

# VALUATION REPORT

TechFlow Solutions Inc.

## EXECUTIVE SUMMARY

**Company:** TechFlow Solutions Inc.

**Industry:** Cloud-based Enterprise Software (SaaS)

**Valuation Date:** December 31, 2024

**Purpose:** Fair Market Value Assessment for Strategic Planning

**Prepared by:** Meridian Valuation Partners LLC

**Report Date:** January 15, 2025

**FINAL VALUATION CONCLUSION: \$127.5 Million**

## COMPANY OVERVIEW

TechFlow Solutions Inc. is a Delaware-incorporated company founded in 2018, specializing in cloud-based workflow automation software for mid-market enterprises. The company serves over 1,200 active clients across North America and has demonstrated consistent revenue growth over the past three years.

### Key Business Metrics (as of December 31, 2024):

- Annual Recurring Revenue (ARR): \$28.5 million
- Customer Count: 1,247 active subscribers
- Average Contract Value (ACV): \$22,850
- Net Revenue Retention: 118%
- Gross Margin: 82%
- Monthly Churn Rate: 2.1%

## VALUATION METHODOLOGY

This valuation employs three primary approaches in accordance with established valuation standards:

### 1. DISCOUNTED CASH FLOW (DCF) ANALYSIS

**Weight in Final Valuation: 50%**

The DCF method projects the company's free cash flows over a 5-year period and calculates present value using a risk-adjusted discount rate.

**Key Assumptions:**

- **Revenue Growth:** Year 1: 35%, Year 2: 30%, Year 3: 25%, Year 4: 20%, Year 5: 15%
- **Terminal Growth Rate:** 3.5%
- **EBITDA Margin Progression:** 15% (2025) to 28% (2029)
- **Capital Expenditure:** 3% of revenue annually
- **Working Capital:** 5% of incremental revenue

**Discount Rate Calculation (WACC):**

- **Risk-free Rate:** 4.2% (10-year Treasury)
- **Market Risk Premium:** 6.5%
- **Beta (leveraged):** 1.35
- **Cost of Equity:** 12.98%
- **Cost of Debt:** 7.5%
- **Tax Rate:** 25%
- **Debt/Equity Ratio:** 15%
- **WACC:** 12.1%

**DCF Calculation:**

- Present Value of Projected Cash Flows (2025-2029): \$47.3M
- Present Value of Terminal Value: \$89.2M
- **Enterprise Value:** \$136.5M
- Less: Net Debt: (\$2.1M)
- **Equity Value via DCF:** \$134.4M

**2. MARKET MULTIPLE ANALYSIS**

**Weight in Final Valuation: 35%**

Analysis based on trading multiples of comparable public SaaS companies and recent private market transactions.

**Public Company Comparables:**

Selected 8 public SaaS companies with similar business models, size, and growth profiles.

**Key Multiples (Median Values):**

- EV/Revenue (LTM): 6.2x
- EV/Revenue (NTM): 4.8x
- EV/EBITDA (LTM): 28.5x
- EV/EBITDA (NTM): 22.1x

**Valuation Application:**

- LTM Revenue:  $\$28.5\text{M} \times 6.2x = \$176.7\text{M}$
- NTM Revenue:  $\$38.5\text{M} \times 4.8x = \$184.8\text{M}$
- LTM EBITDA:  $\$4.3\text{M} \times 28.5x = \$122.6\text{M}$
- NTM EBITDA:  $\$5.8\text{M} \times 22.1x = \$128.2\text{M}$

**Average Market Multiple Value: \$153.1M Adjusted for size and liquidity discount (25%): \$114.8M**

### **3. PRECEDENT TRANSACTION ANALYSIS**

**Weight in Final Valuation: 15%**

Analysis of 12 recent M&A transactions involving SaaS companies with \$20M-\$50M ARR.

**Transaction Multiples:**

- **Median EV/Revenue:** 7.8x
- **Median EV/EBITDA:** 32.4x
- **Transaction Premium:** 15-25% over trading multiples

**Valuation Application:**

- Revenue Multiple:  $\$28.5\text{M} \times 7.8x = \$222.3\text{M}$
  - EBITDA Multiple:  $\$4.3\text{M} \times 32.4x = \$139.3\text{M}$
  - **Average Transaction Value:** \$180.8M
  - **Control Premium Adjustment:** +20%
  - **Final Transaction Value:** \$144.6M
-

## VALUATION RECONCILIATION

Method	Value (\$ Millions)	Weight	Weighted Value
DCF Analysis	\$134.4	50%	\$67.2
Market Multiples	\$114.8	35%	\$40.2
Transaction Analysis	\$144.6	15%	\$21.7
<b>Total Weighted Value</b>			<b>\$129.1</b>

---

## FINAL VALUATION CONCLUSION

After consideration of all methodologies and market conditions, the fair market value of TechFlow Solutions Inc. as of December 31, 2024 is:

**\$127.5 MILLION**

This represents the midpoint of our valuation range of \$120M - \$135M.

---

## KEY ASSUMPTIONS AND LIMITING CONDITIONS

### Critical Assumptions:

1. Management projections are reasonable and achievable
2. Current market conditions remain stable
3. No material adverse changes in the business
4. Continued execution of growth strategy
5. Retention of key management personnel

### Risk Factors Considered:

- Market competition and new entrants
  - Customer concentration (top 10 customers = 31% of revenue)
  - Dependence on key technology infrastructure
  - Regulatory changes affecting SaaS industry
  - Economic downturn impact on customer spending
-

## VALUATION SENSITIVITY ANALYSIS

WACC / Terminal Growth	2.5%	3.0%	3.5%	4.0%	4.5%
11.1%	\$142.1	\$147.3	\$153.2	\$159.8	\$167.3
11.6%	\$135.2	\$139.8	\$144.9	\$150.7	\$157.2
12.1%	\$129.0	\$133.1	\$137.6	\$142.8	\$148.6
12.6%	\$123.4	\$127.1	\$131.2	\$135.8	\$141.0
13.1%	\$118.3	\$121.6	\$125.3	\$129.4	\$134.1

---

## CONCLUSION

The valuation of \$127.5 million reflects TechFlow Solutions' strong market position, recurring revenue model, and growth prospects, while appropriately considering the risks associated with the competitive SaaS landscape and current market conditions.

This valuation is subject to the assumptions, methodologies, and limiting conditions outlined in this report and should be considered within the context of the specific valuation date and purpose.

---

### Prepared by:

Sarah Mitchell, CFA, ASA  
Managing Director  
Meridian Valuation Partners LLC

### Reviewed by:

Michael Chen, CPA/ABV  
Partner  
Meridian Valuation Partners LLC

---

*This report contains forward-looking statements and assumptions. Actual results may vary materially from projections. This valuation is prepared for the specific purpose stated and should not be used for other purposes without additional analysis.*