

# Grapester Business Attractiveness Report

This document was prepared for *John Levine*  
by *Bruce McGechan*



# BUSINESS ATTRACTIVENESS

## Executive Summary

**Name:** John Levine

**Date:** 07 Dec 2020

	Total Answer	Possibility Answers	Score		Comments
<b>Business Attractiveness Custom</b>			<b>64%</b>		
Business Factors	38	66	58%		nearly meets requirements
Forecast Factors	19	30	63%		nearly meets requirements
Market Factors	21	30	70%		meets requirements
Investor Considerations	16	24	67%		meets requirements

# BUSINESS ATTRACTIVENESS

## Highlights Report

**Name:** John Levine  
**Date:** 07 Dec 2020  
**Result:** 64%

	Answer	Best Answer	Score		Comments
<b>Business Factors</b> 😊					<b>58%</b>
Years of Business Operation	5	6	83%	✓	Operating since 1996, vineyard harvesters only gained traction in the nineties.
Management Strength	5	6	83%	✓	Very strong Production Manager, ex Toyota. Daughter is a very smart as Accounting Manager, son Zane is a superb people person. John acts as CEO.
Customer Loyalty	4	6	67%	✓	Customers demand good pricing and will go elsewhere as will the trade channel.
Branding	4	6	67%	✓	Well known in NZ, somewhat know in AUS but not elsewhere.
Customer Database	3	6	50%	✗	We have one customer, our AUS dealer who makes up 30% of revenue. Our US importer makes up 10%. Otherwise a wide range of customers.
IP & Technology	4	6	67%	✓	We have patents on grape sorting technology.
Staff Contracts	4	6	67%	✓	Everyone has contracts, except family members and senior managers.
Location	5	6	83%	✓	The factory could be anywhere in NZ.
Business Owner Reliance	2	6	33%	✗	The business is very reliant on John except for production where Dave Smith runs a tight ship.
Marketing Systems	1	6	17%	✗	No need for marketing, dealers do that for us and we go to trade shows.
Business Systems	1	6	17%	✗	There is no CRM or ERP, a new accounting system is being implemented right now.
<b>Forecast Factors</b> 😊					<b>63%</b>
Profits	5	6	83%	✓	Yes, good profitability for

					many years.
Potential Profit Growth	5	6	83%	✓	Yes, strong industry growth and good NPD pipeline.
Revenue Growth	5	6	83%	✓	Yes, as above.
Predictable Revenue Streams	3	6	50%	✗	Strong consistent historical growth suggests predictability.
Recurring or Subscription Revenue	1	6	17%	✗	This is not a subscription business, but one off purchases.

### Market Factors 😊

70%

Strong Growing Market	5	6	83%	✓	The market is showing strong growth of 15-25% CAGR.
Barriers to entry	4	6	67%	✓	If a company had sufficient R&D capacity and production ability they would be able to within a couple of year. Note some companies hold patents which act as a barrier.
Competitive Advantages	4	6	67%	✓	Production. Excellent lean production methods. It made small runs profitable. Engineering. Low cost product improvements at a fast development speed.
Market Leadership	3	6	50%	✗	Strong in NZ, middle of the pack in AUS. Small player elsewhere.
Economic Prosperity	5	6	83%	✓	Wine production, vineyard plantings and use of machine harvesting all increasing.

### Investor Considerations 😊

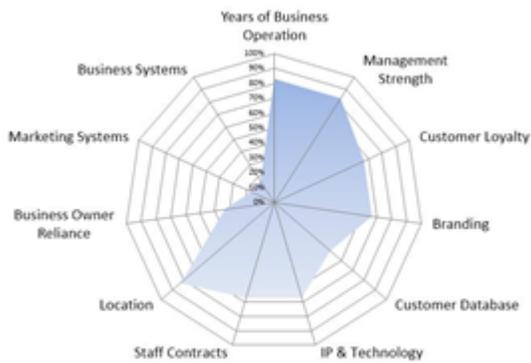
67%

Reasons for Selling	5	6	83%	✓	Retirement based off age.
Strategic Alignment	5	6	83%	✓	Some obvious (agriculture) machinery companies would see Grapester as a good acquisition.
Risky Investment	3	6	50%	✗	Management and customer concentration risks. Upside in export markets but they have forex risks.
Market Hype	3	6	50%	✗	Could be seen to be exposed to Chinese manufacturing, otherwise no hype but no high risk.

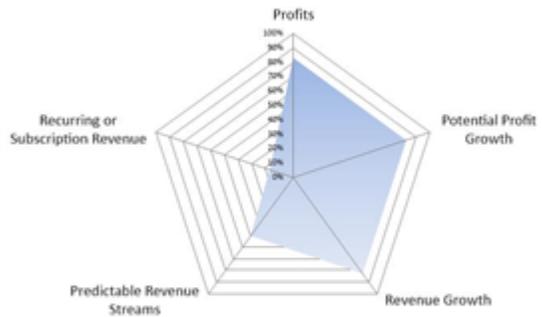
# One Page Snapshot of Results

Your Score **64%**

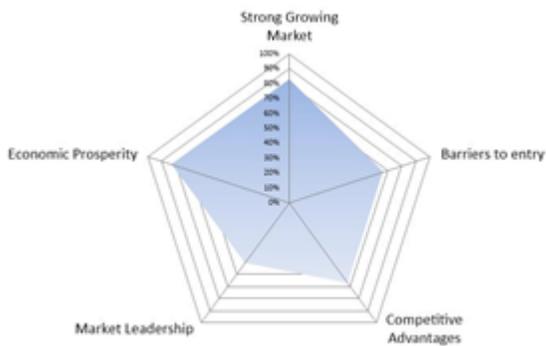
## Business Factors



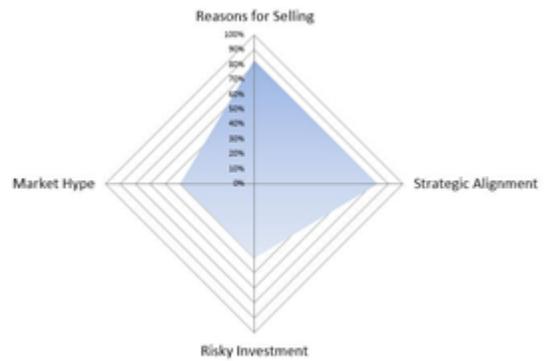
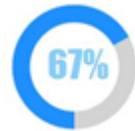
## Forecast Factors



## Market Factors



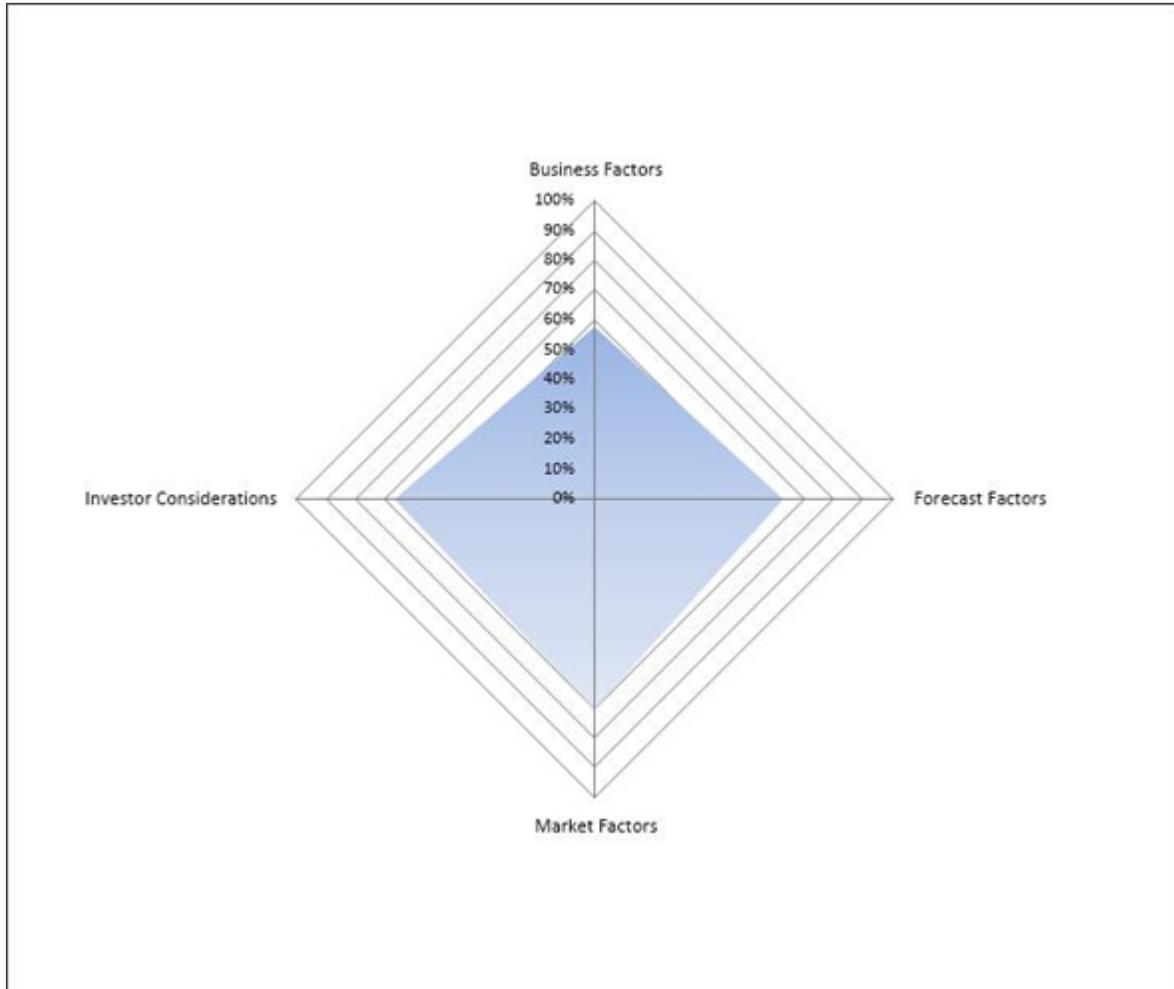
## Investor Considerations



## Business Attractiveness Custom

Score **64%**

The following graph is calculated by averaging your performance across a number of key areas. Based on our questionnaire we have drafted a chart that indicates the areas that you need to work on.



Based on your answers to these questions your score is 64%.

# Business Factors



Your business will be far more attractive if there is a low risk associated with its purchase. Risk in this case refers to the relative risk of your business to continue to make money after you leave. A buyer will want to have a look at your management team. Are they strong and experienced enough to continue to carry on the business? Can they continue to innovate and service the business clients in your absence?

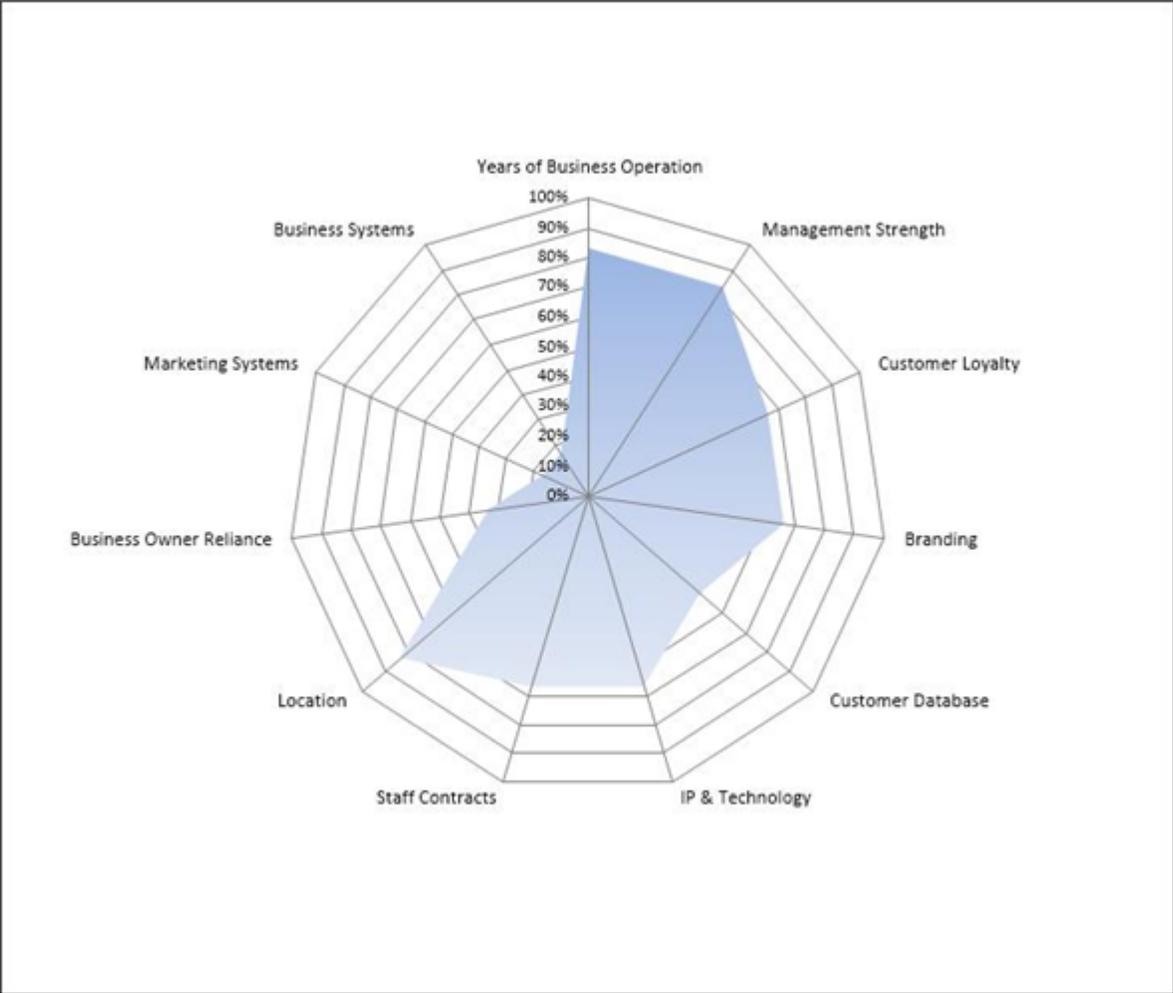
As part of this process, your business model will be scrutinized by the potential buyer. The more automated and robust your business model, systems and processes, the higher the value of your business. A good business model also saves the buyer from having to re-invent the wheel.

Any new buyer will also be extremely interested in the quality of your customers and their loyalty to your business. Your existing customers contribute in a large part to the goodwill in the business.

Based on your answers to our questionnaire, your business score is 58% in this area.

Topic	Analysis Area	Score
Years of Business Operation	How long have you been operating your business? In your industry is this considered good?	5
Management Strength	Would your management team impress a potential purchaser?	5
Customer Loyalty	Are your customers loyal to your business?	4
Branding	How strong and well known is your brand?	4
Customer Database	If a business has too few customers, then there is a higher risk that the business may falter if one of the customers ceases trading. Do you therefore have a reasonable customer database?	3
IP & Technology	Have you developed a lot of IP & Technology?	4
Staff Contracts	The business needs to continue without your presence. Therefore, key staff contracts are generally essential from a potential purchaser's perspective.	4
Location	Does the location of your business affect the relative attractiveness of your business?	5
Business Owner Reliance	The less reliant on key managers, the more attractive your business is to a potential purchaser and therefore the higher your score.	2
Marketing Systems	Do you have good marketing systems in place that lowers the risk of winning new business?	1
Business Systems	Do you have good business systems in place? Business systems could refer to CRM, accounting and production systems as well as strong policies and procedures that are well implemented.	1

**Graph of Business Factors**



# Forecast Factors



When contemplating the sale of your business, you need to consider that the value of the business is derived from the amount of income that your business generates. When a prospective buyer looks at your business, they will want to review your past financials. They will want to see a budget for the future that is reasonable and based on historical growth factors.

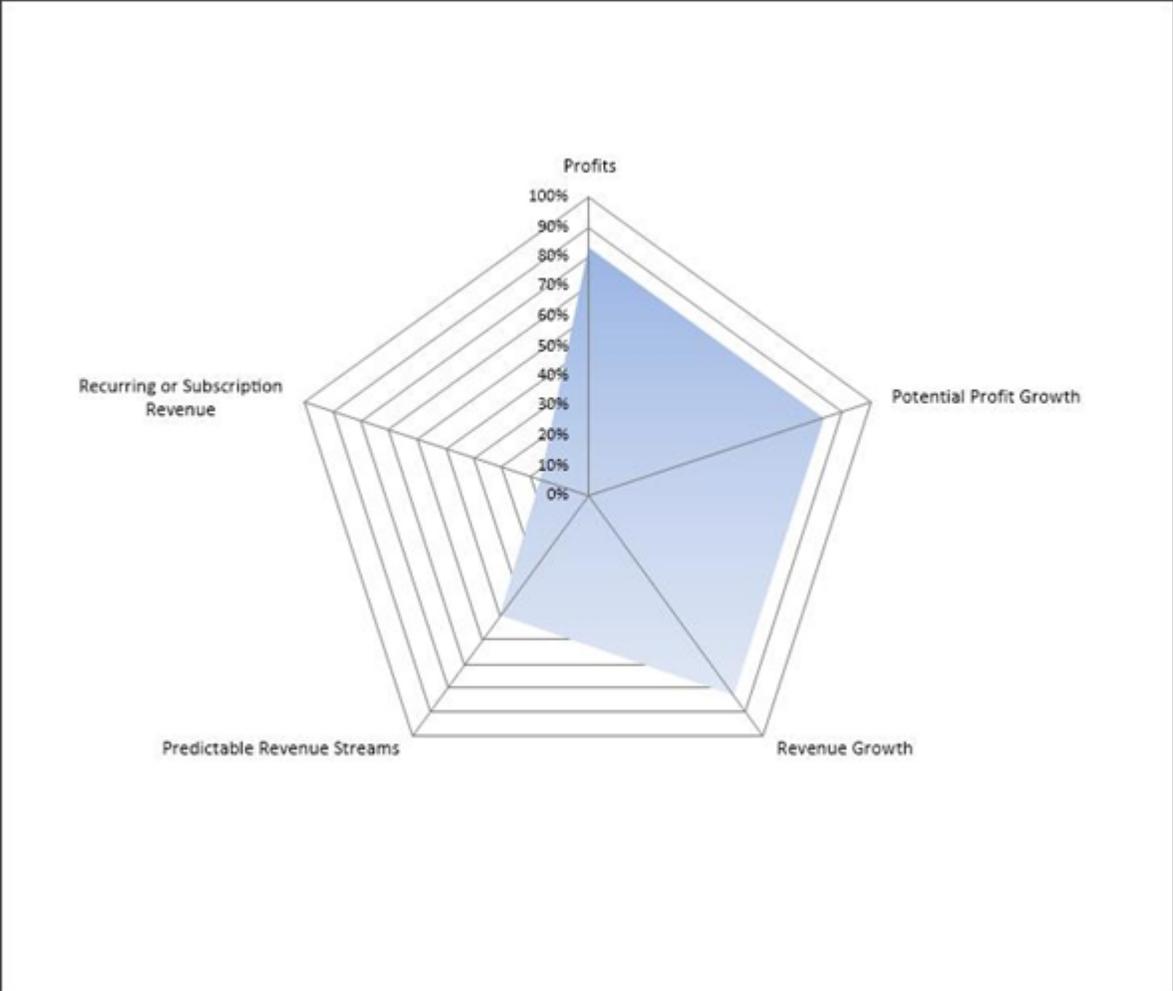
If you have recurring revenue in your business, then this adds certainty to your budget.

When developing a budget, it is important to be able to justify your growth with notes on product development, market penetration or implementation of various marketing strategies. These notes should relate realistically to the numbers in your budget.

Based on your answers to our questionnaire, your business score is 63% in this area.

Topic	Analysis Area	Score
Profits	Have you been profitable over the past few years including the current year?	5
Potential Profit Growth	Are you predicting that your business will continue to grow and be profitable?	5
Revenue Growth	Are you predicting that your revenue will grow?	5
Predictable Revenue Streams	Are your revenue streams predictable? Can a third party look at your business and feel comfortable that in your absence the business will achieve the financial forecasts?	3
Recurring or Subscription Revenue	Does your business have recurring revenue streams?	1

**Graph of Forecast Factors**



# Market Factors



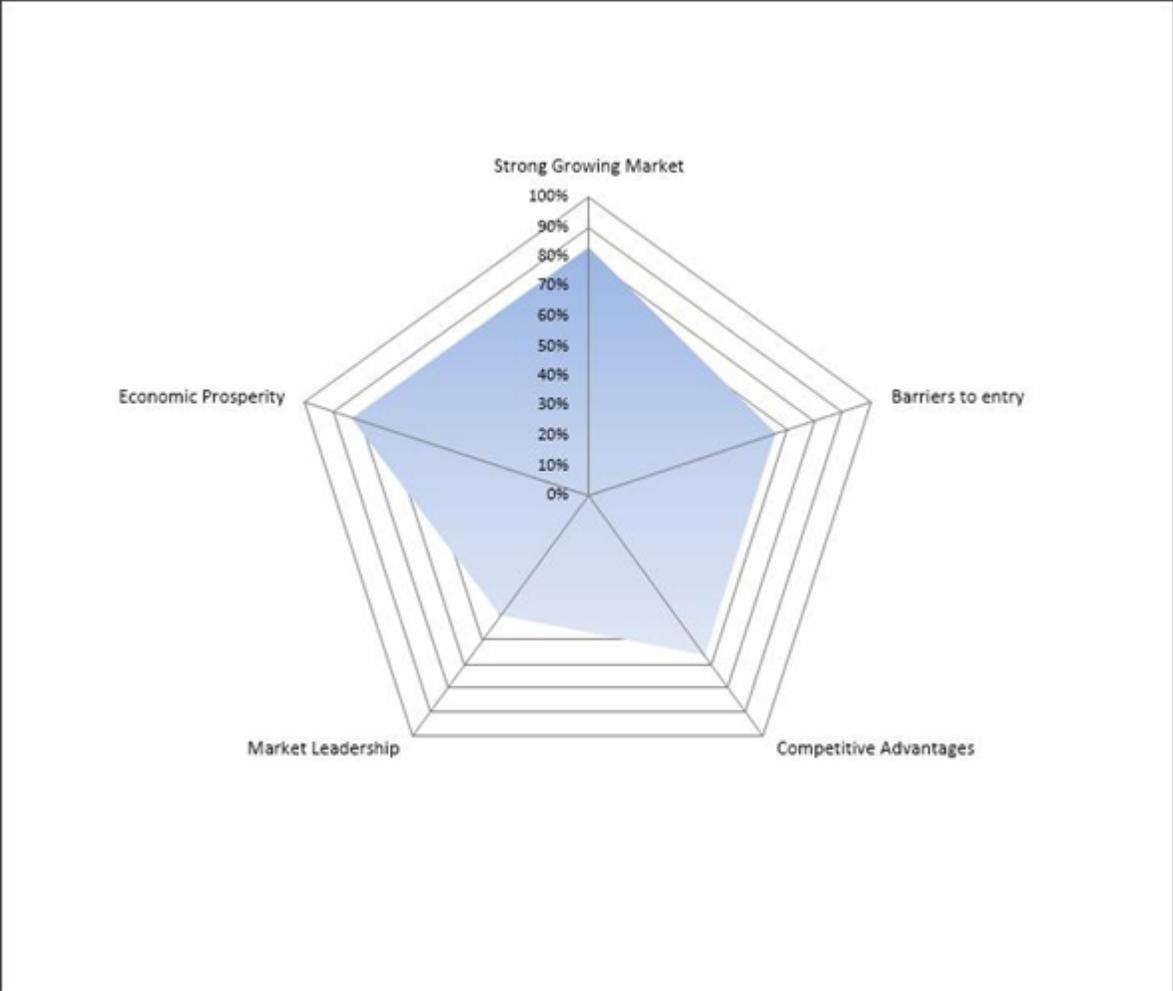
Any buyer will want to review your past business growth. The potential of your business will be reflected in your products, the business model and the market. Therefore, your products need to be new and fresh and have a development process in place. It is preferable that you be operating in growth markets that have unlimited potential. Therefore, 12-36 months prior to selling your business, you need to ensure that you review your markets and products and establish a program to maximize your future value.

One element that you cannot control is your competitors. But you need to try and position yourself so you are dominant in the market or at least dominant in a niche. You want to ensure that you have high barriers to competitors entering the market. These barriers could be as a result of established relationships with key influencers, locked in contracts with key suppliers, specific capital equipment or even a highly skilled product development program.

Based on your answers to our questionnaire, your business score is 70% in this area.

Topic	Analysis Area	Score
Strong Growing Market	Is the market a strong growing market? The better the growth the more attractive the business.	5
Barriers to entry	Is it difficult for other companies to enter the marketplace? The more difficult, the more attractive your business.	4
Competitive Advantages	Do you have a competitive advantage based on market factors?	4
Market Leadership	Are you a strong player in the marketplace? The stronger your presence, generally the more attractive your business.	3
Economic Prosperity	Does your business operate in an industry or marketplace that has a good economic outlook?	5

**Graph of Market Factors**



# Investor Considerations



Your business could be worth, in some cases, double the amount depending on who is the buyer. A small buyer will only look at the value of your business based on the profit that your business will generate in the future. A strategic buyer, such as a multi-national, will look at the how much your business could add to their business. For instance, you might have developed the products but because of your size and capital you are restricted to a small market. A multi-national might have distribution channels in 30 countries around the world and consider that if they buy your business they could make 20 times the current profit that you are making.

This is just one reason why a strategic buyer will pay more. Consider 12-36 months prior to selling the business & which organisations could be strategic buyers and then position your business so that you are highly attractive.

When you are negotiating the sale of your business, it is not a good idea to indicate that you are selling the business because it is too hard and has too many headaches. A better reason would be that you have built the business to a level with a great business model and now you need access to capital and distribution channels to maximize profitability.

It is important that you review why you are selling and do not sell when you are desperate.

Based on your answers to our questionnaire, your business score is 67% in this area.

Topic	Analysis Area	Score
Reasons for Selling	You need to have a legitimate reason for selling. Don't say you are selling because you are sick of all the headaches.	5
Strategic Alignment	Strategic buyers generally pay more for businesses. The more your business aligns, the more attractive it is.	5
Risky Investment	The riskier an investment appears to be for a potential purchaser, the less attractive it is and therefore the lower the price that will be paid.	3
Market Hype	Sometimes there is a positive hype around certain markets or industry sectors. At other times, some sectors attract a "high risk" tag and therefore the lower the price.	3

**Graph of Investor Considerations**

