

# CPP Second Round Case - Investment Analysis

## Page 1: Key Findings & Valuation

### EBITDA Analysis (Two-View Approach)

Item	Amount	Note
Reported EBITDA	\$888,000	As filed
+ Interest Reclass	\$195,000	Move below the line
- Marketing Normalization	\$484,389	To 14% of revenue
= View A (As-modeled)	\$598,611	Interest not reclassified
= View B (Corrected)	\$1,082,611	Preferred view

### Valuation Multiples

Metric	View A	View B (Primary)	Market Range
EV/EBITDA	10.0x	5.5x	4.5x - 6.5x
EV/Revenue	1.6x	1.6x	1.2x - 2.0x
Enterprise Value	\$5,969,439	\$5,969,439	\$4.9M - \$7.0M
Equity Value	\$3,819,439	\$3,819,439	\$2.8M - \$4.9M

### Service Mix Trends

Service Line	2024 Revenue	% of Total	Trend	Notes
--------------	--------------	------------	-------	-------

Injectables	\$930K	25.0%	↓ Declining	Market saturation
Surgery	\$733K	19.7%	↑ Growing	High-margin focus
Wellness	\$764K	20.5%	↑ Growing	Expanding category
Weight Loss	\$718K	19.3%	↑ Growing	Strong demand
Retail Sales	\$335K	9.0%	→ Stable	Steady complement
Energy Devices	\$246K	6.6%	↓ Declining	Equipment refresh needed

# CPP Second Round Case - Implementation Plan

## Page 2: Next Steps & Integration Roadmap

### Quality of Earnings (QoE) Priorities

#### 1. Interest Expense Reclassification:

- Verify \$195K interest is properly classified below EBITDA line
- Review debt agreements and payment schedules
- Confirm no hidden interest costs in operating expenses

#### 2. Owner Compensation Analysis:

- Benchmark owner salaries against market rates
- Document any personal expenses run through business
- Estimate market-rate replacement cost for ownership functions

#### 3. Marketing Spend Sustainability:

- Current 1.0% of revenue is unsustainably low
- Industry standard 10-15% required for growth
- Develop sustainable marketing budget and ROI tracking

#### 4. Revenue Recognition Review:

- Validate membership and package revenue recognition
- Review gift card liability and breakage assumptions
- Confirm service delivery matching revenue booking

### Integration Day-1 Checklist

Priority	Action Item	Owner	Timeline
High	Lock in key clinical staff with retention bonuses	HR/Ops	Day 1
High	Implement normalized marketing budget	Marketing	Week 1

High	Review and optimize pricing strategy	Revenue	Week 2
Medium	Upgrade energy device equipment	Operations	Month 1
Medium	Expand high-growth services (wellness/weight loss)	Clinical	Month 2
Low	Evaluate additional location opportunities	Development	Month 3

## Recommended Offer Conditions

### Financial Conditions:

- Working capital adjustment for normalized operations
- Escrow for marketing ramp-up costs (6 months)
- Management warranties on revenue recognition practices

### Operational Conditions:

- Key employee retention agreements (2+ years)
- Non-compete enforcement for departing ownership
- Equipment inspection and replacement reserve

### Legal/Regulatory:

- Medical license transfers and regulatory compliance
- Insurance coverage verification and updates
- Lease assignment or renegotiation rights