

# Stout Discount for Lack of Marketability

---

Company Name ABC, Inc.  
Valuation Date 12/31/2020

Inflation Adjusted Yes  
Trim Dates Yes  
Registration Rights All  
Holding Period All

Company Financials (latest twelve months, \$ thousands, except volatility)

Market Value of Equity	\$100,000
Revenues	\$90,000
Total Assets	\$70,000
Shareholders' Equity	\$20,000
Market-to-Book Ratio	5.0
Net Income	\$8,000
Net Profit Margin	8.9%
Volatility	NA

**Restricted Stock Equivalent Discount Analysis<sup>1</sup>**

## (1) Financial Characteristics Comparison

	Subject Company Value	Stout Study Quintile	Discount Indication	Selected Weight	Stout Suggested Weight
<b>Size Characteristics</b>					
Market Value (\$000s)	\$100,000	3rd Quintile	18.4%	2	2
Revenues (\$000s)	\$90,000	2nd Quintile	13.2%	1	1
Total Assets (\$000s)	\$70,000	3rd Quintile	15.5%	3	3
<b>Balance Sheet Risk Characteristics</b>					
Shareholders' Equity (\$000s)	\$20,000	3rd Quintile	16.7%	2	2
Market-To-Book Ratio	5.0	3rd Quintile	14.5%	1	1
<b>Profitability Characteristics</b>					
Net Profit Margin	8.9%	1st Quintile	11.1%	1	1
<b>Market Risk Characteristics</b>					
Volatility	NA	NA	NA	0	0
Range of Restricted Stock Equivalent Discount Indications			11.1% - 18.4%		
Average Restricted Stock Equivalent Discount (Average of Discount Indications)			14.9%		
Median Restricted Stock Equivalent Discount (Median of Discount Indications)			15.0%		
<b>Weighted Average Indicated Restricted Stock Equivalent Discount</b>				<b>15.5%</b>	

## (2) Best Comparables Analysis

	Weights Selected for Financial Characteristics Comparison Analysis			Variables Selected for Best Comparables Analysis		Stout Suggested Variables	
Market Value	2			Yes		Yes	
Revenues	1			Yes		Yes	
Total Assets	3			Yes		Yes	
Shareholders' Equity	2			Yes		Yes	
Market-To-Book Ratio	1			Yes		Yes	
Net Profit Margin	1			Yes		Yes	
Volatility	0			No		No	
Number of Variables to Match:				6			
Number of Matches	1	2	3	4	5	6	7
Transaction Count	491	238	84	24	10	2	0
Median Discount	14.5%	14.6%	15.6%	20.3%	13.6%	13.1%	NA

Average Indicated Restricted Stock Equivalent Discount (Average of Median Discounts) 15.3%

Median Indicated Restricted Stock Equivalent Discount (Median of Median Discounts) 14.5%

**Indicated Restricted Stock Equivalent Discount Range** **13.1% - 20.3%**

**Restricted Stock Equivalent Discount Conclusion**

<b>Restricted Stock Equivalent Discount</b>	Range of Indications	Average of Indications	Median of Indications	Weighted Average
Financial Characteristics Comparison	11.1% - 18.4%	14.9%	15.0%	<b>15.5%</b>
Best Comparables Analysis	<b>13.1% - 20.3%</b>	15.3%	14.5%	NA
<b>Selected Restricted Stock Equivalent Discount</b>		<b>15.0%</b>		

**Market Volatility Adjustment Analysis<sup>2</sup>**

<b>Selected Restricted Stock Equivalent Discount</b>	<b>15.0%</b>			
	Observed VIX Less than 23.1	Observed VIX Greater than 23.1		
	40th Percentile	Median	60th Percentile	
Indicated Market Volatility Adjustment Factors	1.00	1.10	1.25	1.45
	Valuation Date	Trailing 1-Month Average	Trailing 6-Month Average	
VIX Value	22.75	22.30	25.75	
Market Volatility Adjustment Range Indicated	1.00	1.00	1.10 to 1.45	
<b>Selected Market Volatility Adjustment Factor</b>		<b>1.10</b>		
<b>Adjusted Restricted Stock Equivalent Discount</b>		<b>16.5%</b>		

**Private Entity Discount Analysis<sup>2</sup>**

<b>Adjusted Restricted Stock Equivalent Discount</b>	<b>16.5%</b>		
	40th Percentile	Median	60th Percentile
Indicated Multiplicative Adjustment Factor	1.60	1.90	2.00
Indicated Private Entity Discount Range	26.4%	31.4%	33.0%
<b>Selected Private Entity Discount</b>		<b>31.0%</b>	

**Summary and Conclusion**

Restricted Stock Equivalent Discount	
Financial Characteristics Comparison (Weighted Average)	15.5%
Best Comparables Analysis (Range)	13.1% - 20.3%
Selected Restricted Stock Equivalent Discount	<u>15.0%</u>
Times: Selected Market Volatility Adjustment Factor	<u>1.10</u>
Adjusted Restricted Stock Equivalent Discount	<u>16.5%</u>
Selected Private Entity Discount	31.0%
<b>Discount for Lack of Marketability Conclusion</b>	<b>31.0%</b>

NA = Not Available

<sup>1</sup>Excludes transactions with "% Shares Placed" > 30%.

<sup>2</sup>The market volatility adjustment and the PED adjustment are based on one-year holding period transactions and the entire database, respectively. Trimming data for the valuation date, registration rights, holding period, and premiums will not change the values of the adjustment factors. The user is free to use his or her own calculated adjustment factors or this should be noted in the report.

Calculator:

Copyright (c) 2021 Stout Risius Ross, LLC All rights reserved.

Web site:

Copyright (c) 2021 Business Valuation Resources, LLC. All rights reserved.

Phone: 1-503-479-8200



Disclaimer:

This calculation is intended to provide basic information regarding the analysis of company-specific discounts for lack of marketability. Calculation results provided should be supplemental only. The user must analyze the results to properly quantify marketability discounts for his or her subject company. Stout Risius Ross, LLC, Business Valuation Resources, LLC, their employees and staff make no representation, guarantee or warranty express or implied, regarding the information and will bear no liability for the results or consequences of its use.