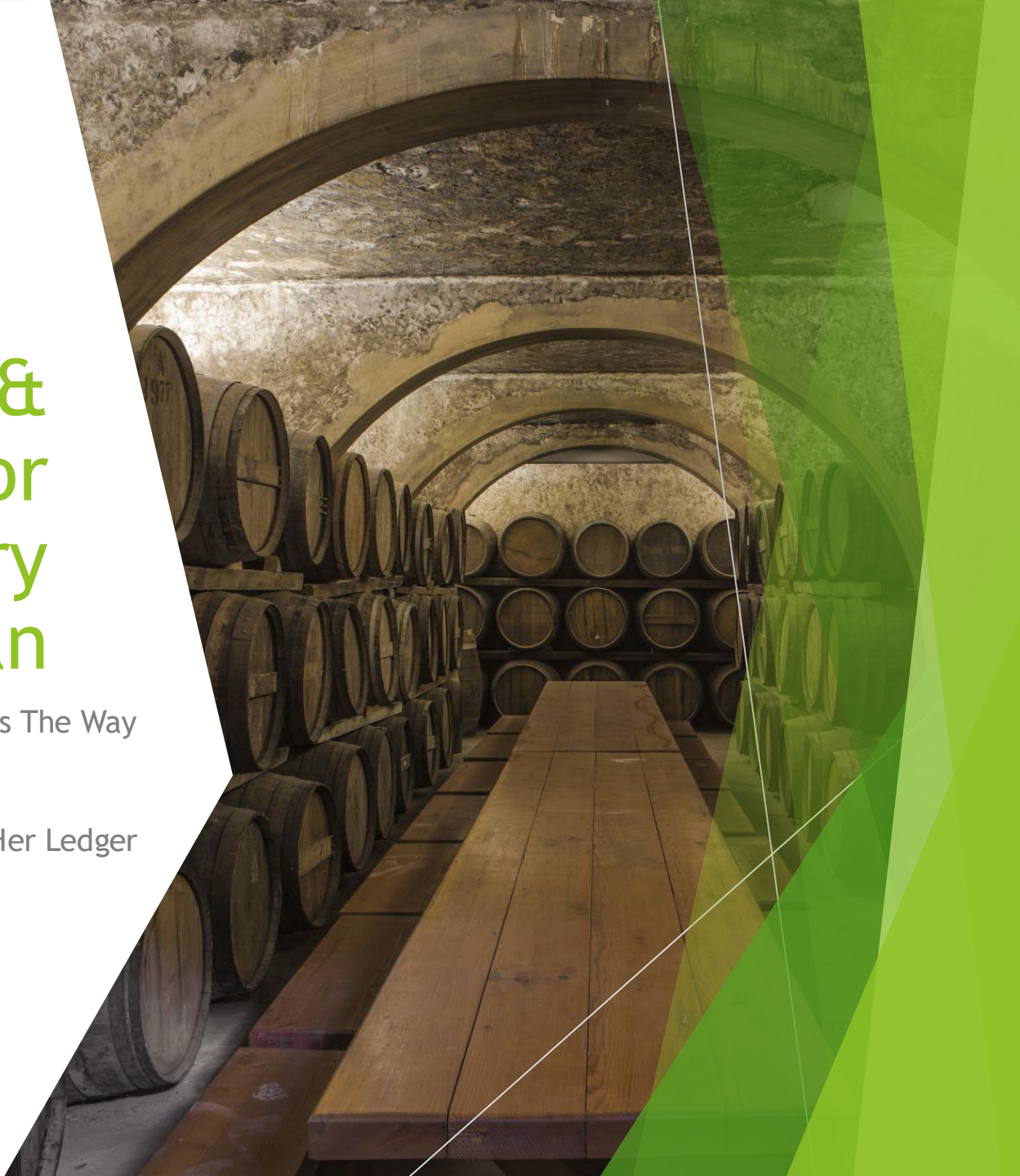


Planning & Preparing for a Brewery Exit Plan

Strategic Financial Readiness Is The Way

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Hi! I'm Audra. I love beer, trep life & the outdoors.

- ▶ BA in Accounting, Business Mgmt Loras College (1997)
- ▶ MBA in Global Business Admin, University of North Carolina at Chapel Hill (Kenan Flagler Business School) (2008)
- ▶ 1997-2009 Public Accounting, Small Businesses, Not for Profits, Caterpillar Accounting and Pricing Manager
- ▶ 2009-2010 Dogfish Head Controller
- ▶ 2011-2014 Mother Earth Brewing CFO
- ▶ 2013-today Brewed For Her Ledger Owner
- ▶ 2016-2020 Bhramari Brewing Company CEO
- ▶ 2020-2023 Head of Finance for Crooked Stave
- ▶ 2023-today Head of Finance for Burlington Beer Co
- ▶ Small Business Financials Specialist at Mountain BizWorks (Coach, Facilitator)
- ▶ Owner in DSSOLVR / Fractional CFO
- ▶ Brewers Association Treasurer, Finance Committee Chair
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Why Exit Planning Must Start Early

Buyers pay for stability,
predictability and process

Value collapses in
distressed or rushed exits

12-36 months is an ideal
runway

Maximize Cash Flow Before Exit (EBITDA Uplift)



Cut unprofitable SKUs/discounts; enforce price floors



Tighten labor %, COGS %, and inventory turns



Accelerate AR, negotiate AP, reduce subscriptions and wastage

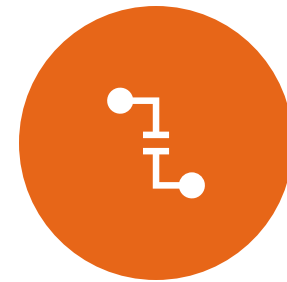
Transferability Increases Value Multiple



DOCUMENT SOPS AND
KPIs; REDUCE
OWNER-DEPENDENCY



LOCK KEY EMPLOYEES
AND MISSION-
CRITICAL VENDORS



STABILIZE QUALITY:
DO CONTROL, CODE
DATING, COLD-CHAIN

Why Perform a Business Valuation for your Brewery?

- ▶ A valuation is a process of determining the economic value of the brewery, giving owners an objective estimate of the business worth.
- ▶ All areas of the business are analyzed and all of the company's assets are assessed. The process includes analyzing the company's management, its future earning prospects and its current capital structure.
- ▶ Performed for sale, taxation (IRS requires businesses be valued based on fair market value), establishing partner ownership, divestiture or a temp gauge in order to help identify ways to improve business operations.
- ▶ Accurately determining your brewery's fair market value can provide valuable insights into its current financial health, potential growth opportunities and areas for improvement.

Calculating a Brewery's Value Puts Owner in an Informed Position When...

- Selling a brewery
- Attracting investors
- Seeking a merger or acquisition of another brewery or other entity
- Planning for brewery expansion
- Adding shareholders
- Establishing the percentage of partner ownership
- Considering an exit strategy
- Planning for tax reporting
- Securing financing or taking a business loan
- Resolving legal disputes, such as in divorce proceedings or shareholder disagreements

Four Main Factors for a Business Valuation

▶ Tangible Assets

- ▶ Tangible assets are physical assets that can be seen and touched. These include property, equipment, inventory, and machinery. Tangible assets are relatively easy to quantify and are typically included in the valuation of a business. For example, the value of a manufacturing company may be heavily influenced by the value of its machinery and equipment.

▶ Intangible Assets

- ▶ Intangible assets are non-physical assets that contribute to the value of a business but are not easily quantifiable. Examples of intangible assets include trademarks, patents, copyrights, brand names, customer relationships, and goodwill. These assets can significantly enhance the business's fair market value, especially in industries where intellectual property and brand recognition play a critical role.

Four Main Factors for a Business Valuation

▶ Liabilities

- ▶ Liabilities represent the obligations and debts owed by the business. These may include loans, mortgages, accounts payable, accrued expenses, and other financial obligations. When valuing a business, it's essential to account for all liabilities to determine the company's net worth or equity value. Failure to accurately assess liabilities can result in an inflated valuation and misrepresentation of the business's financial health.

▶ Financial Statements

- ▶ Financial statements, including the balance sheet, income statement, and cash flow statement, provide valuable information about the business's revenue, profits, expenses, and liabilities. Investors, lenders, and potential buyers rely on financial statements to assess the company's financial health and make informed decisions about valuation and investment.

Valuation Methods (Brewery Lens)

Income Approach: DCF
/ SDE multiple (smaller
ops)

Market Comps: EBITDA
multiple (size/quality
dependent)

Asset-Based: FMV vs.
liquidation (floor
valuation)

Business Valuation Approaches and Models

▶ Market

- ▶ Simply put, this approach compares a company to similar businesses in the same industry. These similar businesses are usually called “comps”. To find the market value of a company, consider comps that have been recently sold and compare their price to your business.
- ▶ The market approach provides a relative value for a company, and when combined with other approaches, it can give a more accurate picture of the company's value.
 - ▶ Public company comparable
 - ▶ Precedent transaction analysis

▶ Income

- ▶ It implies measuring the current business value of projected future cash flows generated by the particular business. In other words, you define the value of a business by estimating the expected net income through a certain period of time and recalculating the current cash flow.
- ▶ This approach is considered to provide an intrinsic value and is usually performed when a company is seeking a merger or acquisition of another company.
 - ▶ Discounted cash flow
 - ▶ Capitalization of earnings

Discounted Cash Flow Method

- ▶ Considered the gold standard for business valuation methods
- ▶ The brewery's present value is based on the projected future cash flows over a certain period (goal is 5 years; minimum is 3 years for our industry)
- ▶ Theory: the value of the brewery is equal to the present value of its future profits plus the present value of the residual cash flows.
- ▶ Often additional software tools are used, such as a business valuation calculator. Please rely on a professional for this method.

Capitalization of Earnings

- ▶ Brewery value based on cash flow, return on investment and expected value
- ▶ Assumes profits, growth, and finances will be stable over the long term
- ▶ Best suited for businesses expecting stable cash flows for years
- ▶ Net operating income and capitalization rate/multiple used

Business Valuation Approaches and Models

▶ Asset

- ▶ The asset-based or adjusted net asset method is widely used for a business valuation of companies that have investments. As the name suggests, according to asset-based valuation, the present value of a company is the difference between a fair market value (FMV) of the net assets of a company and its liabilities.
- ▶ This approach is especially useful when valuing real estate, such as a new construction or commercial property.
 - ▶ Book value (cost less depreciation)
 - ▶ Liquidation value (tangible assets only, quick sale)

Improve Your Multiple (De-Risking)



Show stable YoY trends and forward pipeline



Clean monthly financials; no co-mingling or late payments



Customer concentration <20% per account; contract strength

Succession & Exit Pathways

- ▶ Strategic sale or merger (competitor/supplier/buyer)
- ▶ Private equity / investor group (roll-ups, platforms)
- ▶ ESOP / management buyout (culture continuity, tax benefits)
- ▶ Family succession (gifting/valuation/tax planning)

12-24 Month Exit Timeline (Phased)

- ▶ Phase 1 (Months 1-6): clean books, stabilize cash flow and margins
- ▶ Phase 2 (Months 7-12): lock contracts & team, finalize SOPs
- ▶ Phase 3 (Months 13-24): discreet buyer testing, negotiations

Legal & Tax Structuring

- ▶ Asset vs. stock sale: tax, liabilities, licenses
- ▶ Entity structure (LLC/S-Corp/C-Corp) drives outcomes
- ▶ Installments/earn-outs

Data Room Essentials

- ▶ Financials (3 years + TTM), tax returns, AR/AP aging
- ▶ Production, quality, recalls/complaints, supplier contracts
- ▶ Employee roster, comp plans, key agreements, IP/licensing

90-Day Pre-Exit Checklist

- ▶ Finalize 12-24 months of clean books; close monthly on time
- ▶ Stabilize profit per SKU; cut low-margin items; set price floors
- ▶ Lock key staff & vendor continuity; execute retention plans
- ▶ Document critical SOPs; reduce owner dependence; update policies



Q&A / Next Steps

- ▶ Pick 3 cash-flow levers to move this month
- ▶ Choose your likely exit path
- ▶ Schedule a data-room prep sprint



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