

# THE HYPERAMS APPRAISAL PROCESS

Data Collection → Field Visit → Management Interviews → Analysis and Report → Post-Report Issuance

## Data Collection

The following is a list of information typically requested for use in an inventory appraisal. Additional information may be requested depending on the company and the industry. Ideally, all data received will be in an MS Excel file, as it allows for a more efficient and in-depth analysis:

- ▶ Inventory by product category and SKU for previous 12 months
- ▶ Inventory by location for most recent month
- ▶ Inventory aging or slow-moving detail for most recent month
- ▶ Sales and gross margin by category by month for previous 24 months
- ▶ Sales by customer for the top 20 customers for previous 12 months
- ▶ Copy of most recent Borrowing Base
- ▶ Income Statement for previous 12 months including detailed payroll and operational expense data
- ▶ Balance Sheet and Trial Balance for most recent month
- ▶ Purchases by vendor for top 20 vendors for most recent 12 months
- ▶ Open orders by category for most recent month

## Field Visit

After data is collected, a field visit is scheduled to the company's production or warehouse facility and, if applicable, representative retail stores. HYPERAMS does not require a visit to every facility; rather, HYPERAMS will aim to visit the largest facility that will give the most complete representation of the inventory and the company's processes.

The goal of the field visit is to perform an overall inspection of the inventory and understand how the inventory arrives, is processed/stored, and is shipped. Specifically, it's important for the appraisal analysis to understand the entire production/fabrication process, and how the inventory is tracked and accounted for during the process. Most facility tours last two hours, but can take less time depending if the facility is small or operates only as a warehouse.

## Management Interviews and Discussions

Management interviews are an important tool for understanding the company, its products and processes, accounting practices, and current business status. It also gives management an opportunity to explain sales, gross margin, and inventory trends illustrated in the data, as well as to note key company initiatives or business developments that may impact business trends in the future.

Although in-person management interviews are preferred, particularly for initial appraisals, conference calls via phone are acceptable when travel expenses are prohibitive or scheduling conflicts occur. A few days after the field visit and management interviews, HYPERAMS will complete its review of the company-provided data and develop an organized Excel presentation based on that data, which is referred to as "basic schedules."

The basic schedules are the building blocks of HYPERAMS' analysis and determination of inventory recovery values. Once complete, basic schedules are sent to company management to review for accuracy. At this time, HYPERAMS may ask additional follow-up questions regarding the data or the company's processes as a whole.

## Analysis and Report

HYPERAMS will analyze both the quantitative and qualitative company-provided data in developing its final report. HYPERAMS' orderly and/or forced liquidation valuation is dependent on the quality and detail of the information received, discussions with management, industry trends and factors, as well as its liquidation and auction experience. HYPERAMS will also calculate the costs and expenses associated with running a sale so the lender can view both the gross and net recovery values.

## Post-Report Issuance and Discussions

After HYPERAMS issues the report to the client, the project manager and client relationship manager will avail themselves to any questions regarding the report or key inventory factors that influenced the valuation that the lender or the company may have.

## Our Reputation is Our Best Asset

HYPERAMS' Appraisal Division has decades of experience valuing complex inventory and machinery and equipment assets in almost every industry. Clients include local, regional, and national financial institutions and private equity firms as well as individual companies.

## Contact Us

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