



6 VALUE DRIVERS

THAT MAKE YOUR BUSINESS WORTH MORE

Building a stronger, better business.

Better businesses make more money

Value drivers are external and internal factors that affect buyer perception of business value. The more perceived value, the higher sale price. Not only that, these key factors go hand in hand with building a stronger, better business that will make you more money while you own it.



For what it's worth

Generally, strategic buyers, financial buyers and private equity investors pay multiples between 3-6x Adjusted EBITDA when purchasing a business.

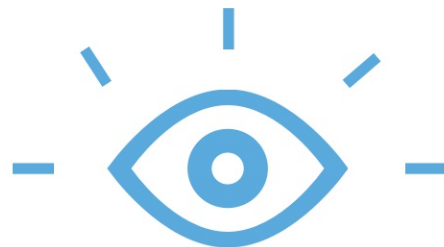


3 - 6x
Adjusted
EBITDA

Defined

Earnings Before Interest, Taxes, Depreciation and Amortization where the EBITDA is adjusted for unusual expenses and compensation and normalized to more market based benefits and compensations required to operate the business.

1 Management



Adjusted
EBITDA

<3.0x

3 - 5x

6.0x +

Heavily owner
dependent

One or two person
senior management
in addition to owner

Well rounded
management, little
owner involvement

2 Financials



Adjusted
EBITDA

<3.0x

3 - 5x

6.0x +

Poor accounting
systems

No CPA involvement

No professional
accounting staff

Limited accounting
systems

Compiled or
professionally
reviewed financials

Controller on staff

Sophisticated
accounting systems

Audited financials

Full time CPA or
CFO

3 End Markets



Adjusted
EBITDA

<3.0x

3 - 5x

6.0x +

Completely
discretionary
solution

Small, shrinking
market

Heavy government
pressures or
regulatory
constraints

Considered a boom
or bust business

Customers need or
should have solution

Low market growth

Government
pressures promoting
solution

Cyclical business or
correlated to GDP

Solution is non-
discretionary

Large market, rapid
growth

Steady business
growth, grew
through recession

Little government
involvement

Targeting Improvements



Some factors regarding your business are in your control, others are not. You can't change external factors such as government regulation or market size.

Pinpoint the internal factors you can control and focus on those.

4 Customers



Adjusted
EBITDA

<3.0x

3 - 5x

6.0x +

Top 3 customers
>90% of revenue

Service agreements
w/ purchase orders

Small, local
customers

Owner manages
customers

Project-based,
lumpy revenues

Top 10 customers
<50% of revenue

Annual contracts

Middle market or
regional customers

Dedicated salesman

One-time and
recurring revenues

No customer is over
5% of revenue

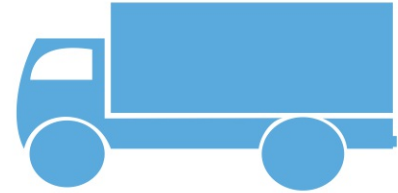
Multi-year contracts

Blue chip multi-
national customers

Full sales/service
team

Small, recurring
purchases

5 Suppliers



Adjusted
EBITDA

<3.0x

3 - 5x

6.0x +

Top 3 suppliers
>90% of purchases

No contracts

Core operations
outsourced to
supplier

Can sell directly to
your customer base

Heavily reliant on
proprietary products

Top 10 suppliers
<50% of purchases

Annual contracts

Difficult but able to
switch

Occasional or hybrid
supplier competition

Some reliance on
proprietary products

No supplier >5% of
purchases

Multi-year
agreements with
exclusivity

Easy to switch

Exclusivity or non-
compete
agreements

Not reliant on
proprietary products

6 Competition



Adjusted
EBITDA

<3.0x

3 - 5x

6.0x +

Highly
commoditized
products, low
margins

Many competitors,
no differentiation

Low entry barriers

Limited alternatives,
average margins

Balanced industry
market shares

Occasional/hybrid
competition

Proprietary
products, high
margins

Market leader, few
competitors

Hard to recreate
significant
capabilities



Hold the note taking

- Download or print the 1-page reference guide covering the materials in this presentation.
- In search of more? Our Value Advisor Library also has industry-specific reference guides.

www.vrnewhaven.com/value-advisor/

Professional Valuation

These are only a few variables and do not constitute a complete valuation.

A professional valuation is strongly recommended to determine an accurate sale price.

Contact VR Business Sales to find out what your business is worth.



Thank You

VR BUSINESS SALES | MERGERS & ACQUISITIONS

COMPANY OVERVIEW

VR Business Sales New Haven represents owners of businesses valued between \$500,000 and \$25 million or with annual revenues from \$1 million to \$30 million. The office provides exceptional merger and acquisition advisory services to companies operating within a wide range of industry segments in Connecticut, Southern New England and Metro NY. Independently owned and operated, the office consistently ranks within the Top 10 of over 50 VR offices worldwide.

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