense)	1,900	2,312	1,875	1,500	1,600	1,700	1,800	1,900
Less: Income Tax Effect	(13,469)	0	(14,796)	(15,155)	(61,082)	(120,225)	(175,775)	(262,730)
Working Capital Source/(Use)	n.a.	(8,387)	(752)	(34,060)	(29,016)	(40,305)	(12,334)	(33,830)
Total Operating Cash Flow	57,227	(10,156)	70,991	46,085	156,022	263,570	372,591	452,380
Annual Growth Rate				-35%	239%	69%	41%	21%
Capital Expenditures	8,367	11,799	48,471	55,000	98,000	45,000	65,000	80,000
Net Cash Flow	48,860	(21,955)	22,520	(8,915)	58,022	218,570	307,591	372,380
Annual Growth Rate					77%	41%		21%

Cash Flow Performance



Also of Importance

Pretax Cash Flow w/Owner's Comp	183,790	107,532	212,512	194,740	356,204	530,895	702,266	817,370
<i>(EBITDA + Working Capital Requirements + Market Based Owners Compensation)</i>								

Cash flows are presented on an unlevered basis (excluding interest expense and related tax benefit). This allows you to focus on the operational performance and cash flow generating capabilities of your business before financing. Pay careful attention to your EBITDA and OCF results. Lenders, in particular, will evaluate these measures when assessing your company's ability to pay interest expense and repay debt. Historical changes in the cash balance are excluded from the working capital calculation as non-operating source or use of funds from debt and equity issuance/(retirement) will affect the balance.

WHAT IS VALUE?

The diagram below helps to illustrate the complexities of actually determining the value for which a given company may be bought or sold. It all depends upon one's point-of-view. By evaluating your company from multiple perspectives you will gain insight into the motivations, issues, and concerns of both the buyer and seller. Does your company have the potential to add new products and services, expand to new geographical markets, or shorten time to market? Does the current owner have the capabilities to achieve the company's full potential (e.g., cash, R&D, marketing expertise, management skills, etc.)? What attracts a buyer to the seller's company? Where does your CrossCheck® paradigm best fit? Think strategically to achieve a favorable negotiation.

Value is in the Eye of the Beholder

- ❖ Company probably worth more to the buyer than the seller
- ❖ Buyer's goals
- ❖ Highest and best use
- ❖ Opportunity cost
- ❖ Window of opportunity
- ❖ Seller's goals
- ❖ How effectively can you communicate your position?

