VMB

VALUE MY BUSINESS

ENHANCING THE VALUE OF YOUR COMPANY

THE VALUE OF YOUR COMPANY

Many owners are unaware of why they should enhance the value of their business before selling or the steps to take in order to do so. The best place to start is creating a plan and understanding where your company can grow. If you have been contemplating geographic expansion or targeting new customers, now is the time to act. Enhancing the value of your business before selling may significantly improve your chances of completing a sale. Many acquirers seek businesses that strive to improve operations and financial results. Sellers may think the best option is to gain market feedback before pursuing business development, but this may actually be more detrimental because it can give an unrealistic indication of the value of the company. It is recommended that you estimate the value of your business at every inflection point in the market. This will also show you that the value of your business will fluctuate with the economy, just like a house. Another useful tip is to wait until you engage with an M&A consultant, before deciding on an exit or growth strategy, to guide you along the process.

UNDERSTANDING **OBJECTIVES**

To begin understanding your options, you should first consider your personal objectives. Is there a value you want to achieve? Do you want to create a succession plan for your management team? Answering these questions will be a great start to defining your objective. It is equally important to understand the objectives of other shareholders and how they may differ from your personal goals. Other considerations include timing, the business' position in the market, and corporate objectives. Have you considered a timeline of when you would like to fully exit your company upon a sale? You may have decided to leave the first day following the sale, but it is not uncommon for business owners to change their minds, in either direction, regarding when they will leave the business. You should also consider the status of your business as it sits today. Understanding your company's value today may help you identify opportunities to improve your company's position in market.

WHAT ARE YOUR PERSONAL OBJECTIVES?
What is it you want to achieve? A value? A particular type of buyer? A future for your management team?

WHERE IS THE BUSINESS TODAY?
Where should it be positioned in order to command the best value?

DO SHAREHOLDERS HAVE DIFFERENT OBJECTIVES?
Differing sets of objectives can all be satisfied thoroughly.

WHAT ARE THE CORPORATE OBJECTIVES?
The best interests of your business might be of equal importance to your personal aspirations.

WHAT DOES THE TIMING LOOK LIKE?
Over what time frame do you wish to exit? A full exit on day one or a phased exit that influences your value?

WHAT ARE THE VALUE DRIVERS?
Are there distinguishing factors at play in your business, responsible for your degree of success?

INTERNAL FACTORS

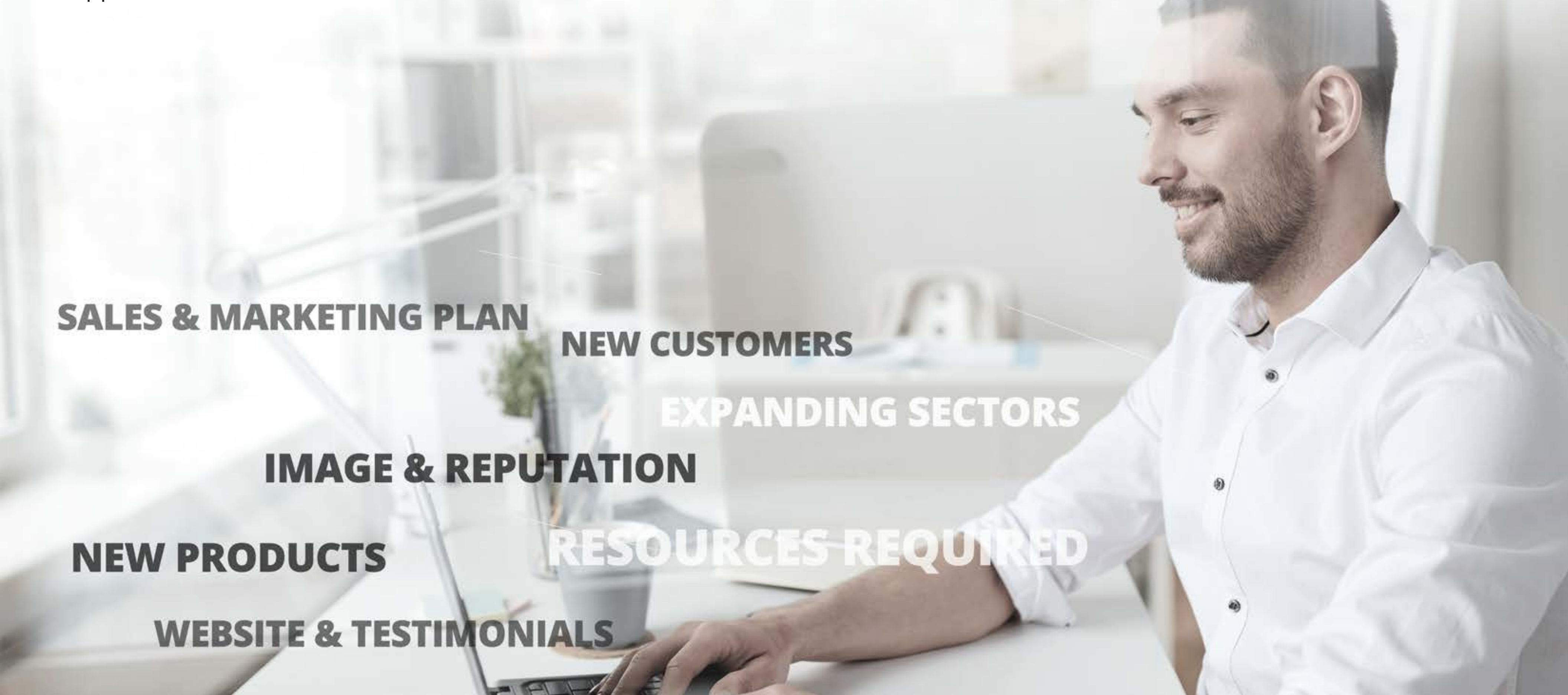
Two key internal factors include the people you are currently employing and the company's financial position. Your employees should be a consideration when discussing the option of selling your business, especially if you depend on them to maintain company operations. The biggest question is whether they would stay following a new sale under new owners. If staff members are not willing to stay, then there are gaps to be filled, which can seem unattractive to potential acquirers, especially if those positions are within the management team. Potential acquirers are typically more attracted to businesses with a strong, upper-level management team with the relevant industry experience needed to operate the business. Another key internal factor is the company's financial performance. Financial statements are heavily reviewed during the due diligence process of the sale. Your business may gain value if it has a surplus in assets and its capital expenditure supports growth. Other internal factors that may impact the value of your business are the profit, management accounts, incomes/losses, profitability, and adjustments.

EXTERNAL FACTORS

External factors can be equally as important as internal factors when valuing your company. The market outlook and trends should be given careful consideration and your business model should demonstrate an awareness of any impending changes. Proprietary services or products unique to your business are key selling points that can counteract negative market trends. Competitor analysis should also be considered when valuing your business. The analysis may reveal commonalities between your competitors, allowing you to adopt good practices and differentiate your own business accordingly. It may also bring to light any barriers to entry that are crucial to new entrants in your industry.

GROWTH STRATEGIES

This step evaluates your company from the marketing plan to customers, products and advertising. A well thought-out sales and marketing plan may demonstrate a stable model for continued growth, ultimately making your business more attractive to acquirers and increasing your value. The marketing plan should address securing new customers and creating new products to keep up with the competition in your industry. Advertising efforts extend into your company's website, promotional and sales literature, and video testimonials. Combined, the three advertising efforts may boost new business opportunities and brand awareness.



EXIT OPTIONS

When thinking about leaving your company, the toughest decision will be your exit strategy. You should be researching potential acquirers through acquirer intelligence and reviewing M&A activities with your M&A consultant. The more acquirers you engage with, the higher your company's value may be. M&A activities may give you a good indication of the value your company can achieve in the market.

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