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家為台灣私募股權生態系統做出貢獻: 收購企業家

Contributing to the Taiwan Private Equity Ecosystem: The Acquisition Entrepreneur

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本論文係蔣偉翔君（R10749065）在國立臺灣大學企業管理碩士專班完成之碩士學位論文，於民國 112 年 6 月 14 日承下列考試委員審查通過及口試及格，特此證明

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Abstract

The business plan is twofold:

1. Illustrate why the Taiwan SME market is a viable space for the acquisition entrepreneur to add value, and
2. Provide a sample business plan for the takeover of an SME in Taiwan.

I insert myself as the acquisition entrepreneur and share my own experience and journey to acquire a small market firm. I use real world historical financial statements to complete 24 months and three years thereafter of financial projections and use self conducted interviews and meetings with current company owners for qualitative analysis. The scope of this plan is to provide the reader with a sample of the companies available for sale in Taiwan, what a business plan could look like prior to signing a letter of intent, and a walkthrough of the financial burden of the acquisition. Ancillarily, I highlight how one may come to run a micro buyout fund after their first acquisition.

Keywords: SME, Acquisition, Entrepreneurship, Taiwan, Business Plan

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List of Abbreviations

DCF	Discounted Cash Flow
EBITDA	Earnings Before Interest Taxes Depreciation Amortization
FY	Fiscal Year
NTD	New Taiwan Dollars
SDE	Seller’s Discretionary Earnings
SME	Small-to-Medium Enterprise
US	United States
USD	United States Dollars

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1.0 The Macro Business Plan

Purchase a small-to-medium enterprise (SME) in Taiwan at a cost lower than its intrinsic value with personal finances and debt financing, demonstrate my ability to add value to the company and increase shareholder return, sell the enterprise, initiate the first equity fundraising round for a micro private equity fund in Taiwan.

2.0 The Opportunity

Taiwan is at the beginning of a large wealth transfer, particularly, illiquid assets like company shares. The region is abundant with small-to-medium sized companies that are single-owner, often lacking a clear succession plan. In meetings I've had with company founders, a recurring sentiment from them is, "My children do not want to take over the business." In addition, these companies are too small in deal size to catch the eyes of any major dealmakers in Taiwan, the current private equity players, buy-out funds, and family offices; and yet, these companies have a stable cash flow, establishment of ten to fifteen years, supply chain stability, a localized customer base, and have attractive selling multiples. As a result, I believe the business environment is ripe for small individual investors or micro funds to begin consolidating the thousands of SMEs in Taiwan and add value and efficiency comprehensively.

2.1 Acquisition vs Startup

According to the Small Business Association in the United States, the average startup has $65,000 USD in invested capital and a 90% chance of failing in its first few years. Startups that are lucky enough to be venture backed, have an average of $41 million USD and about a 75% chance of failure. While not perfect, a comparable metric for what percentage of existing

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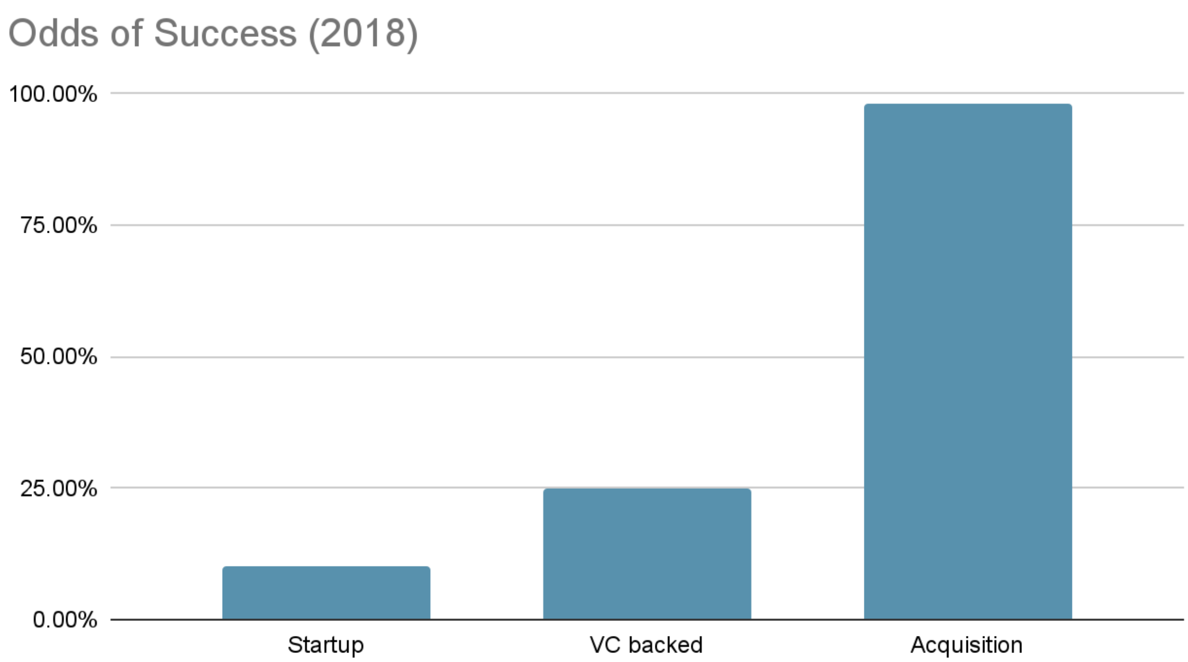
businesses fail after the close of an acquisition would be to look at the default rate of SBA acquisition loans. It sits at around a 2 percent default rate. Therefore, it can be extrapolated

[1]Figure 1: Startup vs Acquisition Survival Rate



acquisition entrepreneurship has a 98 percent success rate while startups have a 10 percent success rate and VC backed startups sit around a 25 percent success rate (Deibel 32). Of course, these metrics do not factor in the risk to reward ratio. Surely, a startup has the potential to become a billion dollar startup although carrying a higher risk. But from the standpoint of a small investor like myself who needs to succeed on the first try due to capital constraints, acquiring a stable cash flow business is statistically the better option with the goal of preservation of capital alongside seeking a suitable return on investment.

[1]Deibel, Walker. *Buy then Build.* Lioncrest Publishing, 2018.

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2.2 Acquisition Entrepreneurship from a US Perspective

While I fully intend on doing business in Taiwan, this quote from Walker Deibel captures well what I also believe to be happening in Taiwan, albeit on a smaller scale. "Baby Boomers… are retiring in droves… $10 trillion [USD] in business value will need to change hands, with the highest volume of opportunity in businesses below $5 million [USD] in revenue… only 4% of companies in the United States achieve $1 million in revenue" (Deibel 279). In 1950 following World War II, Taiwan experienced a similar baby boom with a birth rate of 48.44 per 1,000 people. In comparison, the United States
had 24.26 births per 1,000 people during the same year. Nowadays, Taiwan's birth rate has remarkably decreased to 8.39 per 1,000, while the United States currently has a rate of 12.01 per 1,000 (United Nations Population Division). It is important to remember correlation is not definitive causation, but based on these figures, it can be inferred that there is even less demand in Taiwan than in the U.S. for the younger generation to assume control of their elders' businesses.

3.0 Value to be Added

So far, I have toured six companies in Taiwan, met with their respective owners, and looked at their financial statements. The value to be added is company specific, but there are general gaps that need to be filled. The Ministry of Economic Affairs in Taiwan publishes a white paper about SMEs each year titled "20x0 White Paper on Small and Medium Enterprises in Taiwan." For 2022, one of their largest 'calls to action' is for the government to assist SMEs in closing the digital and financial gaps that currently exist within these companies. According to the paper, and my anecdotal experience is a confirmation, SMEs are in dire need of enhancing their cloud solutions, software integration, and interpretation of data. The Ministry of Economic

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Affairs (MOEA) is “help[ing] companies use digital technologies such as cloud services and AI to obtain market information, provide feedback for production, achieve rapid responses to customer needs, and develop new products or new business models based on the demand” (Chung Hua 71). As a private entrepreneur, I hope to be able to implement these changes from day one at the helm of a company in Taiwan faster than the government can, in order to quickly achieve a short term competitive advantage in my industry. Understandably, convincing 20 employees to change their workflows and

processes is easier said than done, and I am aware of the extensive relationship building, gentle persuasion, and organization that is required. I’ve identified three digital transformations and two financial transformations I would implement in a timely manner.

Table 1: Digital and Financial Value Additions

Value add	**About**
Line Messenger CRM tool	Many customer orders are done through Line, customer profiles are disorganized, relationship management would improve ie. OakMega
Integrate MIS software	Increase order capacity and efficiency, automate order intake and processing, improved risk management
Introduce cloud computing	Drastically increase employee collaboration, as well as manager to employee information sharing/collaboration. Save time and money by boosting productivity; enhanced security
Use a cash flow statement and accrual accounting	Many SMEs are loose with cash flows nor use bank reconciliation statements. Incorporating cash flow statements with the other financial statements will provide a better picture of company health, working capital needs, and capex or R&D opportunity identification. Accrual accounting beneficially outweighs cash based accounting, especially for

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	companies with over $30million NTD in revenues.
Integrate performance tracking software	Digitize entire company financial picture, build better budgets & forecasts, track financial goals, produce visual reports to share with all stakeholders and employees, track growth and make informed decisions

The value to be added can transform a target company into a cost leader through better financial management and digital integration in order to determine company cost pain points, structure, and strong vs weak cost centers. Cost savings can then be redirected to improving top line metrics through digital marketing, digital improvements like website and app usage, and expansion to English speaking countries. Productivity software is readily available for English speakers, and Taiwan's SMEs are the perfect playground for the intersection of technology and traditional industry.

In addition to personally improving the company, I intend to seek government funding and advice from newly established organizations like the "SMEs' Circular Economy Capacity Enhancement and Application Project," the "Small Business Innovation Research Program" (SBIR), and the "Industrial Upgrading and Innovation Platform Counseling Program." These organizations aim to fortify SMEs, boost their R&D capacities, and propel the overall growth of Taiwan SMEs. If I can provide a succinct plan to these organizations about my intentions, I can incur tax breaks and even receive grants (Chung Hua Institution for Economic Research).

3.1 From the First Acquisition to a Fund

This step in my acquisition entrepreneur project is more wishful thinking in 2023, but the objective is to showcase outstanding operational expertise to future investors from the first acquisition.

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By diligently reducing debt and conducting private share buybacks, alongside enhancing net income through technology advancements, improved financial controls, and expanded market share, I aim to boost the company's return on invested capital and demonstrate my ability to create shareholder value on a modest scale. Fast forward to 2028, regardless of whether an exit is accomplished or I retain control of the initial acquisition, my proven record of overseeing a thriving business, coupled with prospective target acquisitions and plans for their enhancement, will enable me to confidently engage with the private markets and lead my first fundraise.

3.2 Understanding Taiwan's SME landscape

Taiwan's economic miracle over the past 70 years rightfully justifies its namesake as one of the "Four Asian Tigers," maintaining a GDP increase of at least 7% from the 1950's to the 1990's. To better understand the present business landscape, an understanding of Taiwan's past is beneficial. Taiwan's land reforms and transition into a more equal agrarian economy set the stage for the Kuomintang to successfully integrate into Taiwan, and maintain a satisfied populace. The transfer of wealth involved in the land reforms was equivalent to 13 percent of Taiwan's GDP passing from one group of people to another (Klatt 53). As a result, nearly everyone had a small amount of capital. The ousting of monopoly landlords by and large decreased property incomes which in turn valued income from current work as more important. The KMT nationalized big business, such as the formerly Japanese-owned sugar refineries, and would buy sugarcane from private farmers and small families, helping to inject money into the burgeoning middle class businesses. This led Taiwan down the path toward economic modernization and steered Taiwan clear of the economic woes that befell its south-east Asian neighbors, which never fundamentally restructured their rural economies (Studwell 34).

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The transition from then an agrarian economy to a manufacturing one began with exports of food and textiles, and would lead to heavy industry, synthetic textiles and the electronics sector (Wade 103). For perspective, Taiwan exports equated to 9% of GDP in 1952 and would rise to 50 percent by 1972 (Kuo et al 109). It is important to remember that while big business was nationalized, SMEs were largely privately held by families. In 1985, SMEs with fewer than 300 employees accounted for 65 per cent of Taiwan's exports (Studwell 98, Wade 70). Taiwan's transition to a democracy in 1987 would be followed by looser export controls, more privatization, and an increase in foreign direct investment, culminating in Taiwan's acceptance into the World Trade Organization in 2002, and further promoting trade liberalization and greater market access and expanded export opportunities for Taiwanese businesses. The result of this economic and entrepreneurial miracle was an explosion of small to middle market privately owned businesses.

Today, the total number of businesses in Taiwan is 1,613,281. SMEs account for 98.92% of the total (MOEA). Furthermore, 50% of Taiwan SMEs are sole proprietorships, which simplifies the acquisition process. These companies are still 1st or 2nd generation owned with the 3rd generation expected to assume control of the business since childhood. Whether the "3rd generation curse" or the saying "shirt sleeves to shirt sleeves" or "founder father, rich son, poor grandson" has an ounce of truth or not, the reality is Taiwan has become a very rich country with a reduced population of the current generation willing to assume control. Naturally, after years of wealth accumulation, family offspring have the liquidity to pursue higher education, different career paths, or start life anew in an entirely different environment. Whatever the real reason for the turnover may be, the opportunity remains for small market acquisitions at favorable prices.

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3.3 Illustrating Acquisition Entrepreneurship

This illustration is very simplified and has many assumptions, but a basic look at the numbers is helpful in setting the stage for what is possible with small scale acquisitions. Acquisition entrepreneurship employs debt usage at a lower rate of default than working capital loans for start-ups, for example. Debt is even more useful in an environment with low interest rates or when the debt is used to acquire a cash flow producing, stable asset. An acquisition in Taiwan can check both of these boxes. Here's an outline of how debt can be employed to make attractive returns for the acquisition entrepreneur: we find a company making $300,000 in net income plus owner benefits (SDE seller discretionary earnings), we pay a 4x multiple on the SDE for a price of $1,200,000. Add working capital and inventory costs of $200,000, add closing costs and lawyer fees of $50,000 for a total acquisition cost of $1,450,000. We put 20% down, or $290,000, and take the balance of $1,160,000 out as a loan paying a realistic 4% interest rate. Paying $11,705 each month from the $25,000 cash flow available each month leaves $13,295 in available cash flow to pay yourself, reinvest in the company, or pay off your loan faster. We grow revenue by an average of 20% per year because of our digital integrations and financial engineering. By year 5, SDE is at $746,000 and the company is worth the same 4x multiple at almost $3,000,000.

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Table 2: Hypothetical Return of a Small Market Acquisition

Investment	Year	Revenue	SDE	Exit
$290,000.00	0	$2,000,000.00	$300,000.00	
	1	$2,400,000.00	$360,000.00	
	2	$2,880,000.00	$432,000.00	
	3	$3,456,000.00	$518,400.00	
	4	$4,147,200.00	$622,080.00	
	5	$4,976,640.00	$746,496.00	$3,000,000
Total Return (less debt payments)				**$4,818,976**

With $290,000 down, we grow it almost 1600% to $4,818,976; spectacular for any asset class. While this illustration maintains many assumptions and is over simplified, the general premise remains. There is a real opportunity for the acquisition entrepreneur to employ themselves and add value to the economy, particularly in Taiwan.

This model is growing in popularity in the United States, primarily funded by what are known as “Search Funds.” A search fund collaborates with recent MBA graduates and provides the capital necessary for the new graduate to purchase a firm partially or entirely. The search fund expects a certain return on their investment and hope the recent MBA graduate can apply better business practices and new technology to traditional industries. Ideally, the MBA graduate can improve the value of the company in three to five years and seek an exit from her position. The Search Fund is returned their initial paid-in-capital in addition to previously agreed upon profit sharing and additional added value metrics, and the MBA graduate likely sees a handsome pay out as well.

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3.4 Target Company Profile

Working with a business broker is a necessity for any acquisition entrepreneur. If one does not fluently speak the language of the country where they are doing business, then it is a requirement. The broker can save hours in the search for sourcing deals, and more importantly, acts as a referee between the buyer and seller, especially in determining a fair price. The broker helps prepare the seller with a realistic dollar amount before the first meeting with a potential buyer. When I partnered with Strength Business Brokers company and the Go-Biz company in Taiwan, I provided my target company profile which is best summed up in my statement, "I am looking for a manufacturing or service hybrid company with ten to fifteen years of operating history, over 30 million NTD in revenues, and sellers discretionary earnings of 5 to 15 million NTD." In transactions with EBITDA (Earnings before interest, taxes, depreciation, and amortization) under $1 million USD, seller's discretionary earnings (SDE) is used in lieu of EBITDA. SDE is defined as the total after tax cash flow benefit to the owner of the company, or the entire financial benefit a business would provide to one full-time owner-operator. Add back interest expenses, owner benefits and salary to net income to determine the SDE. I will later share my sample business plan and financial forecasting for the best target company I've found out of the six I have analyzed so far. First, below is a comparison of the possible acquirable companies.

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6.1 Comparing the Six Companies

Table 3: SWOT of Six Companies Visited

	Company 1 "Target"	Company 2	Company 3	Company 4	Company 5	Company 6
Nature of Business	Printing	Paper Mold, Recycle	Dry Cleaning & Laundry	Precision Lathes	Gaskets	Curtains
Strengths	Cost Leadership	Decent cash flow, high volume, B2B contracts	One of the few remaining after Covid	Stable contracts, good margins	n/a	Stable cash flow
Weaknesses	Strong supplier power, stagnating industry	Current account liability of 20mm, low margins	Equity of only 30% for sale	2nd and 3rd most important employees have too much leverage	Out of my price range, unable to budge on price	Margins too low, little YoY growth
Opportunities	Digital printing, web-to-print 3d printing, functioning app, English services, improved website	ESG angle, international expansion, accrual accounting	B2b, hotel outsourcing laundry, app improvement , promotions, accrual accounting	International expansion as cost leader, accrual accounting	n/a	Digital marketing, international expansion, website improvement, accrual accounting
Threats	Robust supplier relationship dependent on boss	Far distance, more difficult to be present consistently	55688 creating laundry delivery	Large company, 40 employees may be too difficult	n/a	Could be priced out of market by larger competitors

For the scope of this project and in the interest of time, I elected to focus on Company 1, henceforth known as PrintSolutions, because it had the most complete financial statements, had

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eye-wateringly good cash flows and margins, and had the most room for value-add implementation. After graduation, I look forward to exploring more "blue sea" industries such as trucking and warehousing, for example. Prior to presenting the formal business plan, a SWOT analysis and Porter's Five Forces analysis is below.

4.0 Acquisition Analysis

A SWOT analysis is useful in determining the advantages and disadvantages of a business decision, and is applied forth for the selected target company, PrintSolutions:

[2]Figure 2: SWOT analysis of PrintSolutions

Strengths:

Company is thriving without any technological innovation or a consumer friendly experience. Implementing successfully would be an immediate value add and increase revenue and cut costs.

[2]Self Generated

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PrintSolutions is synergistic with my community, many of which are small business owners and restaurant owners in need of print services.

Weaknesses:

What will the demand for printed products look like in 2033? While the company is very healthy in its current form, being in the printing industry brings its own inherent risks.

Opportunities:

Digital printing, “web-to-print” services, 3D printing, an improved website, English services, a functioning APP… all relevant opportunities that can add value to the company.

Threats:

I am not Mr. Wang, and maintaining his robust supplier relationships with his contacts in China may turn out to be a pipedream for me. I could lose the low cost competitive advantage upending the whole business.

My use of leverage to complete the acquisition could be catastrophic if I cannot maintain my competitive advantage and keep cash flows consistent month to month in order to make interest payments.

4.1 Porter’s Five Forces Analysis of the Printing Industry in Taiwan

Threat of New Entrants:

The printing industry in Taiwan has a moderate level of threat from new entrants. While there may be relatively low barriers to entry in terms of capital investment and technology, established printing companies in Taiwan like PrintSolutions benefit from economies of scale and strong relationships with clients. 70% of PrintSolutions orders are from repeat customers. The threat could increase if there is a significant technological shift or disruptive innovation in printing processes.

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Bargaining Power of Suppliers:

Suppliers in the printing industry include manufacturers of printing equipment, ink, and raw materials. The bargaining power of suppliers is relatively low in Taiwan due to the presence of multiple suppliers and the ability of printing companies to switch between them easily. However, in the case of PrintSolutions, the supplier power may be higher than industry average because PrintSolutions's competitive advantage is reliant on their special supplier relationship. Should that relationship sour, PrintSolutions may lose their competitive advantage.

Bargaining Power of Buyers:

Buyers in the printing industry, such as small and large businesses, advertising agencies, individual consumers, non-profits, wedding planners and more, generally have a moderate to high bargaining power in Taiwan. This is because there are numerous printing companies competing for customers, providing buyers with various options. Buyers can easily compare prices, quality, and delivery schedules. However, established printing companies that have built strong relationships and a reputation for quality may have more negotiating power with their loyal customers. I hope to implement a better customer experience at PrintSolutions in order to improve an already impressive bottom line.

Threat of Substitutes:

The threat of substitutes in the printing industry in Taiwan is relatively high. The growth of digital media and online advertising has resulted in a decline in demand for printed materials, such as newspapers, magazines, and brochures. Additionally, advancements in electronic document management systems and online publishing platforms have provided alternative ways of disseminating information, reducing the need for traditional printing. However, some printed

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materials, like packaging and labels, corporate gifts, and flags and banners still have limited substitutes, which helps sustain demand for printing services.

Competition:

We analyzed the four main competitors to PrintSolutions, and determined Company B to be the biggest rival. To differentiate PrintSolutions, improving pricing power and customer willingness to pay by offering a better user experience while maintaining the cost advantage will be the key to beating out competitors. The industry's competitiveness as a whole is influenced by factors such as technological advancements, production efficiency, and the ability to adapt to changing market demands. I plan on ensuring PrintSolutions reinvests heavily in new software and equipment to keep up with the changing printing landscape.

After setting the stage for what is acquisition entrepreneurship and analyzing a potential target, what follows is a sample business plan, and the bulk of this project, as if I were to go through with this acquisition.

5.0 Company “1”: PrintSolutions

5.1 Executive Summary

PrintSolutions, is a total solution provider for printing related services and products such as election posters and flags, restaurant banners and menus, brochures, business forms, small gifts, and stationary to businesses and consumers in Taipei and New Taipei City. PrintSolutions is based in New Taipei City for nearly fifteen years under the sole ownership of one owner, Mr. Wang [name changed]. In 2011[date changed], Mr. Wang founded PrintSolutions after the successful sale of his previous business, and after identifying the need of his friends and community members for localized printing. Mr. Wang’s sales strategy was initially sourcing

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deals through friends and family, and his marketing strategy was through word of mouth only. Since 2011, he has integrated digital marketing on google maps and web advertising.

Printing is a mandatory business expense for most businesses and all election campaigns. I believe this industry's resilience, along with my business partner and my experience will prove to be a sound combination. Our keys to success after the acquisition are

- Digitally integrating the company
- Understanding primary cost drivers, determine fixed vs variable costs
- Financial control and cash flow planning

To finance the acquisition, I have created a Taiwanese holding company, which will have ~$20 million NTD of invested capital. I am seeking cash flow based debt financing domestically or internationally of ~$30 million NTD, for a total buying power of ~$50 million NTD. PrintSolutions will become an asset and operating company under the Taiwan holding company.

5.1.1 Mission

At PrintSolutions, we are committed to providing comprehensive printing solutions and being a one-stop-shop for all your printing needs. Our top priority is to build and uphold our customers' trust and earn their repeat business. By offering exceptional service at a fair price and maintaining consistent and friendly customer service, we will be one step ahead of the competition. We foster a friendly and creative work environment that values hard work and welcomes new ideas while treating everyone with fairness and respect. Employees and Managers will be treated as equals.

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5.1.2 Keys to Success

Digitally integrating the company:

This will include Line CRM software, in order to better organize the customer base, facilitate marketing and touch points, and provide easy-to-use data analysis tools such as customer buying patterns, clicks before buying, and total screen time. It will also include cloud solutions for the company, so that managers and employees can collaborate in real time with each other and with customers in consultations and the design process. Workflow processes will also be upgraded with the likes of "Notion" for example, which helps employees create roadmaps, write to-do and task lists, build kanban boards, create a database, build project plans (especially around election time) amongst others. Integrating MIS (Management Information Software) will also bring the company "digitally" up to speed by increasing order capacity and efficiency, automating order intake and processing, and improving risk management.

Costing:

PrintSolutions has very little understanding of its costs. The company is extremely profitable and management has become complacent as a result. The current owner does not have the need or want in understanding which products cost the most, which are most profitable, where are the fixed vs variable costs in COGS and overhead, and fixed vs variable costs in SG&A. By introducing an activity based cost plan into the company, I will be able to attribute high costs to which cost center they are deriving from, and determine which products may not be worth pursuing, and which products may be worth increasing their production.

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Financial Controls and cash planning:

While the company is extremely profitable, it is not financially organized. There are no bank reconciliation statements, no cash flow statements, no costing analysis, and no budgeting. By including these sound financial applications, I hope to further cut costs and manage working capital more efficiently. In doing so, I can increase the reinvestment rate of the company and purchase newer equipment sooner.

5.2 Company Summary

PrintSolutions is a privately owned small business in New Taipei City that offers an array of printing solutions for businesses and consumers. Founded by Mr. Wang, the company does 90% of order intake through Line Messenger and has two revenue drivers: the printed products as well as accessories to the printed products, such as flag poles and stands, poster string and card holders. The company has $20 million NTD in paid in capital and $11 million NTD in bank loans with assets of $31 million NTD.

5.2.1 Company Ownership

The company is owned wholly by Mr. Wang. After the acquisition, the company would be ~90% owned by the holding company, XiangYou Holdings and (hopefully) Mr. Wang agreeing to hold 10% of the company for another year or two. The holding company is owned by my business partner and me each with 50% ownership. We intend for Mr. Wang to stay as an equity partner for one or two years in order to keep him involved in an advisory role in dealing with suppliers and problems that may arise for the new ownership. A dividend will be paid quarterly or annually and he will receive his 10% stake in exchange for his services. XiangYou will buy the remainder of his shares over time.

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5.3 Products and Services

PrintSolutions offers a wide range of products and services to meet various printing and promotional needs. Products include:

Large Format Printing: PrintSolutions can produce large prints suitable for posters, banners, signs, and other large-scale promotional materials. This service is ideal for events, trade shows, and outdoor advertising.

Flags and Banners: They can design and print flags and banners for both indoor and outdoor use, helping businesses and organizations effectively display their brand and messaging.

Paper Printing: PrintSolutions handles traditional paper printing for items such as brochures, flyers, business cards, letterheads, and other marketing collaterals.

Canvas Printing: Canvas printing allows customers to turn their photos or artwork into gallery-style prints, perfect for home or office decor.

Plastic Printing: This service involves printing on plastic materials, such as custom plastic cards, promotional items, or packaging solutions.

Custom Cups: PrintSolutions can create personalized cups, suitable for events, parties, or promotional giveaways.

Pillows: They offer printing on pillows, allowing customers to personalize them for gifts or branding purposes.

T-shirts: Custom t-shirt printing is available, enabling individuals, businesses, or groups to create personalized apparel for various purposes, like uniforms, events, or merchandise.

Mailers: PrintSolutions can design and print direct mail materials, which are effective for targeted marketing campaigns.

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Packaging: They offer printing on packaging materials, allowing businesses to brand their product packaging for a more professional and appealing presentation.

Annual Reports: For corporate clients, PrintSolutions can assist in printing annual reports, which typically contain financial information, company highlights, and achievements.

Advertising Specialties: This category includes a variety of promotional items, such as pens, keychains, magnets, and other small branded merchandise.

Catalogs: PrintSolutions can produce catalogs that showcase a company's products or services, providing customers with a comprehensive overview.

Other Small Ticket Items: Encompasses additional small-sized promotional items or marketing materials, which could vary based on clients' specific needs.

PrintSolutions services include:

Consultation: PrintSolutions offers expert advice and guidance to clients during the printing process, helping them choose the right materials, finishes, and printing techniques.

Printing Recommendations: They can provide recommendations on the best printing methods based on the specific requirements of each project.

Graphic Design: PrintSolutions has in-house graphic design services to help clients create captivating and professional designs for their printed materials.

Pickup and Delivery: Clients can benefit from the convenience of pickup and delivery services, ensuring their printed products reach them on time and in good condition.

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Electronic and Phone Communication: Sales representatives facilitate communication with clients through electronic means like email and phone, ensuring efficient collaboration throughout the printing process.

Labor Items: PrintSolutions takes care of various labor-intensive tasks required to deliver the finished products, such as cutting, stitching, folding, and any other necessary finishing touches.

Overall, PrintSolutions aims to be a comprehensive printing solution provider, catering to both personal and business needs, offering a wide range of products and accompanying services to deliver high-quality printed materials and promotional items.

5.4 Market Analysis Summary

The data that will need to be collected in my next meeting is the sales breakdown from the past few years in regards to each product Mr. Wang offers. Regarding the customer segmentation, Mr. Wang states he is about 90% B2C and 10% B2B. After probing him to elaborate further, it sounds like he is just in close contact with many other business owners that use his products for their businesses, which is effectively the same as B2B sales. He mentioned the following segments below, which I elaborate on.

5.4.1 Market Segmentation

Small Business Owners: This segment includes entrepreneurs and small business owners who rely on PrintSolutions for their essential marketing materials, such as business cards, flyers, and brochures. Small businesses often have limited resources and require cost-effective printing solutions to promote their products or services.

Non-profit Organizations: Nonprofits often run fundraising campaigns and awareness initiatives, for which they need various printed materials. PrintSolutions caters to this segment by providing

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printing services for fundraising materials, event promotions, and awareness-raising materials that effectively communicate their messages and missions.

Educational Institutions: Schools and universities have diverse printing needs, including academic materials like study guides, event promotions such as posters and banners for school events, and printed products for graduation ceremonies. PrintSolutions offers solutions to fulfill these specific requirements.

Wedding Planners and Event Organizers: This market segment requires extensive printing for weddings and events. PrintSolutions assists wedding planners and event organizers by producing wedding invitations, thank-you cards, event signage, and other customized printed materials to make every event special and memorable.

Big Business Owners: Large corporations, franchisors, and major chains have extensive and ongoing printing needs. PrintSolutions serves this market by providing services for event promotions, marketing materials, discount posters, employee handbooks, and any other printed materials required to maintain their brand consistency and market presence.

Politicians: Political campaigns involve a massive amount of printed materials to reach potential voters effectively. PrintSolutions caters to politicians by producing campaign materials like posters, banners, t-shirts, badges, hats, and other promotional items that help convey their messages and create a strong campaign presence.

Single Order Consumers: This segment includes individuals who are likely shopping for personal or gift purposes. They may require custom printing for gifts or events on behalf of a small group of friends or family members. PrintSolutions accommodates their individual needs and ensures a smooth printing process for these one-time orders.

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5.4.2 Target Market Segment Strategy

Small business owners: While order volume is likely lower, these customers make up the bulk of Mr. Wang's orders, of which more than 70% are returning customers. I imagine the strategy is to try to not lose these customers.

Non-profit organizations: One of his smallest market segments, perhaps more can be done here in the name of giving back to the community or if the non-profit works for a worthy cause. Providing printed material at cost or providing discounts in the name of charity. Also, providing services for nonprofits can lower my tax burden if done correctly.

Educational Institutions: My business partner is currently involved in a large educational institution in Taiwan. We will onboard them for all of their printing needs through PrintSolutions, easily adding an additional $1 million in revenue per year. In order to partner with other institutions, I can have my partner's institution give us a referral to other schools, providing us with industry credibility.

Wedding Planners: This market segment can be targeted by offering bundling deals if three different products are ordered and can be marketed to at the many wedding conventions that occur in Taipei.

Big Business owners: The most lucrative target market. Mr. Wang works with two big businesses in Taiwan and provides them with all of their printing solutions. Attracting more business in this market is usually best achieved through word-of-mouth and relationship building. Aggressively cutting production costs to secure a contract is also possible, as long as cash constraints do not become an issue in the near term as a result.

Politicians: PrintSolutions revenues increase by 50% during election years and nearly 100% during the nine-in-one election years. Mr. Wang has stated that he has to turn down this market

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segment as there are just too many orders to fill. The business should be prepared to intake these types of orders during election season and stock up inventory more effectively in order to satisfy all orders.

Single order consumers: Improve SEO and continue to use google maps advertisements. Word of mouth is important in this market segment as well. Maintain excellent customer service and ask for 5 star reviews if the customer approves of the service.

5.4.3 Industry Analysis

Market size and trends: The printing industry in Taiwan had a market size of about NT$300 billion (US$10.7 billion) in 2019, according to the Printing Technology Research Institute of Taiwan (PTRI 1). However, the industry has been shrinking in recent years due to the rise of digital media and the increasing popularity of e-books. The industry has been focusing on high value-added printing services such as package printing, security printing, and 3D printing (PTRI 1).

5.4.4 Competition and Buying Patterns

There are four main competitors I've identified for PrintSolutions, known as Company B through Company E. PrintSolutions is a cost leader in nearly every product it offers, and they also offer the biggest range of products. PrintSolutions falls behind in regards to digital integration, however. The company lacks a formal APP, has an unorganized and confusing website, and suffers from not allowing "web-to-print," which allows customers to upload their own images and PDFs for the company to print. PrintSolutions relies on design consultation fees and additional charges to clients later in the sales process in order to tack on extra fees. It is unclear what percentage of revenue PrintSolutions generates from "add-ons."

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Table 4: Competitor Comparison

Products	Print Solutions	Company B	Company C	Company D	Company E
Large format printing 大圖輸出	☑	☑	☑	☑	☑
Flag and Banner旗幟布條	☑	☑	☑	☐	☑
Paper printing	☑	☐	☐	☑	☑
Canvas printing 無框畫	☑	☐	☑	☐	☐
Plastic printing	☑	☑	☐	☐	☐
Cups. pillows, t-shirt	☑	☐	☐	☑	☐
Accessories	☑	☑	☐	☐	☐
Glass 藝術玻璃/ Subway car 彩繪列車/ wood木片	☐	☐	☑	☐	☑

Metrics	Print Solutions	Company B	Company C	Company D	Company E
Google Reviews	239 reviews, 4.6 stars	231 reviews, 4.9 stars	153 reviews, 4.8 stars	257 reviews, 2.7 stars	n/a
Pricing of standard product	$400 for large format, $350 to buy two	$450	$500	$410	$560 general banner
Lead time of standard product	2-3 days	2-3 days	2-3 days	5 days	6 days
Image upload	No	Yes	Yes	Yes	Yes
Check order status online	No	Yes	Yes	No	No
Paid in Capital	20mm	30mm	8.8mm	n/a	n/a
Age	15 years	33 years	9 years	n/a	n/a

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Strategy	low cost competitive advantage	premium service, higher customer WTP	large government contracts, subway systems for example	n/a	premium service, web to print, technology friendly
Cloud Integration	No	No	No	Yes	Yes
App	No	No	No	Yes	Yes

5.5 Strategy and Implementation Summary

Our strategy is to maintain the exceptional service and low costs the company is known for, but improve upon customer relationship management and the amount of “clicks" before purchasing. The current website is in a state of disarray and needs to be upgraded. It is complicated and often confusing. By upgrading this crucial element of any business, we are more likely to have a higher customer conversion rate.

5.5.1 Competitive Edge & Sales Strategy

PrintSolutions's competitive advantage lies in its low-cost strategy, which is a result of the current owner's strong relationship with suppliers in China. I intend to preserve this business connection while also seeking new competitive advantages through technological and financial innovations. Additionally, my approach to Mr. Wang's dividend policy will differ. Instead of withdrawing millions of dollars annually as he has done, I will invest in upgrading equipment and software to enhance pricing power and profit margins. For example, offset printing has long been a staple in industry standards; however, in recent years, there has been a significant decline in industry usage due to its lengthy printing process and increased costs. Commercial inkjet printers have emerged as more efficient, faster, and reliable alternatives, rapidly supplanting offset printers. For comparison, a high-speed inkjet printer can produce approximately 4,500

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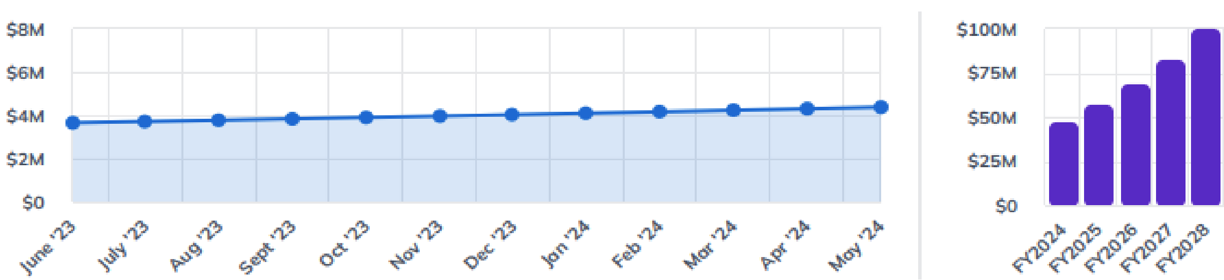
words per minute, and the printing rates for images and graphics are not far behind. A new state of the art machine can be acquired for $2 million NTD.

PrintSolutions has no 3D-products, which are becoming more in-demand as their costs have decreased significantly in recent years. The process of printing has evolved beyond relying solely on flat sheets of paper and ink – it now involves creating 3D objects from raw materials. Currently, the market displays a growing trend in 3D printing, making it possible to find and purchase affordable 3D printers. This was not the case when they first emerged a few years ago. As the demand for unique displays increases, I will want to be at the forefront and capitalize on my low materials cost advantage to gradually implement delivery of 3D printed products as the market shows continued growth.

5.5.2 Sales Forecast

[3]Figure 3: PrintSolutions Sales Forecast



Revenue	FY2024	FY2025	FY2026	FY2027	FY2028
Main Revenue	$48M	$57.6M	$69.1M	$82.9M	$99.5M
Totals	**$48M**	**$57.6M**	**$69.1M**	**$82.9M**	**$99.5M**

Mr. Wang believes *actual* revenues will be 48 million in 2023, and reported revenue will be 35 to 38 million. My projections assume I hypothetically purchased the company in June 2023, and I forecast what actual revenues will be at a 20% year-over-year growth rate. My

[3]Source: Self Generated formatting and quantities from meeting with Mr. Wang

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forecasts end in May of 2028 and I forecasted only "Main revenue" since I will not have access to seeing individual revenue streams until a Letter of Intent is signed.

5.6 Management Summary

I am expected to integrate digital transformations and build out, maintain, and control the company finances. My business partner is expected to be in closer contact with employees, maintain operations, and provide strategic management in improving the company's competitive advantage. We are both expected to bring in additional business and help with marketing efforts.

5.6.1 Personnel Plan

The company currently employs twenty people, excluding Mr. Wang. He stated he has no onsite general manager, and there is no defined "number 2" in the company. After 6 months to one year, we hope to implement a general manager so we can focus on expansion and attracting new business rather than daily operations.

5.7 Financial Plan

Financial controls and cash flow management is going to be one of the most important keys to success in taking the company to the next level. The company currently has no cash flow statements and does not use accrual accounting. I believe if I integrate accrual accounting into the company and have a true pulse on the cash flow health of the company, I will be able to make better decisions, determine the real relationship between revenues and expenses, and have knowledge of the real value of the company. By incorporating accrual accounting, I will be able to increase the value of the business from day one. First, an analysis of the historical statements provides us with a rough estimate of what the company should be worth, followed by financial statement projections after I assume control of PrintSolutions..

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5.7.1 Important assumptions

By retaining Mr. Wang as a 10% equity holder, we expect a seamless transition of all existing customer accounts and supplier agreements. Revenue has experienced a 25% decline YoY and has previously grown 50% YoY. This fluctuation is likely attributable to Mr. Wang's inattention to costs, minimal reinvestment, and lackluster marketing initiatives.

My business partner and I are confident that we can achieve an average annual revenue growth of 20% by streamlining financial management, adopting new technology, and concentrating on strategic marketing efforts. I assume a purchase price of $45 million, with an additional $5 million injection for working capital needs and goodwill. I changed the balance sheet to include $2.5 million in inventory and decreased the cash asset account so assets remain unchanged. I assume current machinery has about 3 years left of depreciation before new equipment must be purchased and old equipment liquidated. I assume the cost of revenue remains at 43% of revenue for the entirety of the projections. I assume half of the expenses will increase 5% to 10% per year, averaging out over time.

5.7.2 Historical Profit & Loss

[4]Table 5: 2020-2022 Income Statement

Income Statement (NTD)	*2020*	*2021*	*2022*
NET REVENUE	*43,809,420*	*32,321,855*	*48,407,344*
Return & Allowance	3,301	300	1,811,864
TOTAL NET REVENUE	43,806,119	32,321,555	46,595,480
COST OF REVENUE	22,057,577	12,465,393	28,307,057
GROSS PROFIT	21,748,542	19,856,162	18,288,423
OPERATING EXPENSE			

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Salaries and wages	10,383,918	9,081,700	8,113,000
Rent	2,789,676	3,434,418	3,433,248
Supplies Expense	6,131	5,422	6,053
Traveling Expense	0	0	1,210
Shipping Expense	643,865	622,539	831,390
Postage Expense	181,421	161,892	176,913
Maintenance and repair	118,566	137,383	170,510
Advertisement	124,746	16,014	30,129
Utilities	292,593	330,866	326,644
Insurance	1,520,435	1,355,073	1,085,679
Donation	0	10,000	0
Entertainment Expense	65,500	0	500
Taxes	50,710	49,169	51,130
Depreciation	910,803	785,651	0
Amortization	354,303	469,329	0
Employee Welfare	40,751	17,089	8,878
other	1,636,756	1,440,323	1,295,926
TOTAL OPERATING EXPENSE	19,120,174	17,916,868	15,531,210
OPERATING PROFIT	2,628,368	1,939,294	2,757,213
NOPAT	2,125,761	1,513,978	2,205,770
NON OPERATING REVENUE			
Interest Revenue	12,840	13,714	45,984
Lease Revenue	42,858	57,143	57,143
Other Revenue	3,000	224,184	0
NON OPERATING EXPENSE			
Interest Expense	174,029	97,058	154,682
Other	0	10,696	0
INCOME BEFORE INCOME TAX	2,513,037	2,126,581	2,757,213
INCOME TAX	502,607	425,316	551,443

This income statement is from the tax documents from 2020 to 2022. Revenue is underreported and costs are higher in order to evade taxes, which I am finding to be a common

[4]Source: Tax Documents 2020-2022

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theme in the small market in Taiwan. For the financial projections and valuations in the following section, more accurate numbers are used.

5.7.3 Historical Balance Sheet

I was provided balance sheet information from 2020 to 2021. Inventory was also not reported. I make adjustments in the forecasts.

[5]Table 6: 2020-2021 Balance Sheet

Balance sheet(NTD)	2021/12/31		2020/12/31	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash	98,816		83,583	
Deposit	25,943,145		25,404,374	
Notes Receivable	123,984		1,495,770	
Accounts Receivable	3,433,551		2,231,824	
Inventories			0	
Merchandise inventory			0	
Raw materials			0	
Prepayments	10,039		47,654	
Prepaid Expenses	9,952		47,351	
Prepaid Sales Taxes	87		303	
TOTAL CURRENT ASSETS	29,609,535	96%	29,263,205	96%
NONCURRENT ASSETS				
Property, plants and equipments				
Land	0		0	
Buildings	0		0	
accumulated depreciation-buildings	0		0	
Machinery and equipment	1,520,000		1,520,000	
accumulated depreciation-machinery	(1,156,250)		(1,156,250)	
Transportation equipment	5,631,190		5,631,190	
accumulated depreciation-transportation equipment	(2,688,332)		(2,688,332)	
Office equipments	788,000		788,000	

[5]Source: Tax Documents 2020-2022

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accumulated depreciation-office equipment	(667,611)		(667,611)	
Other fixed assets	0		0	
accumulated depreciation-other fixed assets	0		0	
Refundable deposit	600,000		600,000	
Unamortized expense	516,630		516,630	
TOTAL NONCURRENT ASSETS	1,116,630	4%	1,116,630	4%
TOTAL ASSETS	30,726,165	100%	30,379,835	100%
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Bank Loan	11,000,000		12,320,000	
Notes payable	0		0	
Accounts payable	385,625		0	
Other payables	955,560	0	948,436	
accrued expenses	329,175		393,220	
taxes payable	626,385		555,216	
other				
Owners‘ current account				
TOTAL CURRENT LIABILITIES	12,341,185	36%	13,268,436	38%
NONCURRENT LIABILITIES				
Long-term bank loans				
Others				
TOTAL NONCURRENT LIABILITIES	0	0%	0	0%
TOTAL LIABILITIES	12,341,185	36%	13,268,436	38%
EQUITY				
CAPITALS	20,000,000		20,000,000	
Retained earnings			671,356	
Legal reserve	774,544		671,356	
Accumulated deficit			0	
Net income for current period	1,037,433		1,031,883	
TOTAL EQUITY	21,811,977	64%	21,703,239	62%
TOTAL LIABILITIES AND EQUITY	34,153,162	100%	34,971,675	100%

[5]Source: Tax Documents 2020-2022

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5.7.4 Business Ratios

Table 7: Business Ratios for PrintSolutions

Category	Item	2020	2021	2022 (average if data unavailable)
Financial Ratio (%)	Total Liabilities to total assets	44%	40%	41.92%
	Long-term capital to PP&E	383%	367.83%	375.66%
Ability to Pay Off Debt (%)	Current Ratio	220.55%	239.92%	230.24%
	Quick Ratio	201.35%	219.59%	210.47%
	Interest Protection	74.58	119.05	97.97
Ability to Operate	A/R turnover (times)	19.00	14.60	16.80
	A/R turnover days	19.21	24.99	21.73
	Inventory turnover (times)	8.82	4.99	11.32
	Account payable turnover (times)	57.20	83.10262	70.15
	Days sales outstanding	41.37	73.20	32.24
	Fixed assets turnover (times)	3.08	2.29	2.69
	Total assets turnover (times)	1.77	1.37	1.57
Earning Ability	Return on assets (%)	47.73%	37.43%	49.37%
	Return on equity (%)	66.81%	52.72%	59.77%
	ROIC(%)	44.86%	37.10%	40.98%
	Net margin (%)	26.95%	27.17%	29.17%
Cash Flow %	Cash flow ratio (%)	104.47%	106.98%	105.73%
Leverage	Financial leverage	1.0137	1.0080	1.0086

The interest protection is a standout, but the company is not employing debt very efficiently. Earning ability is a highlight, with all metrics posting impressive percentages. The company can also take advantage of supplier credit, freeing up working capital and any cash crunches. PrintSolutions consistently pays suppliers promptly and is generous with customer

[5]Source: Tax Documents 2020-2022

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credit, which sets a precedent for suppliers to be paid as soon as possible, tying up one's cash.

Very little reinvestment takes place with how much cash the company is currently generating.

Table 8: Notes to Business Ratios

No inventory provided on the balance sheet, but when I toured the factory, there were boxes and boxes full of supplies. Taking 2.5mm away from deposits and adding 2.5mm to inventories for this analysis
Net income before tax was 12mm for 2020 and 10mm for 2021 and 15mm for 2022
No accounts payable for 2021, used half of 2020 value as must be an error
additional 5,000,000NTD machine added in fixed assets calculations
Accumulated depreciation remains the same YoY yet there are depreciation charges on income statement
Clear cash flow from operations unavailable, reasonable inference added. Part of my value add will be including cash flow statements in the company management
Owner does not keep track of variable vs fixed costs, including this will also be my value add

5.7.4.1 Formula Key

(1) Financial Ratio
1. Total liabilities to Total assets = Total liabilities / Total assets
2. Long-term debts to fixed assets = (Net equity + Long-term debts) / Net fixed assets

(2) Ability to Pay off Debt
1. Current ratio = Current Assets / Current liability
2. Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liability
3. Interest protection = Net income before income tax and interest expense / Interest expense

(3) Ability to Operate
1. Account receivable (including account receivable and notes receivable from operation) turnover = Net sales / the Average of account receivable (including account receivable and notes receivable
from operation) balance
2. A/R turnover day = 365 / account receivable turnover
3. Inventory turnover = Cost of Goods Sold / the average of inventory
4. Account payable (including account payable and notes payable from operation) turnover = Cost of goods sold / the average of account payable (including account payable and notes payable from operation) balance
5. Inventory turnover day = 365 / Inventory turnover
6. Fixed assets turnover = Net sales / Net Fixed Assets
7. Total assets turnover = Net sales / Total assets

(4) Earning Ability
1. Return on assets = [PAT + Interest expense × (1 - interest rate)] / the average of total assets
2. Return on equity = PAT / the average of net equity
3. Return on invested capital = NOPAT / [short/long term debt + invested equity]
4. Net income ratio = PAT / Net sales

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(5) Cash Flow

1. Cash flow ratio = Cash flow from operating activities / Current liability

(6) Leverage

1. Financial leverage = Operating income / (Operating income - interest expenses)

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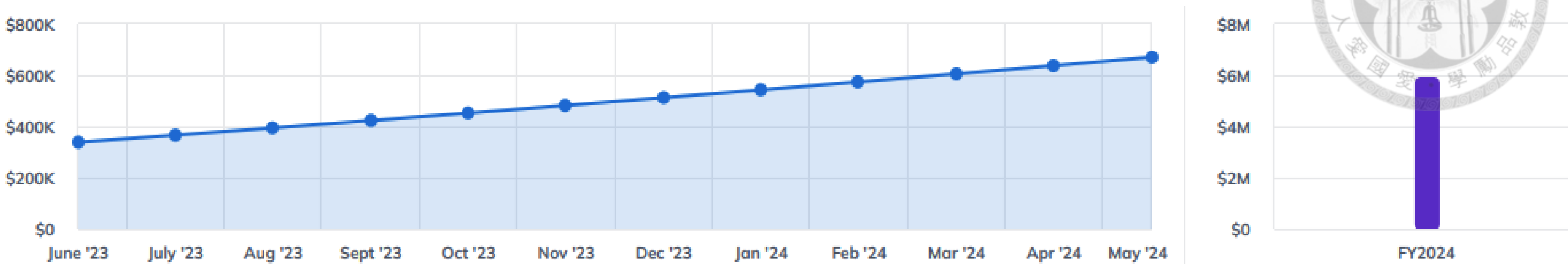
5.8 Financial Projections in New Taiwan Dollars

Figure 4: 2023-24 Projected Monthly Income Statement



Projected Profit & Loss	June '23	July '23	Aug '23	Sept '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	FY2024
Revenue	**$3.6M**	**$3.7M**	**$3.8M**	**$3.8M**	**$3.9M**	**$4M**	**$4M**	**$4.1M**	**$4.2M**	**$4.2M**	**$4.3M**	**$4.4M**	**$48M**
Main Revenue	$3.6M	$3.7M	$3.8M	$3.8M	$3.9M	$4M	$4M	$4.1M	$4.2M	$4.2M	$4.3M	$4.4M	$48M
Direct Costs	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.7M**	**$1.7M**	**$1.7M**	**$1.8M**	**$1.8M**	**$1.8M**	**$1.9M**	**$1.9M**	**$20.6M**
Cost of Revenue	$1.6M	$1.6M	$1.6M	$1.6M	$1.7M	$1.7M	$1.7M	$1.8M	$1.8M	$1.8M	$1.9M	$1.9M	$20.6M
Gross Margin	$2.1M	$2.1M	$2.1M	$2.2M	$2.2M	$2.3M	$2.3M	$2.3M	$2.4M	$2.4M	$2.5M	$2.5M	$27.4M
Gross Margin %	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%

Source: Self Generated 2023

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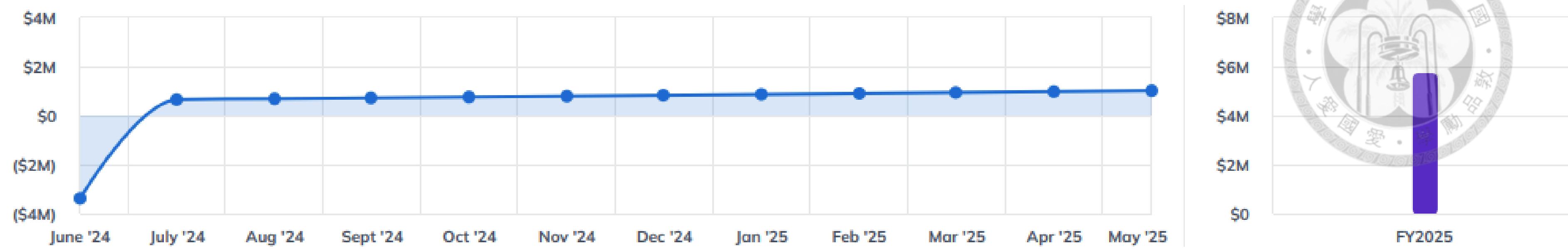
Projected Profit & Loss	June '23	July '23	Aug '23	Sept '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	FY2024
Operating Expenses	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$18.7M**
Salaries & Wages	$917K	$917K	$917K	$917K	$917K	$917K	$917K	$917K	$917K	$917K	$917K	$917K	$11M
Myself	$83,333	$83,333	$83,333	$83,333	$83,333	$83,333	$83,333	$83,333	$83,334	$83,334	$83,334	$83,334	$1M
Employee Wages (20)	$833K	$833K	$833K	$833K	$833K	$833K	$833K	$833K	$833K	$833K	$833K	$833K	$10M
Employee Related Expenses	$91,665	$91,665	$91,665	$91,665	$91,665	$91,665	$91,665	$91,665	$91,665	$91,665	$91,665	$91,665	$1.1M
Rent	$292K	$292K	$292K	$292K	$292K	$292K	$292K	$292K	$292K	$292K	$292K	$292K	$3.5M
Supplies expense	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$12,000
Shipping Expense	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000	$600K
Postage	$12,500	$12,500	$12,500	$12,500	$12,500	$12,500	$12,500	$12,500	$12,500	$12,500	$12,500	$12,500	$150K
Maintenance & Repair	$12,500	$12,500	$12,500	$12,500	$12,500	$12,500	$12,500	$12,500	$12,500	$12,500	$12,500	$12,500	$150K
Advertisement	$8,333	$8,333	$8,333	$8,333	$8,333	$8,333	$8,333	$8,333	$8,334	$8,334	$8,334	$8,334	$100K
Insurance	$83,333	$83,333	$83,333	$83,333	$83,333	$83,333	$83,333	$83,333	$83,334	$83,334	$83,334	$83,334	$1M
Utilities	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$300K
Software upgrades													
Depreciation	$66,666	$66,666	$66,666	$66,666	$66,666	$66,666	$66,666	$66,666	$66,666	$66,666	$66,666	$66,666	$800K
Operating Income	**$519K**	**$554K**	**$589K**	**$625K**	**$661K**	**$698K**	**$736K**	**$774K**	**$813K**	**$853K**	**$893K**	**$934K**	**$8.6M**
Income Taxes	$84,723	$91,664	$98,720	$106K	$113K	$121K	$128K	$136K	$144K	$152K	$160K	$168K	$1.5M
Depreciation and Amortization	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$1.1M
Total Expenses	$3.3M	$3.3M	$3.4M	$3.4M	$3.4M	$3.5M	$3.5M	$3.6M	$3.6M	$3.6M	$3.7M	$3.7M	$42M
Net Profit	$339K	$367K	$395K	$424K	$453K	$482K	$513K	$543K	$574K	$606K	$638K	$671K	$6M
Net Profit %	**9%**	**10%**	**10%**	**11%**	**12%**	**12%**	**13%**	**13%**	**14%**	**14%**	**15%**	**15%**	**13%**

Source: Self Generated 2023

10.6342/NTU202302194

Figure 5: 2024-25 Projected Monthly Income Statement



Projected Profit & Loss	June '24	July '24	Aug '24	Sept '24	Oct '24	Nov '24	Dec '24	Jan '25	Feb '25	Mar '25	Apr '25	May '25	FY2025
Revenue	**$4.4M**	**$4.4M**	**$4.5M**	**$4.6M**	**$4.7M**	**$4.8M**	**$4.8M**	**$4.9M**	**$5M**	**$5.1M**	**$5.2M**	**$5.2M**	**$57.6M**
Main Revenue	$4.4M	$4.4M	$4.5M	$4.6M	$4.7M	$4.8M	$4.8M	$4.9M	$5M	$5.1M	$5.2M	$5.2M	$57.6M
Direct Costs	**$1.9M**	**$1.9M**	**$1.9M**	**$2M**	**$2M**	**$2M**	**$2.1M**	**$2.1M**	**$2.1M**	**$2.2M**	**$2.2M**	**$2.3M**	**$24.8M**
Cost of Revenue	$1.9M	$1.9M	$1.9M	$2M	$2M	$2M	$2.1M	$2.1M	$2.1M	$2.2M	$2.2M	$2.3M	$24.8M
Gross Margin	$2.5M	$2.5M	$2.6M	$2.6M	$2.7M	$2.7M	$2.8M	$2.8M	$2.8M	$2.9M	$2.9M	$3M	$32.8M
Gross Margin %	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%

Source: Self Generated 2023

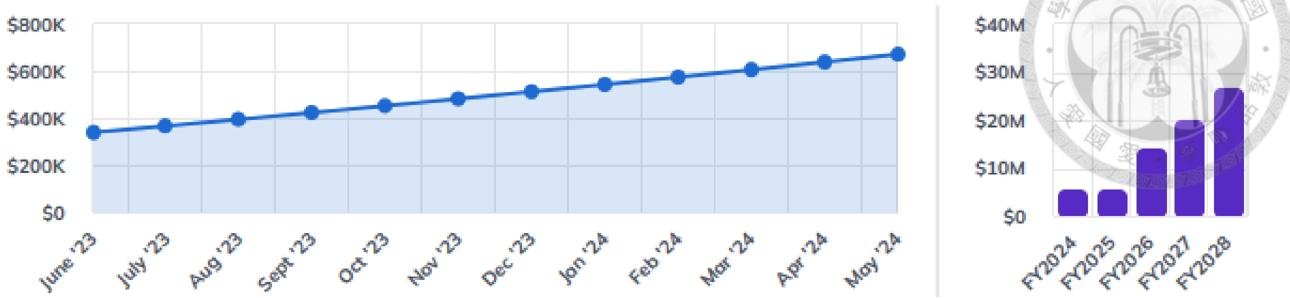
10.6342/NTU202302194

Projected Profit & Loss	June '24	July '24	Aug '24	Sept '24	Oct '24	Nov '24	Dec '24	Jan '25	Feb '25	Mar '25	Apr '25	May '25	FY2025
Operating Expenses	**$6.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$1.6M**	**$24.5M**
Salaries & Wages	$962K	$962K	$962K	$962K	$962K	$962K	$962K	$962K	$963K	$963K	$963K	$963K	$11.6M
Myself	$87,500	$87,500	$87,500	$87,500	$87,500	$87,500	$87,500	$87,500	$87,500	$87,500	$87,500	$87,500	$1.1M
Employee Wages (20)	$875K	$875K	$875K	$875K	$875K	$875K	$875K	$875K	$875K	$875K	$875K	$875K	$10.5M
Employee Related Expenses	$96,248	$96,248	$96,248	$96,248	$96,248	$96,248	$96,248	$96,248	$96,250	$96,250	$96,250	$96,250	$1.2M
Rent	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$3.6M
Supplies expense	$1,025	$1,025	$1,025	$1,025	$1,025	$1,025	$1,025	$1,025	$1,025	$1,025	$1,025	$1,025	$12,300
Shipping Expense	$52,500	$52,500	$52,500	$52,500	$52,500	$52,500	$52,500	$52,500	$52,500	$52,500	$52,500	$52,500	$630K
Postage	$13,125	$13,125	$13,125	$13,125	$13,125	$13,125	$13,125	$13,125	$13,125	$13,125	$13,125	$13,125	$158K
Maintenance & Repair	$12,875	$12,875	$12,875	$12,875	$12,875	$12,875	$12,875	$12,875	$12,875	$12,875	$12,875	$12,875	$155K
Advertisement	$8,333	$8,333	$8,333	$8,333	$8,333	$8,333	$8,333	$8,333	$8,334	$8,334	$8,334	$8,334	$100K
Insurance	$83,333	$83,333	$83,333	$83,333	$83,333	$83,333	$83,333	$83,333	$83,334	$83,334	$83,334	$83,334	$1M
Utilities	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$25,000	$300K
Software upgrades	$5M												$5M
Depreciation	$66,666	$66,666	$66,666	$66,666	$66,666	$66,666	$66,666	$66,666	$66,666	$66,666	$66,666	$66,666	$800K
Operating Income	**($4.1M)**	**$913K**	**$956K**	**$999K**	**$1M**	**$1.1M**	**$1.1M**	**$1.2M**	**$1.2M**	**$1.3M**	**$1.3M**	**$1.4M**	**$8.4M**
Income Taxes	($845K)	$164K	$172K	$181K	$189K	$198K	$207K	$217K	$226K	$235K	$245K	$255K	$1.4M
Depreciation and Amortization	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$1.1M
Total Expenses	$7.8M	$3.8M	$3.8M	$3.9M	$3.9M	$4M	$4M	$4M	$4.1M	$4.1M	$4.2M	$4.2M	$51.8M
Net Profit	($3.4M)	$655K	$688K	$723K	$758K	$793K	$830K	$866K	$904K	$942K	$981K	$1M	$5.8M
Net Profit %	**(77%)**	**15%**	**15%**	**16%**	**16%**	**17%**	**17%**	**18%**	**18%**	**19%**	**19%**	**19%**	**10%**

Source: Self Generated 2023

10.6342/NTU202302194

Figure 6: 2023-2028 Projected Annual Income Statement (FY'24 = June '23-May '24)



Projected Profit & Loss	FY2024	FY2025	FY2026	FY2027	FY2028
Revenue	**$48M**	**$57.6M**	**$69.1M**	**$82.9M**	**$99.5M**
Main Revenue	$48M	$57.6M	$69.1M	$82.9M	$99.5M
Direct Costs	**$20.6M**	**$24.8M**	**$29.7M**	**$35.7M**	**$42.8M**
Cost of Revenue	$20.6M	$24.8M	$29.7M	$35.7M	$42.8M
Gross Margin	$27.4M	$32.8M	$39.4M	$47.3M	$56.7M
Gross Margin %	57%	57%	57%	57%	57%
Operating Expenses	**$18.7M**	**$24.5M**	**$20.3M**	**$21.5M**	**$22.3M**
Salaries & Wages	$11M	$11.6M	$12.1M	$12.7M	$13.4M
Myself	$1M	$1.1M	$1.1M	$1.2M	$1.2M
Employee Wages (20)	$10M	$10.5M	$11M	$11.6M	$12.2M
Employee Related Expenses	$1.1M	$1.2M	$1.2M	$1.3M	$1.3M
Rent	$3.5M	$3.6M	$3.7M	$3.8M	$3.9M
Supplies expense	$12,000	$12,300	$12,607	$12,922	$13,245
Shipping Expense	$600,000	$630,000	$661,500	$694,575	$729,303
Postage	$150,000	$157,500	$165,375	$173,643	$182,325
Maintenance & Repair	$150,000	$154,500	$159,135	$163,909	$168,826
Advertisement	$100,000	$100,000	$100,000	$100,000	$100,000
Insurance	$1M	$1M	$1M	$1M	$1M
Utilities	$300,000	$300,000	$300,000	$300,000	$300,000
Software upgrades		$5M			
Depreciation	$799,992	$799,992	$799,992	$1.2M	$1.2M
Operating Income	**$8.6M**	**$8.4M**	**$19.1M**	**$25.8M**	**$34.4M**

Source: Self Generated 2023

10.6342/NTU202302194

Projected Profit & Loss	FY2024	FY2025	FY2026	FY2027	FY2028
Income Taxes	$1.5M	$1.4M	$3.6M	$5.1M	$6.8M
Depreciation and Amortization	$1.1M	$1.1M	$1.1M	$500,000	$500,000
Total Expenses	$42M	$51.8M	$54.7M	$62.7M	$72.4M
Net Profit	$6M	$5.8M	$14.4M	$20.2M	$27.1M
Net Profit %	**13%**	**10%**	**21%**	**24%**	**27%**

Source: Self Generated 2023

10.6342/NTU202302194

Figure 7: 2023-2024 Projected Monthly Balance Sheet

Projected Balance Sheet	June '23	July '23	Aug '23	Sept '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	FY2024
Assets	**$13.8M**	**$14.1M**	**$14.5M**	**$14.4M**	**$14.8M**	**$15.3M**	**$15.3M**	**$15.9M**	**$16.5M**	**$16.5M**	**$17.3M**	**$18M**	**$18M**
Current Assets	**$10.4M**	**$10.9M**	**$11.4M**	**$11.3M**	**$11.9M**	**$12.5M**	**$12.5M**	**$13.2M**	**$13.9M**	**$14.1M**	**$14.9M**	**$15.7M**	**$15.7M**
Cash	$6.8M	$7.2M	$7.6M	$7.5M	$8M	$8.6M	$8.5M	$9.2M	$9.8M	$9.9M	$10.7M	$11.5M	$11.5M
Accounts Receivable	$383K	$389K	$396K	$402K	$409K	$416K	$423K	$430K	$437K	$444K	$452K	$459K	$459K
Inventory	$3.2M	$3.3M	$3.3M	$3.4M	$3.4M	$3.5M	$3.6M	$3.6M	$3.7M	$3.7M	$3.8M	$3.8M	$3.8M
Long-Term Assets	**$3.3M**	**$3.2M**	**$3.1M**	**$3M**	**$3M**	**$2.9M**	**$2.8M**	**$2.7M**	**$2.6M**	**$2.5M**	**$2.4M**	**$2.3M**	**$2.3M**
Long-Term Assets	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M
Accumulated Depreciation	($4.6M)	($4.7M)	($4.8M)	($4.9M)	($5M)	($5.1M)	($5.2M)	($5.3M)	($5.4M)	($5.5M)	($5.6M)	($5.7M)	($5.7M)
Liabilities & Equity	**$13.8M**	**$14.1M**	**$14.5M**	**$14.4M**	**$14.8M**	**$15.3M**	**$15.3M**	**$15.9M**	**$16.5M**	**$16.5M**	**$17.3M**	**$18M**	**$18M**
Liabilities	**$295K**	**$566K**	**$853K**	**$595K**	**$903K**	**$1.2M**	**$968K**	**$1.3M**	**$1.7M**	**$1.4M**	**$1.8M**	**$2.2M**	**$2.2M**
Current Liabilities	**$295K**	**$566K**	**$853K**	**$595K**	**$903K**	**$1.2M**	**$968K**	**$1.3M**	**$1.7M**	**$1.4M**	**$1.8M**	**$2.2M**	**$2.2M**
Accounts Payable	$28,331	$21,986	$22,261	$22,541	$22,825	$23,114	$23,408	$23,707	$24,011	$24,320	$24,323	$24,637	$24,637
Income Taxes Payable	$84,723	$176K	$275K	$381K	$494K	$615K	$743K	$879K	$1M	$1.2M	$1.3M	$1.5M	$1.5M
Sales Taxes Payable	$182K	$368K	$556K	$192K	$386K	$584K	$201K	$406K	$614K	$212K	$427K	$645K	$645K
Equity	**$13.5M**	**$13.5M**	**$13.6M**	**$13.8M**	**$13.9M**	**$14.1M**	**$14.3M**	**$14.6M**	**$14.8M**	**$15.1M**	**$15.5M**	**$15.8M**	**$15.8M**
Paid-In Capital	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M
Retained Earnings	($36.9M)	($37.2M)	($37.5M)	($37.8M)	($38.1M)	($38.4M)	($38.7M)	($39M)	($39.3M)	($39.6M)	($39.9M)	($40.2M)	($40.2M)
Earnings	$339K	$706K	$1.1M	$1.5M	$2M	$2.5M	$3M	$3.5M	$4.1M	$4.7M	$5.3M	$6M	$6M

Source: Self Generated 2023

10.6342/NTU202302194

Figure 8: 2024-2025 Projected Monthly Balance Sheet

Projected Balance Sheet	June '24	July '24	Aug '24	Sept '24	Oct '24	Nov '24	Dec '24	Jan '25	Feb '25	Mar '25	Apr '25	May '25	FY2025
Assets	**$13.1M**	**$13.8M**	**$13.1M**	**$13.3M**	**$14.1M**	**$15.1M**	**$15.4M**	**$16.4M**	**$17.5M**	**$17.9M**	**$19M**	**$20.3M**	**$20.3M**
Current Assets	**$10.9M**	**$11.7M**	**$11.1M**	**$11.4M**	**$12.3M**	**$13.4M**	**$13.7M**	**$14.9M**	**$16M**	**$16.5M**	**$17.8M**	**$19.1M**	**$19.1M**
Cash	$6.6M	$7.3M	$6.6M	$6.8M	$7.7M	$8.7M	$9M	$10M	$11.1M	$11.5M	$12.5M	$13.6M	$13.6M
Accounts Receivable	$459K	$467K	$475K	$483K	$491K	$499K	$507K	$516K	$524K	$533K	$542K	$551K	$551K
Inventory	$3.9M	$3.9M	$4M	$4.1M	$4.1M	$4.2M	$4.3M	$4.3M	$4.4M	$4.5M	$4.7M	$5M	$5M
Long-Term Assets	**$2.2M**	**$2.1M**	**$2M**	**$1.9M**	**$1.8M**	**$1.7M**	**$1.6M**	**$1.5M**	**$1.4M**	**$1.3M**	**$1.2M**	**$1.1M**	**$1.1M**
Long-Term Assets	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M	$7.9M
Accumulated Depreciation	($5.7M)	($5.8M)	($5.9M)	($6M)	($6.1M)	($6.2M)	($6.3M)	($6.4M)	($6.5M)	($6.6M)	($6.7M)	($6.8M)	($6.8M)
Liabilities & Equity	**$13.1M**	**$13.8M**	**$13.1M**	**$13.3M**	**$14.1M**	**$15.1M**	**$15.4M**	**$16.4M**	**$17.5M**	**$17.9M**	**$19M**	**$20.3M**	**$20.3M**
Liabilities	**$950K**	**$1.3M**	**$184K**	**($72K)**	**$351K**	**$788K**	**$536K**	**$998K**	**$1.5M**	**$1.2M**	**$1.7M**	**$2.3M**	**$2.3M**
Current Liabilities	**$950K**	**$1.3M**	**$184K**	**($72K)**	**$351K**	**$788K**	**$536K**	**$998K**	**$1.5M**	**$1.2M**	**$1.7M**	**$2.3M**	**$2.3M**
Accounts Payable	$75,079	$25,404	$25,734	$26,069	$26,411	$26,758	$27,110	$27,469	$27,834	$28,205	$30,401	$30,401	$30,401
Income Taxes Payable	$657K	$820K	($509K)	($328K)	($139K)	$59,619	$267K	$484K	$710K	$945K	$1.2M	$1.4M	$1.4M
Sales Taxes Payable	$219K	$441K	$667K	$230K	$464K	$701K	$242K	$487K	$737K	$254K	$512K	$775K	$775K
Equity	**$12.2M**	**$12.5M**	**$12.9M**	**$13.3M**	**$13.8M**	**$14.3M**	**$14.8M**	**$15.4M**	**$16M**	**$16.6M**	**$17.3M**	**$18M**	**$18M**
Paid-In Capital	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M
Retained Earnings	($34.5M)	($34.8M)	($35.1M)	($35.4M)	($35.7M)	($36M)	($36.3M)	($36.6M)	($36.9M)	($37.2M)	($37.5M)	($37.8M)	($37.8M)
Earnings	($3.4M)	($2.7M)	($2M)	($1.3M)	($555K)	$238K	$1.1M	$1.9M	$2.8M	$3.8M	$4.8M	$5.8M	$5.8M

Source: Self Generated 2023

10.6342/NTU202302194

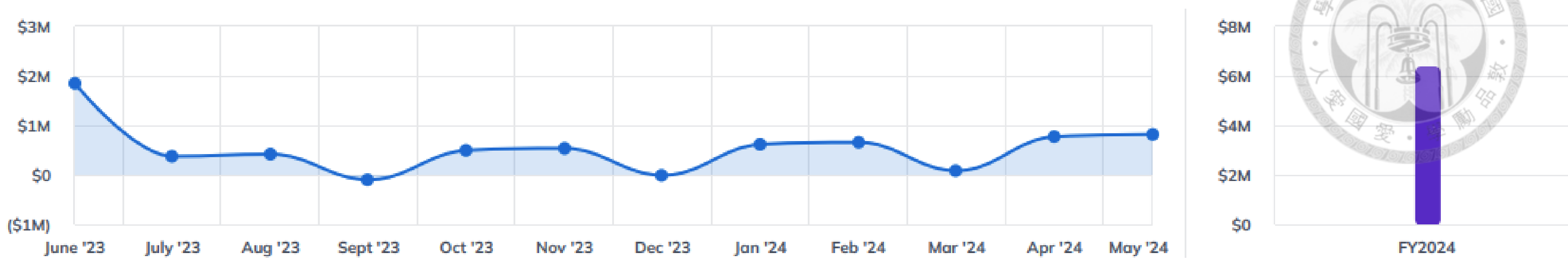
Figure 9: 2023-2028 Projected Annual Balance Sheet (June '23-May '28)

Projected Balance Sheet	FY2024	FY2025	FY2026	FY2027	FY2028
Assets	**$18M**	**$20.3M**	**$33.3M**	**$51.6M**	**$77.1M**
Current Assets	**$15.7M**	**$19.1M**	**$33.3M**	**$47.1M**	**$73.1M**
Cash	$11.5M	$13.6M	$26.8M	$39.3M	$65M
Accounts Receivable	$459,311	$551,174	$604,810	$725,772	$870,926
Inventory	$3.8M	$5M	$5.9M	$7.1M	$7.1M
Long-Term Assets	**$2.3M**	**$1.1M**	**$0**	**$4.5M**	**$4M**
Long-Term Assets	$7.9M	$7.9M	$7.9M	$12.9M	$12.9M
Accumulated Depreciation	($5.7M)	($6.8M)	($7.9M)	($8.4M)	($8.9M)
Liabilities & Equity	**$18M**	**$20.3M**	**$33.3M**	**$51.6M**	**$77.1M**
Liabilities	**$2.2M**	**$2.3M**	**$4.5M**	**$6.1M**	**$8.1M**
Current Liabilities	**$2.2M**	**$2.3M**	**$4.5M**	**$6.1M**	**$8.1M**
Accounts Payable	$24,637	$30,401	$35,482	$41,891	$42,027
Income Taxes Payable	$1.5M	$1.4M	$3.6M	$5.1M	$6.8M
Sales Taxes Payable	$645,440	$774,528	$864,014	$1M	$1.2M
Equity	**$15.8M**	**$18M**	**$28.8M**	**$45.5M**	**$69M**
Paid-In Capital	$50M	$50M	$50M	$50M	$50M
Retained Earnings	($40.2M)	($37.8M)	($35.6M)	($24.8M)	($8.1M)
Earnings	$6M	$5.8M	$14.4M	$20.2M	$27.1M

Source: Self Generated 2023

10.6342/NTU202302194

Figure 10: 2023-2024 Projected Monthly Cash Flows



Projected Cash Flow	June '23	July '23	Aug '23	Sept '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	FY2024
Net Cash from Operations	**$2.1M**	**$672K**	**$716K**	**$198K**	**$793K**	**$832K**	**$288K**	**$913K**	**$954K**	**$382K**	**$1.1M**	**$1.1M**	**$10.1M**
Net Profit	$339K	$367K	$395K	$424K	$453K	$482K	$513K	$543K	$574K	$606K	$638K	$671K	$6M
Depreciation and Amortization	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$1.1M
Change in Accounts Receivable	$3.1M	($6,393)	($6,500)	($6,608)	($6,719)	($6,831)	($6,945)	($7,061)	($7,179)	($7,299)	($7,421)	($7,545)	$3M
Change in Inventory	($714K)	($54K)	($55K)	($55K)	($56K)	($57K)	($58K)	($59K)	($60K)	($61K)	($31K)	($32K)	($1.3M)
Change in Accounts Payable	($357K)	($6,345)	$275	$280	$284	$289	$294	$299	$304	$309	$3	$314	($360K)
Change in Income Tax Payable	$84,723	$91,664	$98,720	$106K	$113K	$121K	$128K	$136K	$144K	$152K	$160K	$168K	$1.5M
Change in Sales Tax Payable	($418K)	$185K	$188K	($364K)	$195K	$198K	($383K)	$205K	$208K	($403K)	$215K	$219K	$45,440

Source: Self Generated 2023

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Projected Cash Flow	June '23	July '23	Aug '23	Sept '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	FY2024
Net Cash from Investing													
Assets Purchased or Sold													
Net Cash from Financing	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($3.6M)**
Dividends & Distributions	($300K)	($300K)	($300K)	($300K)	($300K)	($300K)	($300K)	($300K)	($300K)	($300K)	($300K)	($300K)	($3.6M)
Cash at Beginning of Period	$5M	$6.8M	$7.2M	$7.6M	$7.5M	$8M	$8.6M	$8.5M	$9.2M	$9.8M	$9.9M	$10.7M	$5M
Net Change in Cash	$1.8M	$372K	$416K	($102K)	$493K	$532K	($12K)	$613K	$654K	$82,009	$770K	$814K	$6.5M
Cash at End of Period	**$6.8M**	**$7.2M**	**$7.6M**	**$7.5M**	**$8M**	**$8.6M**	**$8.5M**	**$9.2M**	**$9.8M**	**$9.9M**	**$10.7M**	**$11.5M**	**$11.5M**

Source: Self Generated 2023

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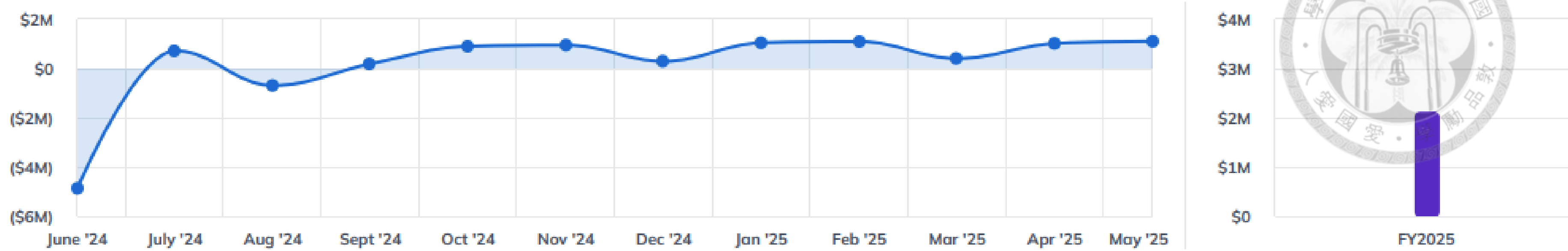
Figure 11: 2024-2025 Projected Monthly Cash Flows



Projected Cash Flow	June '24	July '24	Aug '24	Sept '24	Oct '24	Nov '24	Dec '24	Jan '25	Feb '25	Mar '25	Apr '25	May '25	FY2025
Net Cash from Operations	**($4.6M)**	**$1M**	**($392K)**	**$487K**	**$1.2M**	**$1.2M**	**$595K**	**$1.3M**	**$1.4M**	**$708K**	**$1.3M**	**$1.4M**	**$5.8M**
Net Profit	($3.4M)	$655K	$688K	$723K	$758K	$793K	$830K	$866K	$904K	$942K	$981K	$1M	$5.8M
Depreciation and Amortization	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$95,194	$1.1M
Change in Accounts Receivable	($64)	($7,672)	($7,800)	($7,930)	($8,062)	($8,197)	($8,334)	($8,473)	($8,614)	($8,759)	($8,905)	($9,053)	($92K)
Change in Inventory	($63K)	($64K)	($65K)	($67K)	($68K)	($69K)	($70K)	($71K)	($72K)	($74K)	($257K)	($220K)	($1.2M)
Change in Accounts Payable	$50,442	($50K)	$330	$336	$341	$347	$353	$359	$365	$371	$2,197	$0	$5,764
Change in Income Tax Payable	($845K)	$164K	($1.3M)	$181K	$189K	$198K	$207K	$217K	$226K	$235K	$245K	$255K	($56K)
Change in Sales Tax Payable	($427K)	$222K	$226K	($437K)	$234K	$238K	($460K)	$246K	$250K	($483K)	$258K	$262K	$129K

Source: Self Generated 2023

Projected Cash Flow	June '24	July '24	Aug '24	Sept '24	Oct '24	Nov '24	Dec '24	Jan '25	Feb '25	Mar '25	Apr '25	May '25	FY2025
Net Cash from Investing													
Assets Purchased or Sold													
Net Cash from Financing	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($300K)**	**($3.6M)**
Dividends & Distributions	($300K)	($300K)	($300K)	($300K)	($300K)	($300K)	($300K)	($300K)	($300K)	($300K)	($300K)	($300K)	($3.6M)
Cash at Beginning of Period	$11.5M	$6.6M	$7.3M	$6.6M	$6.8M	$7.7M	$8.7M	$9M	$10M	$11.1M	$11.5M	$12.5M	$11.5M
Net Change in Cash	($4.9M)	$714K	($692K)	$187K	$901K	$948K	$295K	$1M	$1.1M	$408K	$1M	$1.1M	$2.2M
Cash at End of Period	**$6.6M**	**$7.3M**	**$6.6M**	**$6.8M**	**$7.7M**	**$8.7M**	**$9M**	**$10M**	**$11.1M**	**$11.5M**	**$12.5M**	**$13.6M**	**$13.6M**

Source: Self Generated 2023

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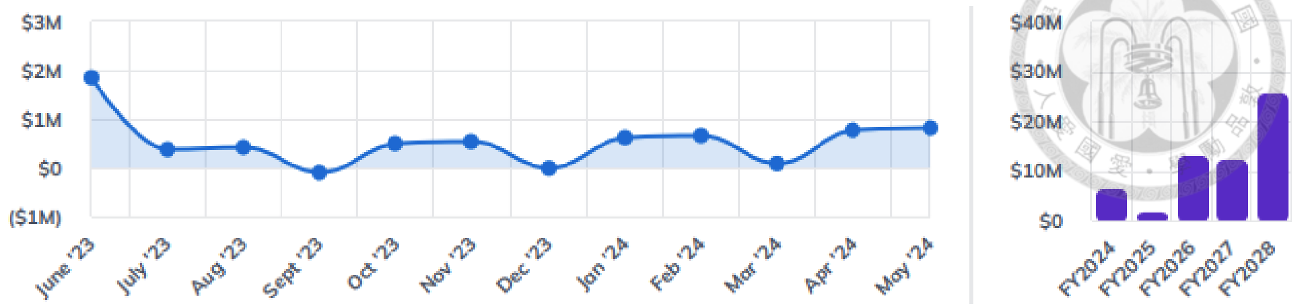
Figure 12: 2023-2028 Projected Annual Cash Flows (June '23-May '28)



Projected Cash Flow	FY2024	FY2025	FY2026	FY2027	FY2028
Net Cash from Operations	**$10.1M**	**$5.8M**	**$16.8M**	**$21.1M**	**$29.4M**
Net Profit	$6M	$5.8M	$14.4M	$20.2M	$27.1M
Depreciation and Amortization	$1.1M	$1.1M	$1.1M	$500,000	$500,000
Change in Accounts Receivable	$3M	($91,862)	($53,636)	($120,962)	($145,154)
Change in Inventory	($1.3M)	($1.2M)	($990,736)	($1.2M)	$0
Change in Accounts Payable	($360,363)	$5,764	$5,081	$6,409	$136
Change in Income Tax Payable	$1.5M	($56,042)	$2.2M	$1.5M	$1.7M
Change in Sales Tax Payable	$45,440	$129,088	$89,486	$172,803	$207,362
Net Cash from Investing				**($5M)**	
Assets Purchased or Sold				($5M)	
Net Cash from Financing	**($3.6M)**	**($3.6M)**	**($3.6M)**	**($3.6M)**	**($3.6M)**
Dividends & Distributions	($3.6M)	($3.6M)	($3.6M)	($3.6M)	($3.6M)
Cash at Beginning of Period	$5M	$11.5M	$13.6M	$26.8M	$39.3M
Net Change in Cash	$6.5M	$2.2M	$13.2M	$12.5M	$25.8M
Cash at End of Period	**$11.5M**	**$13.6M**	**$26.8M**	**$39.3M**	**$65M**

Source: Self Generated 2023

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6.0 Cost of Acquisition

Overpaying for an operating asset can result in an investor experiencing financial losses before commencing operations in their newly acquired company. If the acquisition cost surpasses the present value of projected cash flows, it can exacerbate the already considerable challenge of bolstering revenues or reducing expenses to compensate for the unfavorable purchase price that benefited the seller. Drawing upon the research and methodologies of Aswath Damodaran, a renowned valuation expert often referred to as the "Dean of Valuation," I will employ his findings to establish a comprehensive valuation range for PrintSolutions.

Business valuation is as much of a hard science as it is an art form. Many assumptions must be made, biases are built into the valuation, and input information changes from one day to the next, or is often not entirely accurate. In summary, “analysts should concentrate on building the best models they can with as much information as they can legally access, trying to make their best estimates of firm-specific components and being as neutral as they can be on macroeconomic variables” (Damodaran 7). As expected, I have only been given access to income statements for 2020-2022, balance sheet information from 2020-2021, and the supposed “real” EBITDA values that are not reported to the government, which was only told to me verbally. After the Letter of Intent is signed, should I move forward with the acquisition, I will be updating my models once I have access to all the available information.

There are only three approaches to valuation, the discounted cash flow valuation, which determines the present value of expected future cash flows from the asset, relative valuation, which looks at the value of comparable assets relative to cash flows, sales, or book value, and lastly, the contingent claim valuation, which uses an option pricing model like the Black-Scholes model as the basis for the valuation. The third technique focuses solely on the equity value of

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the business, and is primarily used in determining the value for different classes of securities for the buyers, and is therefore outside the scope of this valuation.

In DCF Valuation, we estimate the value of an asset as the present value of the expected cash flow on it:

$$\text{Value of asset} = \frac{E(CF_1)}{(1+r)} + \frac{E(CF_2)}{(1+r)^2} + \frac{E(CF_3)}{(1+r)^3} \ldots + \frac{E(CF_n)}{(1+r)^n}$$

Where E(CF□) = Expected cash flow in period *t*
r = Discount rate reflecting riskiness of estimated cash flows
-higher rates for riskier assets, lower rates for safer ones
n = Life of asset

With the above equation in mind, we are tasked with determining the appropriate discount rate, cash flows, and growth rate of PrintSolutions.

6.1 Discount Rate

To discover the discount rate *r,* take the weighted average cost of equity, which reflects the expected return premium over the expected return on a riskless investment (ie. risk free rate), and weighted average cost of debt, which reflects the default risk.

$$WACC = \frac{E}{E+D} \times Cost\ of\ Equity + \frac{D}{E+D} \times Cost\ of\ Debt \times (1 - tax\ rate)$$

We can calculate the cost of equity using the Capital Asset Pricing Model which states

$$Cost\ of\ Equity = Risk\ Free\ rate + Beta \times Risk\ Premium$$

As of January 2023, Taiwan has an equity risk premium of 6.97% and a country risk premium of 1.03% according to New York University and Professor Damodaran, which I will use for this model. The risk-free rate is the current yield on 10 year Taiwan treasuries, which sits at 1.163% at the time of writing. Calculating the beta for privately held firms is more difficult. The use of

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beta as a measure of risk assumes an investor is well-diversified and investing in public markets. Owners of private firms generally have the bulk of their wealth invested in the business. As such, I care about the *total risk* in the business for Mr. Wang, rather than just the ordinary market risk. As a result, cost of equity is generally underestimated in private firm valuation. We can adjust the beta to reflect total risk rather than market risk by dividing the market beta of the sector of small capitalized publicly traded companies by the correlation coefficient, or r-squared, which is a measure of how correlated the sector is to the broader market. Since there is no exclusive "printing" sector available, I took the average market beta for "publishing and newspapers", "packaging and containers", and "paper/forest products", which were 3.43, 1.93, and 5.24 as well as the average correlation coefficients of 32.50%, 49.44% and 26.40%, respectively.

$$Total\ beta = \frac{Market\ beta}{\sqrt{R\text{−}squared}}$$

$$Total\ beta = \frac{2.81}{\sqrt{36.11\%}} = 4.68$$

Now we can solve for cost of equity:

$$Cost\ of\ Equity = 1.163\% + 4.68 \times 6.97\% = 33.78\%$$

"Private businesses will generally have much higher costs of equity than their publicly traded counterparts with diversified investors. While many of them ultimately capitulate by selling to publicly traded competitors or going public, some firms choose to remain private and thrive. To do so, they have to diversify on their own (as many family-run businesses in Asia and Latin America have done) or accept the lower value as a price paid for maintaining total control" (Damodaran 58). This is precisely the situation in Taiwan. The higher costs of equity justifies the lower EV/EBITDA selling multiples in the small market family run businesses, particularly

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more so when the buyer is also an individual or small firm. We now have everything we need to solve for the weighted average cost of capital and thus, the discount rate. We know

$$WACC = \frac{E}{E+D} \times Cost\,of\,Equity + \frac{D}{E+D} \times Cost\,of\,Debt \times (1 - tax\,rate)$$

and we know Mr. Wang is paying an average of 1.15% interest on his outstanding debt from the balance sheet and income statement. His current tax rate sits around 17.75%. Since this is a private firm, we will use the book value of debt and equity to determine the weighting.

$$WACC = \frac{20{,}000{,}000}{31{,}660{,}000} \times 33.78\% + \frac{11{,}660{,}000}{31{,}660{,}000} \times 1.15\% \times (1 - .1775) = 21.69\%$$

The discount rate for PrintSolutions is 21.69%. In other words, this is the rate of return that a sensible investor would require in order to invest in this business.

6.2 Expected Cash Flows

Since this is a small market firm, it is appropriate to use seller discretionary earnings (SDE) as the expected and historical cash flows available to the current owner. SDE is net income (or net loss) on the company tax return + interest expense + depreciation expense + amortization expense + the current owner's salary + owner perks.

For PrintSolutions, the tax documents I have in hand tell a different story to the “real” company financials. Mr. Wang informed me verbally that for 2020, 2021, and 2022, his operating profit was 12 million, 10 million, and 15 million, respectively. He also received a 1 million NTD salary each year. While he never explicitly said so, I can infer that he is paying himself under the table 10 to 15 million NTD each year under reporting his income. Using the verbal estimates, SDE is $14,439,135 for 2020, $12,352,038 for 2021, and $17,414,725 for 2022. Normalized, this amounts to $14,735,299 NTD per year for the last three years. Next, we determine a suitable growth rate for the future cash flows.

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6.3 *Expected Growth*

The growth rate is applied to each future cash flow in every year of the discounted cash flow model, compounding on itself. For small, uncomplex firms, the general method to determine the growth rate of the company is to multiply the reinvestment rate of earnings by the return on capital. The reinvestment rate measures how much a firm is plowing back to generate future growth. Return on capital is based on the firm's return on existing investments. The rationale is we can see the return on capital of the money that is being plowed back into the firm each year, and therefore determine how much the company is growing each year. Multiplying the two variables establishes a reasonable growth rate. We must use the financial statements to find the growth rate, and not the verbal earnings we used earlier in order to find the growth rate because we know the majority of earnings are being extracted from the company. We need to find what is being reinvested into the company. In 2022, PrintSolutions made a reported \$3,083,000 in operating income with an effective tax rate of about 17.75%. Scaled to the book value of capital at the end of 2022 of \$31,660,000, this yields an after-tax return on capital of 31.24%.

$$Return\ on\ capital\ = \frac{EBIT(1-t)}{BV\ of\ debt + BV of equity - Cash}$$

$$Return\ on\ capital\ = \frac{2{,}535{,}767}{8{,}118{,}039} = 31.24\%$$

We subtract cash and deposits in the denominator because they are not working assets driving cash flows to capital.

Next, we find the reinvestment rate. A firm's reinvestment rate can ebb and flow, particularly when new equipment is rarely purchased and investments are infrequent. Mr. Wang's machinery is almost fully depreciated, and outside of the \$5,000,000 investment in a brand new machine this year, there is little capital expenditure to speak of. It is best to average the CapEx across three to five years. $5,000,000/5 = average of $1,000,000 CapEx per year.

$$Reinvestment\ rate\ = \frac{Capex - Depreciation + Change\ in\ noncash\ WC}{EBIT(1-t)}$$

$$Reinvestment\ rate\ = \frac{1{,}000{,}000 - 848{,}227 + 348{,}013}{2{,}535{,}767} = 19.71\%$$

Suffice to say, 19.71% of *reported* earnings are being reinvested in the company. Here are my calculations for determining net change in non cash working capital, which is only available from 2020 to 2021:

Table 9: Net Change in Non Cash Working Capital

	Change in NonCash Working Capital	
	2020	2021
CA	$6,275,248	$6,067,574
CL	$1,896,872	$1,341,185
Total WC	$4,378,376	$4,726,389
Change in WC	$348,013	

We now have everything we need to determine PrintSolutions growth rate:

$$Expected\ Growth\ = reinvestment\ rate\ \times\ return\ on\ capital$$

$$Expected\ Growth\ = 19.71\%\ \times\ 31.24\%\ =\ 6.16\%$$

The expected growth rate of future cash flows for PrintSolutions is 6.16%.

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6.4 Terminal Value (at end of year 6)

Since cash flows cannot be estimated forever, it is reasonable to stop calculations and compute a terminal value that reflects the value of the firm in that future period at a stable growth rate. We can employ a perpetual growth model for year 6 and decrease the growth rate of the firm to the general growth rate of the economy of Taiwan, similar to how a life annuity contract is calculated. This is realistic because the current excess returns will be more and more difficult for the company to achieve if Mr. Wang continues to operate in the same manner 6 years from now as he does in the present.

A few assumptions first: as PrintSolutions ages, we can infer the tax rate will get closer to the general Taiwan corporate tax rate of 20%, the growth rate will normalize to the general growth of the Taiwan economy, or at around the riskless rate, and return on capital will gradually decrease as the company creates more capital for itself and exhausts its attainable market share in greater Taipei. The beta for PrintSolutions will edge closer to 1.0 as the company becomes larger and more stable.

$$Terminal\ Value = \frac{SDE_{t+1}(1 - reinvestment\ rate)}{Cost\ of\ Capital_{t+1} - Stable\ Growth\ rate_t}$$

SDE in the terminal year will be \$19,868,428 NTD because we know 2023's SDE will be \$14,735,299 NTD and $\$14,735,299(1.0616)^5 = \$19,868,428$. We use the same reinvestment rate we calculated above. We now know:

$$Terminal\ Value = \frac{19,868,428(1 - 19.71\%)}{21.69\% - Stable\ Growth\ rate_t}$$

A reasonable inference for the stable growth rate is for the company to grow at the risk free rate in Taiwan and to keep up with inflation. Inflation hovers around 2.35% (Trading Economics) and the 10 year risk free rate is 1.163%. Now we can complete our terminal value calculation:

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$$Terminal\ Value\ = \frac{15{,}952{,}361}{21.69\% - 3.51\%} = \$87,746,760$$

Now that we have determined the terminal value, we can discount it back to the present value and add it to our other discounted cash flows for the full value of the firm:

$$Value\ of\ a\ firm\ = \Sigma \frac{SDE_t}{(1+r)^t} + \frac{Terminal\ value_n}{(1+r)^n}$$

which means the value of the firm is the sum of the expressions of the present value of future cash flows plus the terminal value of the firm.

6.5 Integrating All Components

Table 10: DCF Table

Year	1	2	3	4	5
Reinvestment Rate	19.71%	19.71%	19.71%	19.71%	19.71%
SDE	$14,735,299	$15,642,993	$16,606,602	$17,629,568	$18,715,550
Less reinvestment rate at 19.71%	$2,904,327	$3,083,234	$3,273,161	$3,474,788	$3,688,835
Expected free cash flows	$11,830,972	$12,559,759	$13,333,441	$14,154,781	$15,026,715
Cost of capital	21.69%	21.69%	21.69%	21.69%	21.69%
Cumulated cost of capital	1.2169	1.4808	1.8020	2.1929	2.6685
Present value	$9,722,222	$8,481,478	$7,399,077	$6,454,812	$5,631,053

This chart encapsulates how we arrived at the present value of the future cash flows of PrintSolutions. Formulaically, we have:

$$\text{Value of asset} = \frac{E(CF_1)}{(1+r)} + \frac{E(CF_2)}{(1+r)^2} + \frac{E(CF_3)}{(1+r)^3} \ldots + \frac{E(CF_n)}{(1+r)^n}$$

Which we can now plug in our values:

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$$PV\ of\ future\ CF = \frac{11{,}830{,}972}{1.2169} + \frac{12{,}559{,}759}{1.4808} + \frac{13{,}333{,}441}{1.8020} + \frac{14{,}154{,}781}{2.1929} + \frac{15{,}026{,}715}{2.6685} = \$37,688,641$$

And now we can add the terminal value:

$$Value\ of\ a\ firm = \Sigma \frac{SDE}{(1+r)^{t}} + \frac{Terminal\ value}{(1+r)^{n}}$$

$$Value\ of\ a\ firm = \$37,688,641 + \frac{\$87{,}746{,}760}{(1+.2169)^{6}} = \$64,709,661$$

All the future cash flows Mr. Wang expects to make from PrintSolutions is worth $64,709,661 in today's dollars.

6.6 Unresolved Issues

This in-depth analysis was met with Mr. Wang's approval. He is confident that his company holds a value between 60 and 80 million NTD and has expressed willingness to sell it to me for 64 million NTD, promptly. However, it's essential to recognize that this analysis captures the worth of future cash flows for Mr. Wang, but not for me. My position differs significantly in terms of tax management due to various factors. Besides my belief in the moral obligation to pay taxes as the cost of doing business, I anticipate facing heightened scrutiny from authorities, given my status as a foreign business owner. Furthermore, I aim to collaborate with banks to facilitate this acquisition, which inherently invites examination of my future cash flows and company records by third parties and creditors. It's noteworthy that Mr. Wang's 3.5% tax rate, which amounts to paying $514,898 in income taxes on an average income of $14,735,299, results from underreporting by a staggering 700%. Adjusting the DCF analysis to account for paying the real income and sales taxes of 20% and 5%, we can estimate present value of the future cash flows and terminal value of the firm as:

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Table 11: DCF Table Adjusted for Sales and Income Taxes

Year	1	2	3	4	5
Reinvestment Rate	19.71%	19.71%	19.71%	19.71%	19.71%
Sales tax and income tax	25%	25%	25%	25%	25%
SDE	$14,735,299	$15,642,993	$16,606,602	$17,629,568	$18,715,550
Less 19.71% reinvestment rate	$2,904,327	$3,083,234	$3,273,161	$3,474,788	$3,688,835
Less 25% tax rate	$3,683,825	$3,910,748	$4,151,650	$4,407,392	$4,678,887
Expected FCF	$8,147,147	$8,649,011	$9,181,790	$9,747,388	$10,347,828
Cost of capital	21.69%	21.69%	21.69%	21.69%	21.69%
Cumulated cost of capital	1.2169	1.4808	1.8020	2.1929	2.6685
Present value	$6,695,001	$5,840,589	$5,095,217	$4,444,969	$3,877,705

$$Value\ of\ a\ firm = \$25,953,481 + \frac{\$65,810,070}{(1+.2169)^6} = \$46,219,246$$

This valuation is more aligned with relative valuation multiples, with an Enterprise Value/SDE after real taxes of around 4x. A selling price of $64 million breaks into 5.8 to 6.0 territory, which is a more realistic multiple in the middle markets, certainly not the small markets. Granted, if I truly can achieve the revenue growth and improved SDE I outlined in my financial projections, then the company is certainly worth more than $46 million. But as an acquisition entrepreneur, my role involves purchasing the asset based on its current value, considering its future cash flows without my added value or implemented changes. I aim to be rewarded for transforming the company into a stronger competitor within the printing industry. This reward comes from acquiring the company at a price lower than its intrinsic value, which reflects the potential I can unlock. I would agree to purchase PrintSolutions for its market value

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of $46 million with an additional $4 million of goodwill for a total price of $50 million assuming he agrees to sign a non-compete, assist in company transition, and maintain 10% equity for one to two years.

6.6.1 Risks and Limitations of Acquisition Entrepreneurship in Taiwan

Acquisition Entrepreneurship can be a successful path for the willing few in the United States, but entrepreneurs may face challenges unique to Taiwan while operating there. The first limitation is the language barrier. Whether it's correspondence with bankers, communication with employees, or just negotiating the general acquisition, speaking the native language of the country of operation is vital for success. My plan to mitigate this is twofold: my partner speaks fluent mandarin and I have a translator for the most important meetings, such as contract specific negotiations.

Another major difference for the acquisition entrepreneur operating in Taiwan vs the United States is the legal and political backdrop. While the two countries share many similarities, a few key differences remain for the Taiwan entrepreneur. Interest rates are far lower than the United States, and the cost of capital is lower in the Taiwan small markets compared to the US. This greatly affects firm valuation as demonstrated in the previous section. Second, no pass through income structures in a fund will have the Taiwan entrepreneur thinking of alternate ways to conduct business. Third, cash flow based lending is in the infancy stage in Taiwan, and debt to equity ratios are capped at 3 to 1. In the United States, an acquisition vehicle can have a debt to equity ratio of 9 to 1. These differences do not prevent the acquisition entrepreneur from operating in Taiwan, but available deal sizes will not be the same for the entrepreneur.

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7.0 Securing Financing

Cash flow-based acquisition loans are not common in Taiwan; however, I have initiated correspondence with a few lenders who express interest. Banks in Taiwan primarily seek asset collateralized loans, making it challenging for an asset-light company like PrintSolutions to serve as collateral. Nonetheless, acquisition entrepreneurs have several alternatives:

1. Explore international lending. Although interest rates may be higher, this option can be reasonable if the projected cash flows demonstrate a healthy interest coverage ratio.
2. Consider double leverage. This involves purchasing an easily collateralized asset, such as real estate in Taiwan, with a down payment and real estate loan, then using the land as collateral for the acquisition loan. This approach carries additional risks and should only be pursued after a recession or during the early stages of the business cycle's recovery.
3. Use like minded investors' money to establish a miniature buyout fund to complete the acquisition. This is certainly a viable option and it is my goal in order to execute larger acquisitions and exits, but for my first acquisition such as for "PrintSolutions," I plan to only use my money and debt in order to build my experience and operating skills prior to asking for investors' funds.
4. Waterfall Acquisitions: similar to creating a miniature buyout fund, but the nature of the distributions and order of returned capital favors certain shareholders over, typically, the founder or general partners of the fund. This is also a viable option in order to attract investors and "guarantee" at least their invested capital.

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5. Provide a detailed plan with realistic projected cash flows for the acquisition target. Although this can be more formally executed after signing the Letter of Intent, it is essential to maintain a strong banking relationship so lenders may be forgiving in looking at inaccuracies on past financial statements but willing to look towards the future for lending purposes, which is something I am still working towards.

I have been quoted on a 10 year, 3.7% loan of $30,000,000 with the right interest coverage ratio and any additional assets for collateral. For example's sake, I model this loan for an acquisition in the holding company's financial statements.

Using the previous analysis, PrintSolutions is purchased for $50 million with $20 million in cash and $30 million in debt. After securing the loan, the holding company used to acquire PrintSolutions will receive monthly dividends of $300,000, and begin with interest payments of $92,500 and principal payments of $206,976 per month for a total of $299,476 per month in debt expenses. See the financial statements for the first year and amortization tables below for an example. Recall that principal payments are found from the "cash from financing" section of the cash flow statement. Interest payments are captured on the income statement.

Table 12: One Year of a Ten Year 3.7% $30 Million Loan Amortization Table

	Beginning Balance	Interest	Principal	Ending Balance
1	$30,000,000.00	$92,500.00	$206,976.46	$29,793,023.54
2	$29,793,023.54	$91,861.82	$207,614.64	$29,585,408.91
3	$29,585,408.91	$91,221.68	$208,254.78	$29,377,154.13
4	$29,377,154.13	$90,579.56	$208,896.90	$29,168,257.23
5	$29,168,257.23	$89,935.46	$209,541.00	$28,958,716.23
6	$28,958,716.23	$89,289.38	$210,187.08	$28,748,529.15
7	$28,748,529.15	$88,641.30	$210,835.16	$28,537,693.99
8	$28,537,693.99	$87,991.22	$211,485.23	$28,326,208.75
9	$28,326,208.75	$87,339.14	$212,137.31	$28,114,071.44
10	$28,114,071.44	$86,685.05	$212,791.40	$27,901,280.03
11	$27,901,280.03	$86,028.95	$213,447.51	$27,687,832.52
12	$27,687,832.52	$85,370.82	$214,105.64	$27,473,726.88

Year #1 End

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7.1 Holding Company Financial Statements

Figure 13: Holding Company FY 2023 Income Statement

Projected Profit & Loss	June '23	July '23	Aug '23	Sept '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	FY2024
Revenue	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$3.6M**
Dividends Received	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$3.6M
Gross Margin	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$300K	$3.6M
Gross Margin %	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Operating Income	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$300K**	**$3.6M**
Interest Expense	$92,500	$91,862	$91,222	$90,580	$89,935	$89,289	$88,641	$87,991	$87,339	$86,685	$86,029	$85,371	$1.1M
Income Taxes	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Profit	$208K	$208K	$209K	$209K	$210K	$211K	$211K	$212K	$213K	$213K	$214K	$215K	$2.5M
Net Profit %	**69%**	**69%**	**70%**	**70%**	**70%**	**70%**	**70%**	**71%**	**71%**	**71%**	**71%**	**72%**	**70%**

Source: Self Generated 2023

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Figure 14: Holding Company FY 2023 Balance Sheet

Projected Balance Sheet	June '23	July '23	Aug '23	Sept '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	FY2024
Assets	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**
Current Assets	**$524**	**$1,048**	**$1,572**	**$2,096**	**$2,620**	**$3,144**	**$3,668**	**$4,192**	**$4,716**	**$5,240**	**$5,764**	**$6,288**	**$6,288**
Cash	$524	$1,048	$1,572	$2,096	$2,620	$3,144	$3,668	$4,192	$4,716	$5,240	$5,764	$6,288	$6,288
Accounts Receivable	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Long-Term Assets	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**
Long-Term Assets	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M	$50M
Accumulated Depreciation	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Liabilities & Equity	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**	**$50M**
Liabilities	**$29.8M**	**$29.6M**	**$29.4M**	**$29.2M**	**$29M**	**$28.7M**	**$28.5M**	**$28.3M**	**$28.1M**	**$27.9M**	**$27.7M**	**$27.5M**	**$27.5M**
Current Liabilities	**$2.5M**	**$2.5M**	**$2.5M**	**$2.6M**	**$2.6M**	**$2.6M**	**$2.6M**	**$2.6M**	**$2.6M**	**$2.6M**	**$2.6M**	**$2.6M**	**$2.6M**
Income Taxes Payable	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sales Taxes Payable	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Short-Term Debt	$2.5M	$2.5M	$2.5M	$2.6M	$2.6M	$2.6M	$2.6M	$2.6M	$2.6M	$2.6M	$2.6M	$2.6M	$2.6M
Long-Term Liabilities	**$27.3M**	**$27M**	**$26.8M**	**$26.6M**	**$26.4M**	**$26.2M**	**$26M**	**$25.7M**	**$25.5M**	**$25.3M**	**$25.1M**	**$24.9M**	**$24.9M**
Long-Term Debt	$27.3M	$27M	$26.8M	$26.6M	$26.4M	$26.2M	$26M	$25.7M	$25.5M	$25.3M	$25.1M	$24.9M	$24.9M
Equity	**$20.2M**	**$20.4M**	**$20.6M**	**$20.8M**	**$21M**	**$21.3M**	**$21.5M**	**$21.7M**	**$21.9M**	**$22.1M**	**$22.3M**	**$22.5M**	**$22.5M**
Paid-In Capital	$20M	$20M	$20M	$20M	$20M	$20M	$20M	$20M	$20M	$20M	$20M	$20M	$20M
Retained Earnings	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Earnings	$208K	$416K	$624K	$834K	$1M	$1.3M	$1.5M	$1.7M	$1.9M	$2.1M	$2.3M	$2.5M	$2.5M

Source: Self Generated 2023

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Figure 15: Holding Company FY 2023 Cash Flow Statement

Projected Cash Flow	June '23	July '23	Aug '23	Sept '23	Oct '23	Nov '23	Dec '23	Jan '24	Feb '24	Mar '24	Apr '24	May '24	FY2024
Net Cash from Operations	**$208K**	**$208K**	**$209K**	**$209K**	**$210K**	**$211K**	**$211K**	**$212K**	**$213K**	**$213K**	**$214K**	**$215K**	**$2.5M**
Net Profit	$208K	$208K	$209K	$209K	$210K	$211K	$211K	$212K	$213K	$213K	$214K	$215K	$2.5M
Depreciation and Amortization	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Change in Accounts Receivable	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Change in Income Tax Payable	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Change in Sales Tax Payable	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Cash from Financing	**($207K)**	**($208K)**	**($208K)**	**($209K)**	**($210K)**	**($210K)**	**($211K)**	**($211K)**	**($212K)**	**($213K)**	**($213K)**	**($214K)**	**($2.5M)**
Change in Short-Term Debt	$7,789	$7,813	$7,837	$7,862	$7,886	$7,910	$7,935	$7,959	$7,984	$8,008	$8,033	$8,058	$95,073
Change in Long-Term Debt	($215K)	($215K)	($216K)	($217K)	($217K)	($218K)	($219K)	($219K)	($220K)	($221K)	($221K)	($222K)	($2.6M)
Cash at Beginning of Period	$0	$524	$1,048	$1,572	$2,096	$2,620	$3,144	$3,668	$4,192	$4,716	$5,240	$5,764	$0
Net Change in Cash	$524	$524	$524	$524	$524	$524	$524	$524	$524	$524	$524	$524	$6,288
Cash at End of Period	**$524**	**$1,048**	**$1,572**	**$2,096**	**$2,620**	**$3,144**	**$3,668**	**$4,192**	**$4,716**	**$5,240**	**$5,764**	**$6,288**	**$6,288**

Source: Self Generated 2023

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Because this is a private company, I may have the option to amortize goodwill. This simplified financial projection does not account for amortizing goodwill, but it is another benefit to consider that could further lower my tax burden and allow for tax harvesting.

8.0 Conclusion

Simply having aspirations does not make an individual qualified to invest on behalf of potential shareholders. Likewise, financial acumen alone is insufficient. I believe a general partner must demonstrate a track record of enhancing shareholder equity returns after assuming leadership of a company. A "proof-of-concept" showcasing the general partner's investment thesis and competitive strategy is necessary prior to a fundraising effort. After successfully increasing shareholder equity returns at PrintSolutions for three to five years and potentially leading the company to an exit, I believe only then will I be well-equipped to spearhead a fundraising campaign in the private markets.

Taiwan's economy offers the acquisition entrepreneur an ideal environment to begin the journey of adding value to the economy, job creation, and personal transformation. With the economy on the brink of another digital transformation and small companies available for low multiples, there is an opportunity for fastidious investors and operators to stay ahead of the general market and secure a competitive advantage.

Through my analysis of PrintSolutions, the printing industry in Taiwan, and future projections, I have demonstrated how an investor can achieve this value creation leading to the path of establishing a micro fund in Taiwan. Whether an agreeable price can be reached with Mr. Wang remains uncertain, but I am eager to continue exploring deals in Taiwan for the foreseeable

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future. In doing so, I will take into account the unique characteristics of the Taiwanese business landscape and the market trends that shape it in order to identify promising opportunities in various sectors.

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Appendix

PrintSolutions projected Income Statement raw data

Projected Profit & Loss	Jan '23	Feb '23	Mar '23	Apr '23	May '23	June '23	July '23	Aug '23	Sept '23	Oct '23	Nov '23	Dec '23	2023	Jan '24	Feb '24	Mar '24	Apr '24	May '24	June '24	July '24	Aug '24	Sept '24	Oct '24	Nov '24	Dec '24	2024	2025	2026	2027
Revenue	3645833	3706718	3768620	3831556	3895543	3960599	4026741	4093988	4162357	4231869	4302541	4374393	48000758	4375000	4448062	4522344	4597867	4674652	4752719	4832089	4912786	4994828	5078243	5163049	5249272	57600911	69121093	82945311	99534373
Direct Costs	1567708	1593889	1620507	1647569	1675083	1703058	1731499	1760415	1789814	1819704	1850093	1880989	20640326	1881250	1912667	1944608	1977083	2010100	2043669	2077798	2112498	2147776	2183644	2220111	2257187	24768392	29722070	35666484	42799780
Gross Margin	2078125	2112829	2148113	2183987	2220460	2257541	2295242	2333573	2372543	2412165	2452448	2493404	27360432	2493750	2535395	2577736	2620784	2664552	2709050	2754291	2800288	2847052	2894599	2942938	2992085	32832519	39399023	47278827	56734593
Gross Margin %	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57
Operating Expenses	1559316	1559316	1559316	1559316	1559316	1559316	1559316	1559316	1559319	1559319	1559319	1559319	18711808	6622001	1622001	1622001	1622001	1622001	1622001	1622001	1622001	1622025	1622025	1622025	1622025	24464108	20251802	21476639	22340374
Salaries & Wages	916653	916653	916653	916653	916653	916653	916653	916653	916654	916654	916654	916654	10999840	962480	962480	962480	962480	962480	962480	962480	962480	962500	962500	962500	962500	11549840	12127320	12733685	13370366
Employee Related Expenses	91665	91665	91665	91665	91665	91665	91665	91665	91665	91665	91665	91665	1099984	96248	96248	96248	96248	96248	96248	96248	96248	96250	96250	96250	96250	1154984	1212732	1273369	1337037
Rent	291666	291666	291666	291666	291666	291666	291666	291666	291666	291666	291666	291666	3499992	300416	300416	300416	300416	300416	300416	300416	300416	300416	300416	300416	300416	3604992	3713141	3824536	3939272
Supplies expense	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000	1025	1025	1025	1025	1025	1025	1025	1025	1025	1025	1025	1025	12300	12607	12922	13245
Shipping Expense	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	600000	52500	52500	52500	52500	52500	52500	52500	52500	52500	52500	52500	52500	630000	661500	694575	729303
Postage	12500	12500	12500	12500	12500	12500	12500	12500	12500	12500	12500	12500	150000	13125	13125	13125	13125	13125	13125	13125	13125	13125	13125	13125	13125	157500	165375	173643	182325
Maintenance & Repair	12500	12500	12500	12500	12500	12500	12500	12500	12500	12500	12500	12500	150000	12875	12875	12875	12875	12875	12875	12875	12875	12875	12875	12875	12875	154500	159135	163909	168826
Advertisement	8333	8333	8333	8333	8333	8333	8333	8333	8334	8334	8334	8334	100000	8333	8333	8333	8333	8333	8333	8333	8333	8334	8334	8334	8334	100000	100000	100000	100000
Insurance	83333	83333	83333	83333	83333	83333	83333	83333	83334	83334	83334	83334	1000000	83333	83333	83333	83333	83333	83333	83333	83333	83334	83334	83334	83334	1000000	1000000	1000000	1000000
Utilities	25000	25000	25000	25000	25000	25000	25000	25000	25000	25000	25000	25000	300000	25000	25000	25000	25000	25000	25000	25000	25000	25000	25000	25000	25000	300000	300000	300000	300000
Software upgrades														5000000												5000000			

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Depreciation	66666	66666	66666	66666	66666	66666	66666	66666	66666	66666	66666	66666	799992	66666	66666	66666	66666	66666	66666	66666	66666	66666	66666	66666	66666	799992	799992	1200000	1200000
Operating Income	518809	553513	588797	624671	661143	698225	735926	774257	813224	852846	893129	934085	8648624	-4128251	913394	955735	998783	1042551	1087049	1132290	1178287	1225027	1272574	1320913	1370060	8368411	19147221	25802189	34394219
Income Taxes	84723	91664	98720	105895	113190	120606	128147	135812	143606	151530	159587	167778	1501258	-844689	163640	172108	180718	189471	198371	207419	216619	225966	235476	245144	254973	1445216	3600978	5060438	6778843
Depreciation and Amortization	95194	95194	95194	95194	95194	95194	95194	95194	95194	95194	95194	95194	1142332	95194	95194	95194	95194	95194	95194	95194	95194	95194	95194	95194	95194	1142332	1142332	500000	500000
Total Expenses	3306942	3340063	3373737	3407975	3442784	3478174	3514156	3550738	3587933	3625747	3664193	3703281	41995724	7753756	3793502	3833911	3874996	3916767	3959236	4002413	4046312	4090961	4136340	4182474	4229379	51820048	54717182	62703560	72418997
Net Profit	338891	366655	394883	423581	452759	482425	512585	543250	574424	606122	638348	671112	6005034	-3378756	654560	688433	722871	757885	793483	829676	866474	903867	941903	980575	1019893	5780863	14403911	20241751	27115376
Net Profit %	9	10	10	11	12	12	13	13	14	14	15	15	13	-77	15	15	16	16	17	17	18	18	19	19	19	10	21	24	27

PrintSolutions projected Balance Sheet raw data

Projected Balance Sheet	Starting Bal.	Jan '23	Feb '23	Mar '23	Apr '23	May '23	June '23	July '23	Aug '23	Sept '23	Oct '23	Nov '23	Dec '23	2023	Jan '24	Feb '24	Mar '24	Apr '24	May '24	June '24	July '24	Aug '24	Sept '24	Oct '24	Nov '24	Dec '24	2024	2025	2026	2027
Assets	9426997	9076234	9713543	10395852	10561126	11322138	12123486	12381466	13265527	14191978	14547377	15560441	16618365	16618365	11852006	12676268	12095332	12395214	13409977	14473147	14884271	16046695	17259966	17787976	19107377	20478039	20478039	35132278	55012701	82053980
Current Assets	6000000	5744432	6476935	7254438	7514907	8371112	9267656	9620830	10600084	11621730	12072323	13180582	14333701	14333701	9662536	10581992	10096250	10491327	11601284	12759649	13265967	14523585	15832051	16455255	17869850	19335706	19335706	35132278	50512701	78053980
Cash	0	2147224	2819654	3536081	3734452	4527524	5359879	5647793	6560699	7514887	7896896	8966576	10080473	10080473	5345886	6193255	5634221	5954781	6988978	8070317	8498324	9676322	10903838	11444741	12593704	13830855	13830855	28583055	42653633	70049758
Accounts Receivable	3500000	382813	389205	395705	402313	409032	415863	422808	429869	437048	444346	451767	459311	459311	459375	467047	474846	482776	490838	499036	507369	515843	524457	533216	542120	551174	551174	604810	725772	870926
Inventory	2500000	3214395	3268076	3322653	3378141	3434556	3491913	3550228	3609517	3669796	3731082	3762239	3793917	3793917	3857275	3921691	3987183	4053770	4121467	4190296	4260274	4331421	4403756	4477298	4734026	4953678	4953678	5944414	7133297	7133297
Long-Term Assets	3426997	3331803	3236608	3141414	3046220	2951025	2855831	2760636	2665442	2570248	2475053	2379859	2284665	2284665	2189470	2094276	1999082	1903887	1808693	1713499	1618304	1523110	1427915	1332721	1237527	1142332	1142332	0	4500000	4000000
Long-Term Assets	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	7939190	12939190	12939190
Accumulated Depreciation	-4512193	-4607387	-4702582	-4797776	-4892970	-4988165	-5083359	-5178554	-5273748	-5368942	-5464137	-5559331	-5654525	-5654525	-5749720	-5844914	-5940108	-6035303	-6130497	-6225691	-6320886	-6416080	-6511275	-6606469	-6701663	-6796858	-6796858	-7939190	-8439190	-8939190

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Liabilities & Equity	9426997	9076234	9713543	10395852	10561126	11322138	12123486	12381466	13265527	14191978	14547377	15560441	16618365	16618365	11852006	12676268	12095332	12395214	13409977	14473147	14884271	16046695	17259966	17787976	19107377	20478039	20478039	35132278	55012701	82053980
Liabilities	985000	295346	566001	853427	595120	903372	1222296	967691	1308501	1660529	1409806	1784523	2171335	2171335	950398	1286766	184063	-72260	351285	787639	535753	998370	1474442	1227216	1732709	2250145	2250145	4500474	6139146	8065049
Current Liabilities	985000	295346	566001	853427	595120	903372	1222296	967691	1308501	1660529	1409806	1784523	2171335	2171335	950398	1286766	184063	-72260	351285	787639	535753	998370	1474442	1227216	1732709	2250145	2250145	4500474	6139146	8065049
Accounts Payable	385000	28331	21986	22261	22541	22825	23114	23408	23707	24011	24320	24323	24637	24637	75079	25404	25734	26069	26411	26758	27110	27469	27834	28205	30401	30401	30401	35482	41891	42027
Income Taxes Payable		84723	176387	275107	381002	494192	614798	742945	878757	1022363	1173893	1333480	1501258	1501258	656569	820209	-508941	-328223	-138752	59619	267038	483657	709623	945099	1190243	1445216	1445216	3600978	5060438	6778843
Sales Taxes Payable	600000	182292	367628	556059	191577	386355	584384	201338	406037	614155	211593	426720	645440	645440	218750	441153	667270	229894	463626	701262	241605	487244	736985	253912	512065	774528	774528	864014	1036817	1244179
Long-Term Liabilities																														
Equity	8441997	8780888	9147543	9542425	9966007	10418766	10901190	11413775	11957026	12531449	13137571	13775918	14447031	14447031	10901608	11389502	11911269	12467474	13058692	13685509	14348518	15048325	15785524	16560760	17374668	18227894	18227894	30631804	48873555	73988931
Paid-In Capital	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000	50000000
Retained Earnings	-41558003	-41558003	-41558003	-41558003	-41558003	-41558003	-41558003	-41558003	-41558003	-41558003	-41558003	-41558003	-41558003	-41558003	-35719635	-35886301	-36052967	-36219633	-36386300	-36552967	-36719634	-36886301	-37052968	-37219635	-37386302	-37552969	-37552969	-33772106	-21368196	-3126445
Earnings		338891	705546	1100428	1524010	1976769	2459193	2971778	3515029	4089452	4695574	5333921	6005034	6005034	-3378756	-2724196	-2035764	-1312893	-555008	238476	1068152	1934626	2838493	3780396	4760970	5780863	5780863	14403911	20241751	27115376

PrintSolutions projected cash flow statement raw data

Projected Cash Flow	Jan '23	Feb '23	Mar '23	Apr '23	May '23	June '23	July '23	Aug '23	Sept '23	Oct '23	Nov '23	Dec '23	2023	Jan '24	Feb '24	Mar '24	Apr '24	May '24	June '24	July '24	Aug '24	Sept '24	Oct '24	Nov '24	Dec '24	2024	2025	2026	2027
Net Cash from Operations	2147224	672430	716427	198372	793072	832355	287914	912905	954188	382009	1069681	1113897	10080473	-4567920	1014034	-392368	487227	1200864	1248006	594674	1344665	1394183	707570	1315630	1403818	5750382	16752200	21070579	29396125
Net Profit	338891	366655	394883	423581	452759	482425	512585	543250	574424	606122	638348	671112	6005034	-3378756	654560	688433	722871	757885	793483	829676	866474	903867	941903	980575	1019893	5780863	14403911	20241751	27115376
Depreciation and Amortization	95194	95194	95194	95194	95194	95194	95194	95194	95194	95194	95194	95194	1142332	95194	95194	95194	95194	95194	95194	95194	95194	95194	95194	95194	95194	1142332	1142332	500000	500000

Change in Accounts Receivable	3117188	-6393	-6500	-6608	-6719	-6831	-6945	-7061	-7179	-7299	-7421	-7545	3040689	-64	-7672	-7800	-7930	-8062	-8197	-8334	-8473	-8614	-8759	-8905	-9053	-91862	-53636	-120962	-145154
Change in Inventory	-714395	-53680	-54577	-55488	-56415	-57357	-58315	-59289	-60279	-61285	-31157	-31678	-1293917	-63358	-64416	-65492	-66586	-67698	-68829	-69978	-71147	-72335	-73542	-256728	-219652	-1159762	-990736	-1188882	0
Change in Accounts Payable	-356669	-6345	275	280	284	289	294	299	304	309	3	314	-360363	50442	-49675	330	336	341	347	353	359	365	371	2197	0	5764	5081	6409	136
Change in Income Tax Payable	84723	91664	98720	105895	113190	120606	128147	135812	143606	151530	159587	167778	1501258	-844689	163640	-1329150	180718	189471	198371	207419	216619	225966	235476	245144	254973	-56042	2155762	1459460	1718405
Change in Sales Tax Payable	-417708	185336	188431	-364482	194778	198029	-383046	204699	208118	-402562	215127	218720	45440	-426690	222403	226117	-437376	233732	237636	-459657	245639	249741	-483073	258153	262463	129088	89486	172803	207362
Net Cash from Investing																												-5000000	
Assets Purchased or Sold																												-5000000	
Net Cash from Financing														-166666	-166666	-166666	-166666	-166667	-166667	-166667	-166667	-166667	-166667	-166667	-166667	-2000000	-2000000	-2000000	-2000000
Dividends & Distributions														-166666	-166666	-166666	-166666	-166667	-166667	-166667	-166667	-166667	-166667	-166667	-166667	-2000000	-2000000	-2000000	-2000000
Cash at Beginning of Period	0	2147224	2819654	3536081	3734452	4527524	5359879	5647793	6560699	7514887	7896896	8966576	0	10080473	5345886	6193255	5634221	5954781	6988978	8070317	8498324	9676322	10903838	11444741	12593704	10080473	13830855	28583055	42653633
Net Change in Cash	2147224	672430	716427	198372	793072	832355	287914	912905	954188	382009	1069681	1113897	10080473	-4734586	847368	-559034	320561	1034197	1081339	428007	1177998	1227516	540903	1148963	1237151	3750382	14752200	14070579	27396125
Cash at End of Period	2147224	2819654	3536081	3734452	4527524	5359879	5647793	6560699	7514887	7896896	8966576	10080473	10080473	5345886	6193255	5634221	5954781	6988978	8070317	8498324	9676322	10903838	11444741	12593704	13830855	13830855	28583055	42653633	70049758

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