

Truist Life Insurance Services (LIS)

Business succession and continuation

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Business Valuation

-Opportunities and hot topics

Ryan Patton, JD, MBA
Sr. Consultant, Advanced Sales



Not intended to be tax or legal advice

Agenda

1. 2023 Business Valuation

Post Covid changes

2. A simplified process

What to expect

3. How to use and understand your valuation

Ways to protect your value

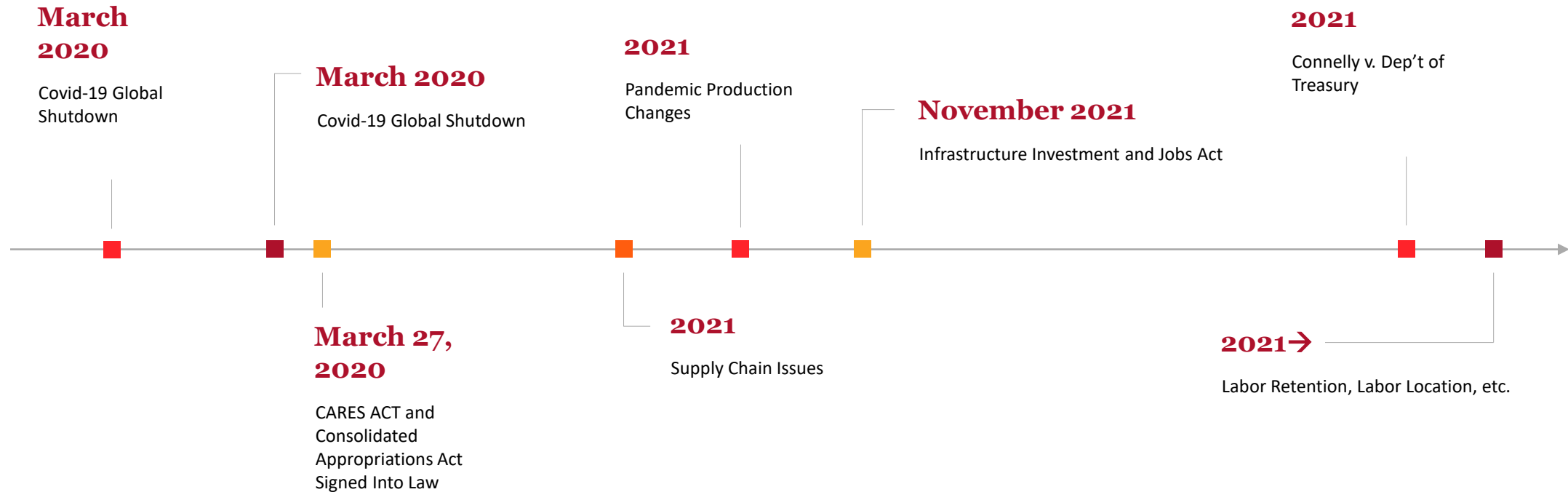
4. Next steps

How to take the service to market

2023 Business Valuation

post pandemic changes

What is causing changes to value?



Why is a business valuation important?



Active M&A businesses



A Simplified Process

What to expect



What we need



Business fact finder

This fact-finding form is designed to assist you in uncovering your needs as a business owner. Once you've completed this assessment, please review it with your advisor, who can assist you in determining a strategy.

Business information

Business name _____ Primary contact _____
 Industry _____
 Phone _____ Email _____
 Address _____ City _____
 Number of years in business _____ Website _____
 Total number of employees _____ Part-time employees _____

Business organization

Sole proprietorship Subchapter S-corporation
 General partnership Professional service
 Limited liability company Nonprofit
 Subchapter C-corporation, subject to corporate income tax at a marginal tax rate of _____%

Any changes in form of business? Yes No
 (For example: sole proprietor to corporation, partnership to corporation, S-corp to C-corp)
 If yes, please explain: _____

End of current fiscal year ____/____/____ Cash Accrual basis

Professional advisors

Accountant Name _____
 Address _____
 Phone _____ Email _____
Attorney Name _____
 Address _____
 Phone _____ Email _____

5280778

Insurance products issued by:
 The Lincoln National Life Insurance Company
 Lincoln Life & Annuity Company of New York

1120 U.S. Corporation Income Tax Return
 For calendar year 2022 or tax year beginning _____, 2022, ending _____, 2022
 OMB No. 1545-0123
 Department of the Treasury Internal Revenue Service
 Go to www.irs.gov/Form1120 for instructions and the latest information.

A Check it:
 1a Consolidated return (attach Form 991)
 1b Life/short-term consolidated return
 2 Personal holding co. (attach Sch. PH)
 3 Personal service corp. (see instructions)
 4 Schedule M-3 attached

B Employer identification number _____

C Date incorporated 12/01/2011

D Total assets (see instructions) \$ 2,500,000

E Check it: (1) Initial return (2) Final return (3) Name change (4) Address change

Income	Amount
1a Gross receipts or sales	\$12,568,000
b Returns and allowances	
c Balance. Subtract line 1b from line 1a	
2 Cost of goods sold (attach Form 1125-A)	\$10,750,000
3 Gross profit. Subtract line 2 from line 1c	1,818,000
4 Dividends and inclusions (Schedule C, line 23)	
5 Interest	
6 Gross rents	
7 Gross royalties	
8 Capital gain net income (attach Schedule D (Form 1120))	
9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	
10 Other income (see instructions—attach statement)	
11 Total income. Add lines 3 through 10	1,818,000
12 Compensation of officers (see instructions—attach Form 1125-E)	\$350,000
13 Salaries and wages (less employment credits)	\$675,000
14 Repairs and maintenance	\$75,000
15 Bad debts	
16 Rents	\$125,000
17 Taxes and licenses	\$100,000
18 Interest (see instructions)	
19 Charitable contributions	\$6,000
20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	\$130,000
21 Depletion	
22 Advertising	
23 Pension, profit-sharing, etc., plans	\$15,000
24 Employee benefit programs	210,000
25 Reserved for future use	
26 Other deductions (attach statement)	
27 Total deductions. Add lines 12 through 26	1,686,000
28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11.	\$132,000
29a Net operating loss deduction (see instructions)	
b Special deductions (Schedule C, line 24)	
c Add lines 29a and 29b	
30 Taxable income. Subtract line 29c from line 28. See instructions	\$132,000
31 Total tax (Schedule J, Part I, line 11)	
32 Reserved for future use	
33 Total payments and credits (Schedule J, Part III, line 23)	
34 Estimated tax penalty. See instructions. Check if Form 2220 is attached	
35 Amount owed. If line 33 is smaller than the total of lines 31 and 34, enter amount owed	
36 Overpayment. If line 33 is larger than the total of lines 31 and 34, enter amount overpaid	
37 Enter amount from line 36 you want credited to 2023 estimated tax. Refunded	

Sign Here
 Signature of officer _____ Date _____ Title _____
 Print/type preparer's name _____ Preparer's signature _____ Date _____ Check if self-employed PTIN _____
 Firm's name _____ Firm's EIN _____
 Firm's address _____ Phone no. _____

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11450Q Form 1120 (2022)

- A Check if:**
- 1a** Consolidated return (attach Form 851)
 - b** Life/nonlife consolidated return
 - 2** Personal holding co. (attach Sch. PH)
 - 3** Personal service corp. (see instructions)
 - 4** Schedule M-3 attached

TYPE OR PRINT

Name
 ABC Construction

Number, street, and room or suite no. If a P.O. box
 123 main st

City or town, state or province, country, and ZIP code
 anytown, OH 1234

B Employer identification number

C Date incorporated
 12/01/2011

D Total assets (see instructions)
 \$ 2,500,000

E Check if: (1) Initial return (2) Final return (3) Name change (4) Address change

IRC 1202
 Qualified Small
 Business Stock

GILTI, IC-
 DISC, FDII

Income	1a Gross receipts or sales	1a	\$12,568,000	
	b Returns and allowances	1b		
	c Balance. Subtract line 1b from line 1a	1c		
	2 Cost of goods sold (attach Form 1125-A)	2	\$10,750,000	
	3 Gross profit. Subtract line 2 from line 1c	3	1,818,000	
	4 Dividends and inclusions (Schedule C, line 23)	4		
	5 Interest	5		
	6 Gross rents	6		
	7 Gross royalties	7		
	8 Capital gain net income (attach Schedule D (Form 1120))	8		
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	9		
10 Other income (see instructions—attach statement)	10			
11 Total income. Add lines 3 through 10	11		1,818,000	

tions (See instructions for limitations on deductions.)

12	Compensation of officers (see instructions—attach Form 1125-E)	→	12	\$350,000
13	Salaries and wages (less employment credits)	→	13	\$675,000
14	Repairs and maintenance		14	\$75,000
15	Bad debts		15	
16	Rents	→	16	\$125,000
17	Taxes and licenses		17	\$100,000
18	Interest (see instructions)		18	
19	Charitable contributions	→	19	\$6,000
20	Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	→	20	\$130,000
21	Depletion		21	
22	Advertising		22	
23	Pension, profit-sharing, etc., plans	→	23	\$15,000
24	Employee benefit programs	→	24	210,000
25	Reserved for future use		25	
26	Other deductions (attach statement)		26	
27	Total deductions. Add lines 12 through 26		27	1,686,000
28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11.	→	28	\$132,000

Other factors driving value



- Unique Process, Product, Patent, etc.



- Strong social media



- People, people, people

How to use and understand a business valuation

Ways to protect business value

Valuation Methodology

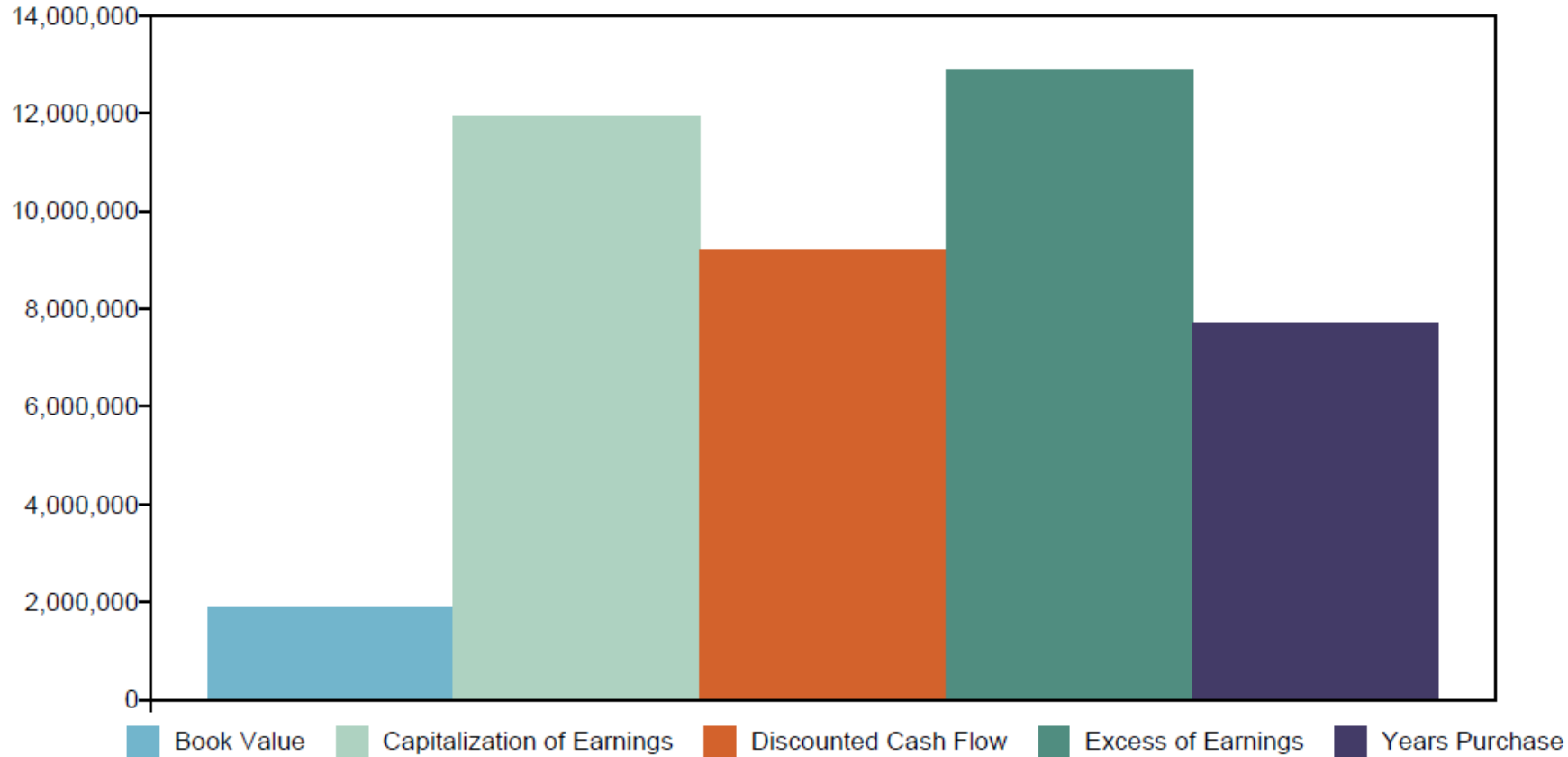


- IRS Revenue Ruling 59-60
- Market-Based Valuation
 - Comparable company sales
 - Market based approach
- Asset-Based Valuation
 - Liquidation value
 - Going concern (intangible assets)
- Income-Based Valuation
 - Discounted cash flows
 - Capitalization of earnings



Don't have a buy-sell agreement...Don't worry ,
you're still covered!

Informal Valuation Results

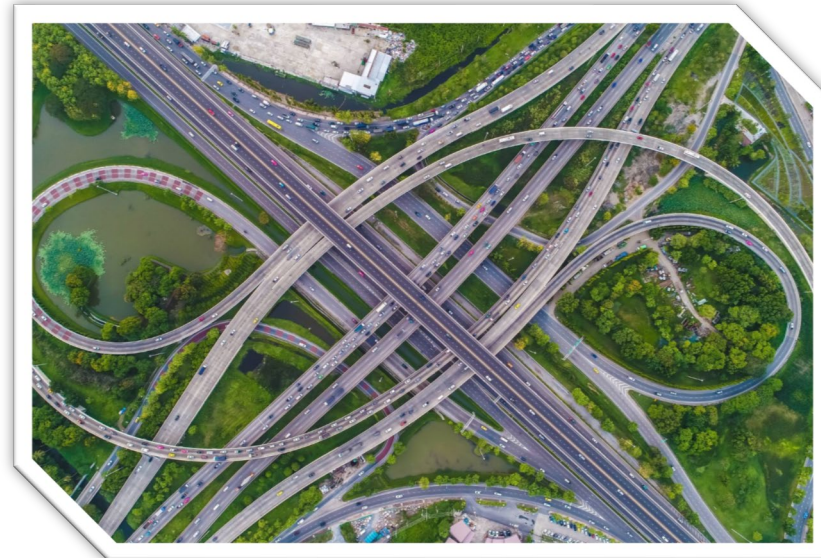


Owner	Ownership Percent	Book Value	Capitalization of Earnings	Discounted Cash Flow	Excess of Earnings	Years Purchase
John Smith	65.0%	\$1,235,000	\$7,751,250	\$5,980,367	\$8,368,750	\$5,001,469
David Smith	35.0%	665,000	4,173,750	3,220,198	4,506,250	2,693,098
Total	100%	\$1,900,000	\$11,925,000	\$9,200,565	\$12,875,000	\$7,694,567

Next Steps

How to go to market

Three Client Profiles and how to approach them



Medical Professionals



- Stark & Anti-Kickback Laws
 - Focused on professionals engaged with Medicare and/or Medicaid payments
- Violations
 - Fines
 - Potential criminal penalties (Jail time)

Ongoing questions to ask:

-Have you had a valuation of your practice given Stark and Anti-Kickback laws?

Buying into the practice:

- The new medical professional you want to bring to your practice, will they cause a violation of Stark or Anti-Kickback?

Selling a practice:

- Will you be able to sell your entire practice or will you be limited due to Stark and Anti-Kickback laws?

Manufacturing Operations



- Large changes to operations
 - Supply chain issues
 - Changes to production
- Employee retention
- Paycheck Protection Program (PPP) / Employee Retention Credits (ERC)

Operation changes:

-Have you valued your business due to the changes you made to your business?

Employee retention:

- Have you taken steps to secure your value through employee retention?

PPP/ERC:

- Have you had a valuation given your participation in PPP/ERC?

Construction Operations



- Infrastructure bill
 - \$550 million in project work over the next decade
- Employee retention

Infrastructure bill:

-Have you taken steps to secure your value given the infrastructure bill?

Employee retention:

- Have you taken steps to secure your value through employee retention?

PPP/ERC:

- Have you had a valuation given your participation in PPP/ERC?

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Not FDIC Insured
May go down in value
Not insured by any federal government agency
Not guaranteed by any bank or savings association

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Q&A

Join us next month!

June 22 at 11:00 a.m. ET

Extended care planning (LTC)