



# ABC Business Co

Valuation Analysis & Opportunities  
Month 2024

**DRAFT – For Internal / Discussion Purposes only**  
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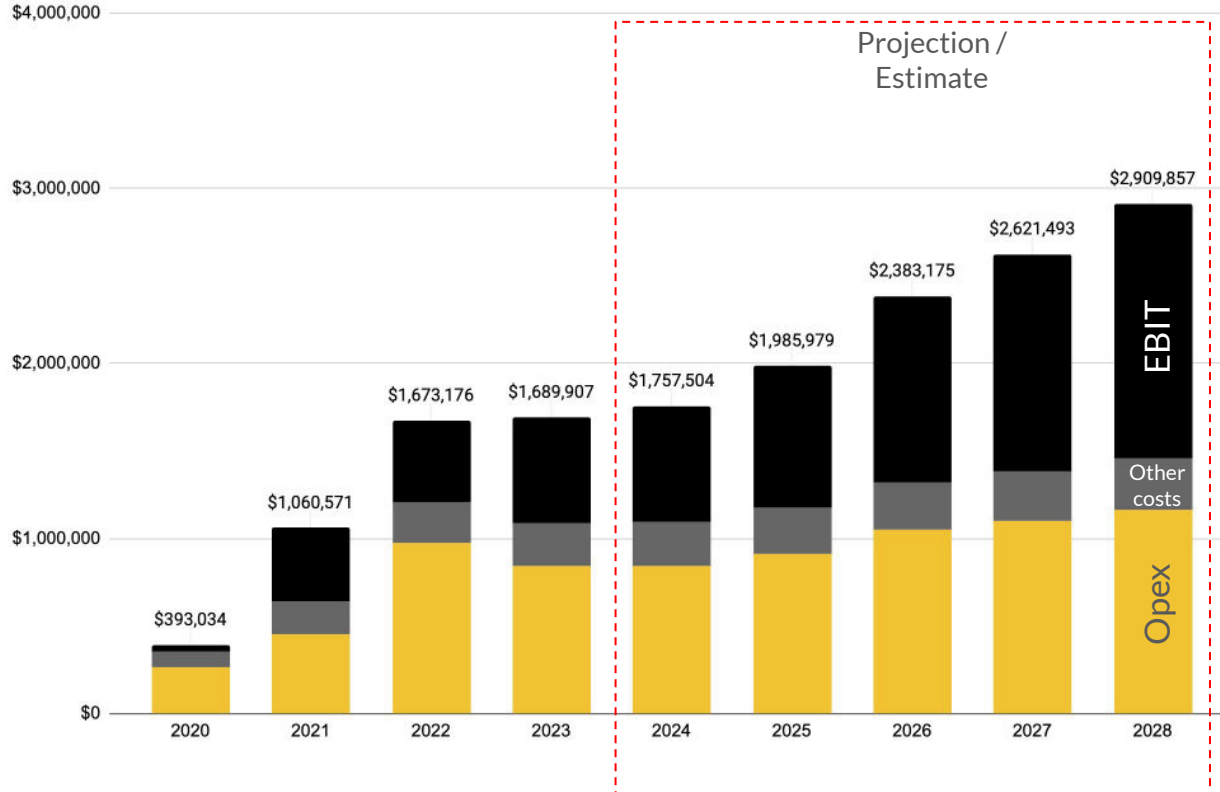
*This is a sample business, not based on real data (it's 100% randomised), but based on real modelling performed for clients.*

# Executive Summary

- Overall, ABC Business Co has an estimated valuation of ~**US\$1.7M** based on an 3.0x EBIT multiple of past 12 month earnings, corresponding with a 40% RRR.
- ABC Business Co has significant upside potential from new business line launches and improving operating margins.
- But there is downside risk in concentration of traffic from social media, and revenue being largely from Australia, while the business is based in the SU.
- There are a few risks associated with ABC's business and operational model, but they can be mitigated through well-executed decisions.

# ABC has growing revenue and profits

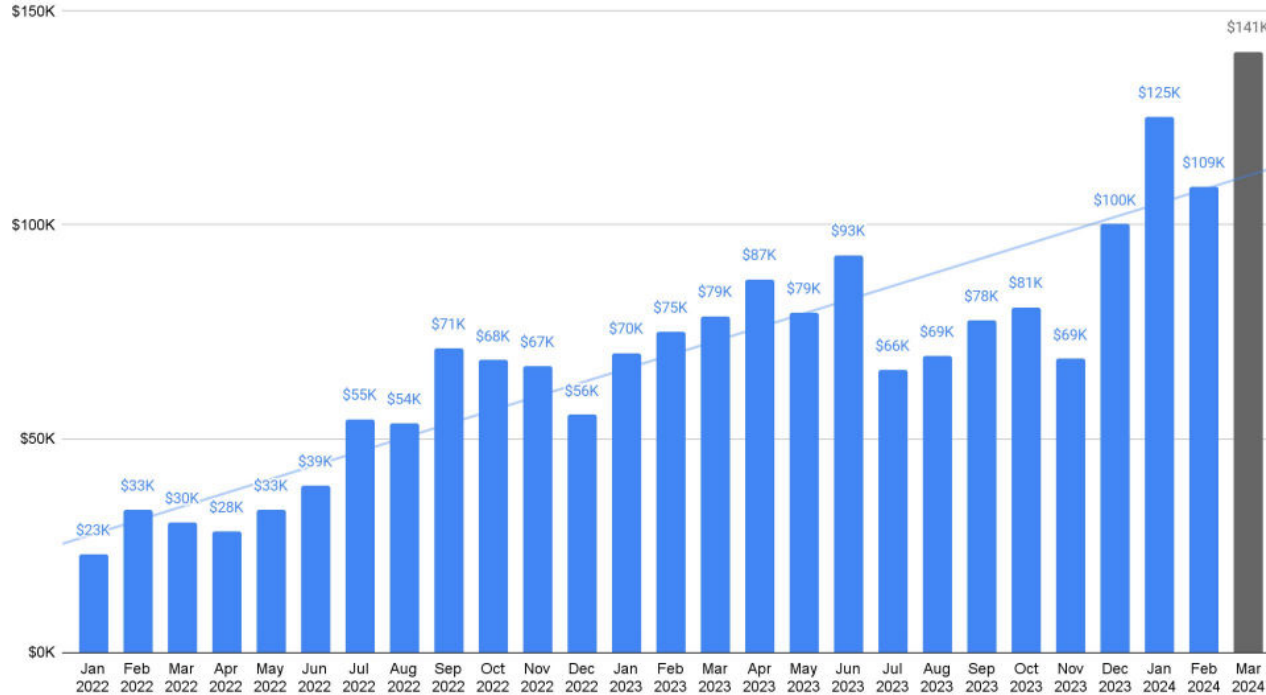
ABC Business Co — Past and projected returns



- Revenue will grow steadily but increasingly slowly, driven by OPEX improvements and new business line launches
- Risks to revenue sources must be mitigated to ensure steady growth (see later in Risks & Opportunities)

# ABC Business Co has lumpy but growing gross sales

ABC Business Co — Monthly Gross Sales



- There is a consistent baseline of sales, in part from returning customers
- Occasional spikes in sales from promotions, conferences, and social media partnerships
- Growth will continue in coming years with launching of new business lines

# Traffic is growing and very steady

## ABC Business Co — Core Traffic (Monthly Sessions)

Including all major sites



- Traffic has grown from a steady base since first launch in 2020
- Sep 2023 Core Update did not significantly affect traffic (reduced many by 50-75%)
- Traffic grew in early 2024, and will continue to grow with new business lines

# OPEX % of Gross Profit is high, leaving room for improvement

OPEX as % of Gross Profit



- Operating costs are high, largely a factor of commissions paid to salespeople, as well as rent costs
- Initial commissions were high during launch period, and offices were not negotiated aggressively
- There is an opportunity to optimise the operating structure to maximise attractiveness to talent while reducing overall costs

# Valuation EBIT Multiple Drivers lead to Mid-range Multiple

	Business Characteristics	Traffic	Revenue	
UPSIDE	<ul style="list-style-type: none"><li>• Long business life (6+ years)</li><li>• .com and .net domain names</li><li>• Simple WordPress website management system</li></ul>	<ul style="list-style-type: none"><li>• Growing / stable traffic</li><li>• More upside possible from new sites being launched</li></ul>	<ul style="list-style-type: none"><li>• Stable / growing revenue</li><li>• Increasing OPEX margin, with further margin increases possible</li></ul>	3.0x Earnings Multiple
DOWNSIDE RISKS	<ul style="list-style-type: none"><li>• Local competition risks</li><li>• Industry is not a growth industry in general</li></ul>	<ul style="list-style-type: none"><li>• Traffic highly dependent on social media</li></ul>	<ul style="list-style-type: none"><li>• 60% of revenue is from Australia while business is in US – currency risk</li></ul>	

# Risks can be mitigated

Risk	Opportunity
Local competition could steal business...	... But ABC has a strong footprint and can build more traffic and revenue streams
Industry is not a growth industry...	... But ABC can build on its base to expand into adjacencies or new verticals to capitalise on emerging trends
Traffic and revenue are highly dependent on social media...	... But there's an opportunity for further traffic sources (e.g. partnerships) and email
Revenue is concentrated in Australia...	... But ABC can perform more marketing in the US / Europe, as well as engage in currency hedging





# Valuation at 3.0x 12-month EBIT

12-month  
earnings (\$570K)



3.0x earnings  
multiple



\$1.7M Valuation

- Stable revenue > 12 months means a 12-month earnings period is appropriate

- Stable business with a few risk factors that must be mitigated

- Corresponds to a required rate of return (RRR) of approximately **40%** (what investors would expect)