

DoneDeals Term Definitions and Frequently Asked Questions

February 23, 2015

Term Definitions

Closing Date:

Date of Sale

SIC:

Standard Industrial Classification

M, MM, B:

U.S. \$ in M=thousands; MM=millions; B=billions

Price:

Equity price for "Stock Sales"; Deal or Enterprise Price for "Asset Sales" (see FAQs)

Buyer:

Company, address, tel., and executive handling transaction

Seller:

Company, parent if a subsidiary, and state located at time of sale

Seller Description:

Primary activity and HQ's location (Sub S Corps, LLCs , and Ptnshps. identified)

Seller Type:

Private (approx. 75%), Public (14%), or Subsidiary of a public company (11%)

Terms:

In "Stock Sales" consideration paid for equity, or in "Asset Sales" consideration paid for assets acquired plus amount of liabilities assumed when identified by company (see FAQs)

Sale Type:

Stock Sale (approx. 76% of transactions) or Asset Sales (24% of transactions)

Assets:

Total assets at the end of the most recent accounting period

Stockholders' Equity:

Stockholders'equity or net worth at the end of the most recent accounting period

Revenue:

Total revenue for the most recent accounting period, or year for obviously seasonal businesses

Net Income Loss:

Net income (or loss) after income tax; except net income before tax for SubS Corps, LLCs, and Ptnshps

Cash Flow:

Cash Flow from Operations (the top third of a cash flow statement) equal to net income (loss) after tax + depreciation + amortization + changes in working capital (but not including changes from either investments or financings such as dividends, capital expenditures, or sales of debt or equity)

EBITDA:

Net income after tax + interest expense + income taxes + depreciation + amortization

Frequently Asked Questions

Q. What portion of all transactions does the DoneDeals database represent?

A. There is no good estimate of total transactions for a given time period because there is no

way to account for most private to private deals. Even for sales of public companies it is sometimes difficult to obtain complete transactional data. Some services report announced transactions in their total of businesses sold even though many announced deals never make it to closing. DoneDeals reports on only completed mid-market sized deals (sale price primarily between \$1 Million and \$1 Billion) and only deals for which we are able to obtain the seller's financial reports.

Q. What percent of the DoneDeals transactions are private?

A. Over 75% of the companies sold in the DoneDeals database were privately owned. Another 11% of the companies sold were subsidiaries of public companies.

Q. What are the sources of the DoneDeals transaction data?

A. Most of the DoneDeals data comes from company financial reports filed with the Securities and Exchange Commission (SEC) with financial data subject to generally accepted accounting principles. Other sources provide supplemental information. DoneDeals focuses on the smallest acquisitions reported to the SEC.

Q. What does DoneDeals provide that is not already available from the SEC?

A. DoneDeals reviews an estimated 250,000 pages of filings and financial reports annually and refines them into a format that can be used for corporate valuation purposes. The DoneDeals software permits you to search selectively among thousands of transactions for private and public deals, for asset and stock sales, and for deals by industry, location, size, or name of the buying or selling company, plus produce best-fit graphs and statistical analyses, and to either print-out or export data to your own database and valuation software. The SEC database only permits one to search by company name. In short, DoneDeals provides more and saves you precious time.

Q. Is the "Price" indicated an Equity Price or a Deal Price?

A. Price is the summation of each part of the consideration paid by the buyer to the seller as listed in the "Terms" field. For "Stock Sales" the price is an Equity Price, or the price paid for the seller's equity. Approximately 75 percent of the DoneDeals transactions are stock sales. For "Asset Sales", about 24 percent of DoneDeals, the price indicated is a Deal Price and is equal to the price paid for the equity acquired plus the value of any liabilities assumed. In DoneDeals the assets acquired are listed in the "Terms" field, when known, as is the value of any liabilities assumed by the buyer. Where there is no debt assumed, as is the case in the majority of asset sales, the Deal Price is equal to the Equity Price.

Q. What do "Assets" represent?

A. Assets represent Total Assets as shown on the selling company's most recent financial statement.

Q. What is "Net Income (loss)"?

A. Net Income (loss) is net income after-tax. For Partnerships, Subchapter S Corporations, and Limited Liability Companies, which do not pay income taxes but instead pass income through to their owners who are taxed, Net Income (loss) as shown in DoneDeals is before tax income. The form of ownership is shown in the Seller and Seller Description fields.

Q. How is "Cash Flow" defined?

A. DoneDeals uses "Cash Flow from Operations" or "cfo". The cfo is taken directly from the first part of the selling company's statement of cash flow for its most recent operating period. It represents net income (loss) after-tax plus depreciation & amortization plus changes in working

capital. The cfo does not include any cash flow changes resulting from either investments or financings such as dividends, capital expenditures, or sales of debt or equity.

Q. What is meant by changes in working capital within the context of a company's "Cash Flow from Operations"?

A. A company's cash flow from operations is impacted by increases and decreases in current assets and current liabilities. For example, if during an accounting period A/R's are reduced, it means that cash flow is increased as customers pay balances due. If at the same time A/P's are reduced, the company's cash flow is decreased as cash is used to pay the company's bills. Recognizing the impact of changes in working capital on valuation is as critical as sound management of working capital to the financial survival of any company.

Q. In the transaction detail sheet, how is income statement data for less than a full year treated?

A. If interim income statement data represents a period of six to 11 months, the data is included in the detail sheet and annualized to derive the amount to use in the denominator for income statement multiples, unless the industry is considered to be very seasonal in nature. If the interim period is from three to six months, the data may or may not be included, depending on the company and the nature of its operations. Interim data for less than three months is not presented or used. The interim data is presented in this manner because we believe transactions are completed by buyers after considering the historical financial information and the most recent interim financial information. Further, any sophisticated buyers would require access to interim financial information before finalizing a transaction, especially if the interim period is six or more months after the most recent financial statements. Finally, using annualized interim financial information is similar to using projected financial statements in the discounted future cash flow method. However, if annual financial statement information is preferred, the data may be obtained from the Form 8-K filed with the SEC, which is available through EDGAR (www.sec.gov/edgar.shtml).