



**ACCYBER**

للاستشارات و الخدمات المالية

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Attn: Mr. Gökhan BİRLİK/Miss: Feyza Nur Şamlı

### **BAKLAWATI Financial Valuation Report**

#### **Scope of Work:**

- ACCYBER Company has been assigned as a financial valuation company for (Baklawati Store) project by BINA business development incubator – Istanbul.
- The most important condition for fair financial valuation of any project is the selection of an independent and unbiased party responsible for the financial valuation process.
- ACCYBER has the required qualifications, experience and knowledge in the field of financial valuation further, to being the only Turkish company accredited by the International Valuation Standards Council IVSC (International Valuation Standard Council)- London

Please review the following link:

[Members of The International Valuations Standards Council // IVSC](#)

- In this financial valuation, the International Valuation Standards (IVS) issued by the International Valuation Standards Council has been applied.
- The results of the financial valuation are considered appropriate for a certain period of time only from the date of issuing the report.

**Purpose of valuation:**

The objective of this financial valuation process is to find out the fair market value of the asset subjected to the financial valuation, on the date of the valuation process and within the current conditions.

**Valuation process:**

The following steps will be taken to carry out the financial valuation process for any project:

1. Getting to know the project idea, the operational and financial work plan.
2. Determining the suitable financial valuation method for the project.
3. Extracting the market value using the suitable method.
4. Discussing the outputs with the project owner and potential investor.
5. Issue of the final report.

**1- Getting to know the project idea and the operational and financial work plan:**

- The first meeting(online) was with Mrs. Reem Wafai (Project Manager) it was on 7-5-2022, and we were informed of the project presentation, the financial plan, and the current work platforms.
- After the first meeting, several inquiries were sent about the project's work mechanism and the financial plan (attached), and the answers were sent back to us on 7-10-2022.
- The second meeting with Mrs. Reem Wafai was on 25-7-2022 to complete the inquiries and inform her about the method of valuation followed and the reasons that led to that.
- On 26-7-2022, the final answers and sales forecasts were received, according to Ms. Reem.

- We did not agree with Mrs. Reem on her sales forecast for the upcoming years. We used actual experiences and statistics for similar stores in the Turkish market to reach the sales forecasts approved in this report.
- **Based on the results of the meetings and the answers to the inquiries, the status of the project is summarized as follows:**
  - The project is a B2C e-commerce platform specialized in selling sweets from Gaziantep to inside and outside of Turkey.
  - The store is an agent between the suppliers of baklava in Turkey and the customers, and the store does not manufacture itself.
  - The store buys sweets and resells them through several platforms inside Turkey and the special store platform outside Turkey.
  - Based on the above, the project was classified as a **traditional online store**, specializing in the sweets sector.
  - The project has a proven financial past history of revenues and expenses.

## 2- Determining the suitable financial evaluation method for the project

The main financial evaluation methods are

Financial evaluation method	Companies suitable for this method
Net Income approach DCF	Used for existing companies with a proven financial history of revenues, expenses, and a future financial vision.
Duplicate cost method	Existing or under construction companies that have a proven financial history of revenues and expenses but have not yet achieved profits.
Revenue Multiple method	Existing companies that have achieved revenues and these revenues are of a recurring or continuous nature.
Market Comparison Method	Comparing with similar companies that were previously acquired or sold within the same geographical area.
Berkus Method	Start-ups for completely new ideas.

For the (Baqlawati) project, the **DCF net Income approach** and **duplicate cost methods** are suitable.

### **3- Extracting the market value using the appropriate method**

#### **1<sup>st</sup> Method: Net Income Approach**

This method is based on extracting the value of the net positive cash flow expected for number of years of the project's life, discounted based on the approved discount rate. therefore, the resulting number is the current market value of the project.

Returning to the financial plan prepared by the (Baqlawati) team, some revenue and cost assumptions have been modified to become as follows:

- **Expected revenue:**

- The project achieved an average monthly sale of 25,000 Turkish liras per month, during the first five months of 2022, so this figure will be considered appropriate for the first month of the financial plan after receiving the investment amount.

- Sales rise significantly in the seasons of Eid al-Fitr and Eid al-Adha and annually.

- Gradual sales growth rates were applied in the first year, taking into consideration the time needed to publicize the brand and reach the target segment.

- A 30% growth rate has been applied on an annual basis, to match the expected rates of e-commerce growth globally in the coming years.

- **Direct costs assumptions:**

- The average direct costs per order is 60% (before shipping and packaging costs), except for orders outside Turkey, which amount to 40% of the order value.

- Average packaging and shipping costs per order are 26%.

- The gross profit on average is 17% on an annual basis.

- **Indirect operational costs assumptions:**

The required staff consists of:

1. Sales employee.
2. Logistics services employee.
3. Chartered accountant.
4. Programmer for the site.

Other expenses:

1. Business headquarters costs.

2. Design expenses.

3. Sponsored ads.

4. Transportation expenses.

5. Other administrative expenses.

- The Turkish lira was applied in preparing the financial statements, and an inflation rate of 20% on an annual basis was assumed for costs.

**Based on these modifications, the revised projected financial statements for the next five years have been issued as follows**

**Projected Income Statement:**

Years	1st year	2nd year	3rd year	4th year	5th year
Total revenue	1,022,317	1,329,013	1,727,716	2,246,031	2,919,841
Direct costs	535,545	696,208	905,071	1,176,592	1,529,569
Total direct expenses	317,550	412,815	536,659	697,657	906,954
Gross profit	169,223	219,990	285,987	371,783	483,318
Gross profit rate %	17%	17%	17%	17%	17%
Indirect operating and administrative expenses	1,026,000	1,231,200	1,477,440	1,772,928	2,127,514
Earning before interest, taxes and depreciation	(856,777)	(1,011,210)	(1,191,453)	(1,401,145)	(1,644,196)
Taxable profit	(896,777)	(1,051,210)	(1,231,453)	(1,441,145)	(1,684,196)
Net profit	(896,777)	(1,051,210)	(1,231,453)	(1,441,145)	(1,684,196)
Net profit rate %	-88%	-79%	-71%	-64%	-58%

**Projected cash flow statement:**

Years	1st year	2nd year	3rd year	4th year	5th year
Cash flow from operating	(856,777)	(1,011,210)	(1,191,453)	(1,401,145)	(1,644,196)
Cash flow from investing	0	0	0	0	0
Cash flow from financing	0	0	0	0	0
Net cash flow during the period	(856,777)	(1,011,210)	(1,191,453)	(1,401,145)	(1,644,196)
Accumulated net cash flows during the period	(856,777)	(1,867,987)	(3,059,440)	(4,460,585)	(6,104,780)

The results of the expected and modified financial plan show that the project is not profitable in the short and medium future, for one main reason, which is the low gross profit margin 17%.

**Therefore, this valuation method (Net Income Approach) is not suitable for project valuation.**

## 2<sup>nd</sup> Method: Duplicate Cost Method

This method depends on extracting the value of the project under valuation on the basis of the cost to establish a similar project, including the material and intangible costs and the time period required to create a similar asset.

The actual costs paid to establish this project were \$15,530

Project establishment costs paid by the founders	Cost
website	\$ 2,000
Mobile applications (Apple, Android)	\$ 3,500
Turkish designs	\$ 2,500
Arabic designs	\$ 1,500
Professional pictures	\$ 1,000
E-catalog	\$ 800
6 videos	\$ 500
logo design	\$ 1,000
Domain	\$ 20
Turkish domain and email	\$ 300
Legal fees for incorporation	\$ 100
Trademark registration with property protection	\$ 500
Entry to international stores	\$ 500
Entry to local stores	\$ 300
Agriculture room registration	\$ 10
Arabic content	\$ 500
Turkish content	\$ 500
<b>Total establishment costs</b>	<b>\$ 15,530</b>

In addition to the staff salaries during this period, on basis of \$1,500 per month, as the project was launched on Oct-18, 45 months ago

Taking into consideration the existence of work stoppages, specifically the 6 months of the Corona lockdown in 2020.

Based on all the above, the fair value of the project is:

Expenses	Value
Capital fees	15,530\$
(39*1,500\$) Staff fees	58,500\$
<b>Project fair value</b>	<b>74,030\$</b>

While reading this report and before making any decision, please take into consideration the following points:

1-The project with its current structure is **not profitable** in the short and medium term.

2-The investment in this project is to use this platform for marketing to a sweet's new factory, or to establish a sweets factory with the same name and use this platform to be marketing for it.

3-This fair value is valid for a period not exceeding **six months** from the date of issuance of the report 26-7-2022.

This report has been prepared by ACCYBER

Ghazi Almahayni CEO

CMA-CFM-IVSC

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