



TOP 10 LIST – ROCKET FUEL FOR BUSINESS VALUATIONS

We all need to plan for the future — whether you want to sell your business next year or in 10 years. The value of your company will be partly determined by your industry. For example, cloud-based software companies are generally worth a lot more than printing companies these days.

However, when we analyze businesses *in the same industry*, we still see major variations in valuation. So we dug through the data available to us from internal sources and industry databases and found 10 things that will be likely to increase your company's value in relation to its industry peer group.

1. Recurring Revenue

The more revenue you have from automatically recurring contracts or subscriptions, the more valuable your business will be to a buyer. Even if subscriptions are not the norm in your industry, try to find some form of recurring revenue — it will make your company much more valuable than those of your competitors. There are nine different recurring models that may help you do this. One example is a “simplifier model” offering regular service for busy customers who want to know their needs are handled. Another is the “peace of mind model,” which offers assurance against something your customers hope they will never need.

2. Something Different

Buyers buy what they cannot easily replicate on their own. Companies with a unique product or service that is difficult for a competitor to knock off are more valuable than a company that sells the same commodity as everyone else in their industry.

3. Growth

Acquirers looking to fuel their top-line revenue growth through acquisition will pay a premium for your business if it is growing much faster than your industry overall. How does your growth rate compare to industry trade association averages or your primary competitors? Synergy is a powerful ingredient to top-line revenue growth. Do your products or customer base create cross-selling opportunities or allow your acquirer to rapidly expand into a new market?

4. Cachet

Tired old companies often try to buy sex appeal through the acquisition of a trendy young company in their industry. If you are the darling of your industry trade media, expect to get a premium acquisition offer.



5. Location

For some types of businesses, location is crucial. If you have a great location with natural physical characteristics that are difficult to replicate (imagine an oceanfront restaurant on a strip of beach where the city has stopped granting new licenses to operate), you'll have buyers who understand your industry interested in your location as well as your business.

6. Diversity

Acquirers pay a premium for companies that naturally hedge the loss of a single customer. Ensure no customer amounts to more than 10 percent of your revenue and your company will be more valuable than an industry peer with just a few big customers.

7. Predictability

If you've mastered a way to win customers and documented your sales funnel with a predictable set of conversion rates, your secret customer-acquiring formula will make your business more valuable to an acquirer than an industry peer who doesn't have a clue where their next customer will come from.

8. Clean Books

Companies that invest in audited statements have financials that are generally viewed by acquirers as more trustworthy and therefore worth more. You may want to get your books reviewed professionally each year even if audited statements are not the norm in your industry.

9. A 2iC

Companies with a second-in-command (2iC) who has agreed to stay on post sale of your business are more valuable than businesses where all the power and knowledge are in the hands of the owner.

10. Happy Customers

Being able to objectively demonstrate that your customers are happy and intend to re-purchase in the future will make your business more valuable than an industry peer that does not have a means of tracking customer satisfaction.

Like a rising tide that lifts all boats, your industry typically defines a range of multiples of earnings within which your business is likely to sell. Whether you fall at the bottom or the top of the range comes down to factors that have nothing to do with *what you do*, but instead, *how you do it*. Businesses that achieve a Value Builder score of 80 or greater garner offers that are 71% higher than the average.

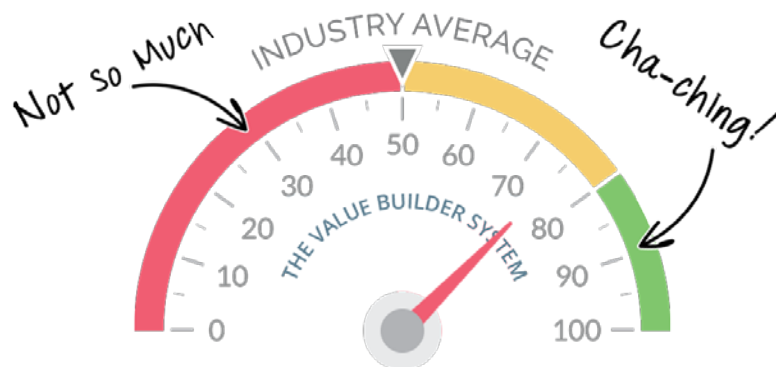


Edward Valaitis, CBI, CMAP, CVB - **Managing Partner of Edison Avenue** serving all of Florida with offices in Tampa, Naples and Destin, Florida. The firm specializes in Business Sales, Business Acquisitions, Commercial Property, Business Valuations and Value Growth Strategies.

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