

Show me the money

The 10 value drivers buyers pay a premium for

InterFinancial
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Today's game plan



Same profit, different price

The 10 value drivers

Group exercises

Key takeaways and Q&A

Same profit, different price

Not all earnings are created equal

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Earnings (EBITDA)
What the business makes

×

Multiple
How buyers rate risk and upside

=

Value
What lands in your pocket

▲ the 10 drivers live here

Business A: "the owner IS the business"

- $2m profit
- Owner holds every key relationship
- Top customer = 40% of revenue
- Project-based, lumpy revenue

3x → $6m

Business B: "runs like clockwork"

- $2m profit
- Strong second-tier management
- No customer above 10% of revenue
- 70% recurring revenue

6x → $12m

Same profit. Double the price.

Bus-proof your business

Driver #1: key person risk and depth of management

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Why buyers care

- If the business relies on you, what is the buyer actually buying?
- This also applies to key people in the business
- Key person risk = lower price, longer earn-out, or no deal at all

What good looks like

- More than one person:
  - Running the business day-to-day
  - Holding key customer and supplier relationships
  - Setting the business strategy



Group exercise #1: The Fiji test

How bus-proof is your business really?

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GROUP EXERCISE

#1

2 minutes

In pairs

The scenario

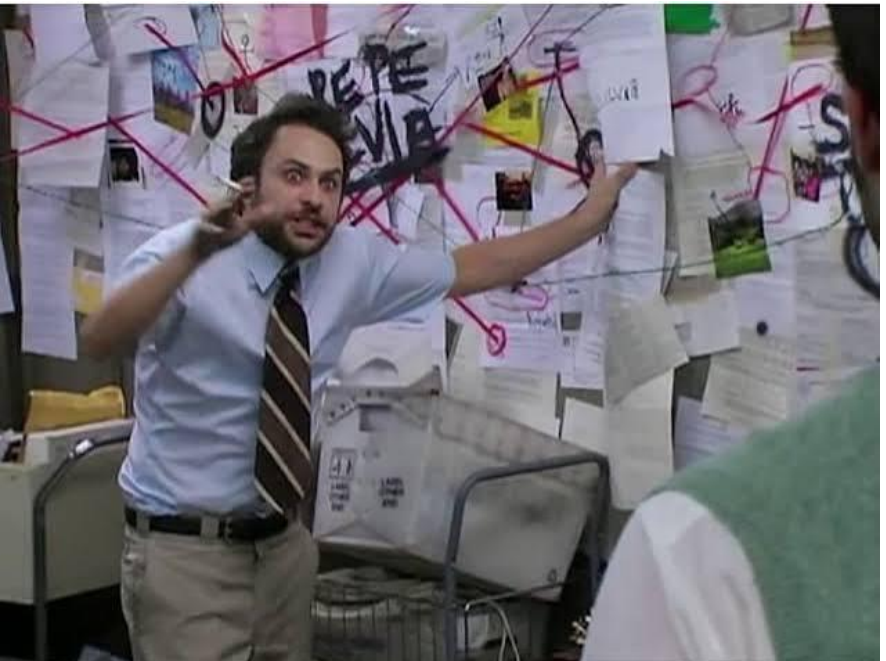
You're off to Fiji for 3 months. No phone. No email. No “just quickly checking in”.

Discuss with the person next to you

- What breaks first?
- Who gets the panicked phone call?
- Which customers accounts are at risk?
- What's one thing you could hand over this quarter?

Systems, not superheroes

Driver #2: repeatable processes, systems and IP in the business



Why buyers care

- Buyers pay for what they can preserve: documented know-how and repeatable processes
- Systems make it easier to integrate and scale

What good looks like

- Documented processes and playbooks
- IP, brands, tech and data owned by the company (and protected)
- KPIs and dashboards that run without you

Revenue on repeat

Driver #3: contracted and recurring revenue

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Why buyers care

- Not all revenue is created equal. Buyers value predictable, recurring revenue
- Easier to fund: lenders like predictable cash flow too

Predictable profit

=

premium price

What good looks like

- Contracts that survive a sale (check change-of-control clauses)
- Subscriptions, retainers, multi-year and maintenance contracts
- Long standing relationships with high renewal rates

Eggs, baskets

Driver #4: low customer concentration

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Why buyers care

- Loss of a major customer reduces revenue, and likely requires a major business restructure
- Big customers know they have bargaining power, which puts pressure on your margins

If you are concentrated

- Long-term contracts and long tenure help
- Build multiple relationships into the client, not just one
- Otherwise expect a lower multiple, an earn-out, or deferred payments



Numbers you can bank on

Driver #5: clean, credible financials

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Why buyers care

- Messy numbers mean less trust: a lower price, tougher terms, or a deal that dies in due diligence
- Buyers (and their banks) pay for earnings they can verify
- Reliable financials allow business owners to make informed decisions

What good looks like

- Timely monthly accounts that reconcile to your tax returns
- Personal and business costs kept separate
- Add-backs you can actually evidence
- KPIs that facilitate informed business decisions
- For a transaction, consider vendor due diligence

Mind the moat

Driver #6: barriers to entry

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Brand and reputation

Customers choose you even when you're not the cheapest

Licences, accreditations and regulation

Hard-won approvals competitors can't get overnight

Proprietary IP, tech or know-how

Something genuinely hard to copy

Switching costs and relationships

It's painful (or risky) for customers to leave

Exercise #2: How deep is your moat?

Food for thought

- A moat is only valuable if it translates to:
  - Higher revenue
  - Lower costs
  - More predictable revenue

Exercise

What makes your business special? What's your competitive advantage?

If it doesn't meet one of the criteria above, is it really valuable?



I want to be big

Driver #7: growth and growth opportunities

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Why buyers care

- Buyers are paying for future earnings, not past
- A higher growth rate reduces the payback period
- A credible growth story lifts the multiple

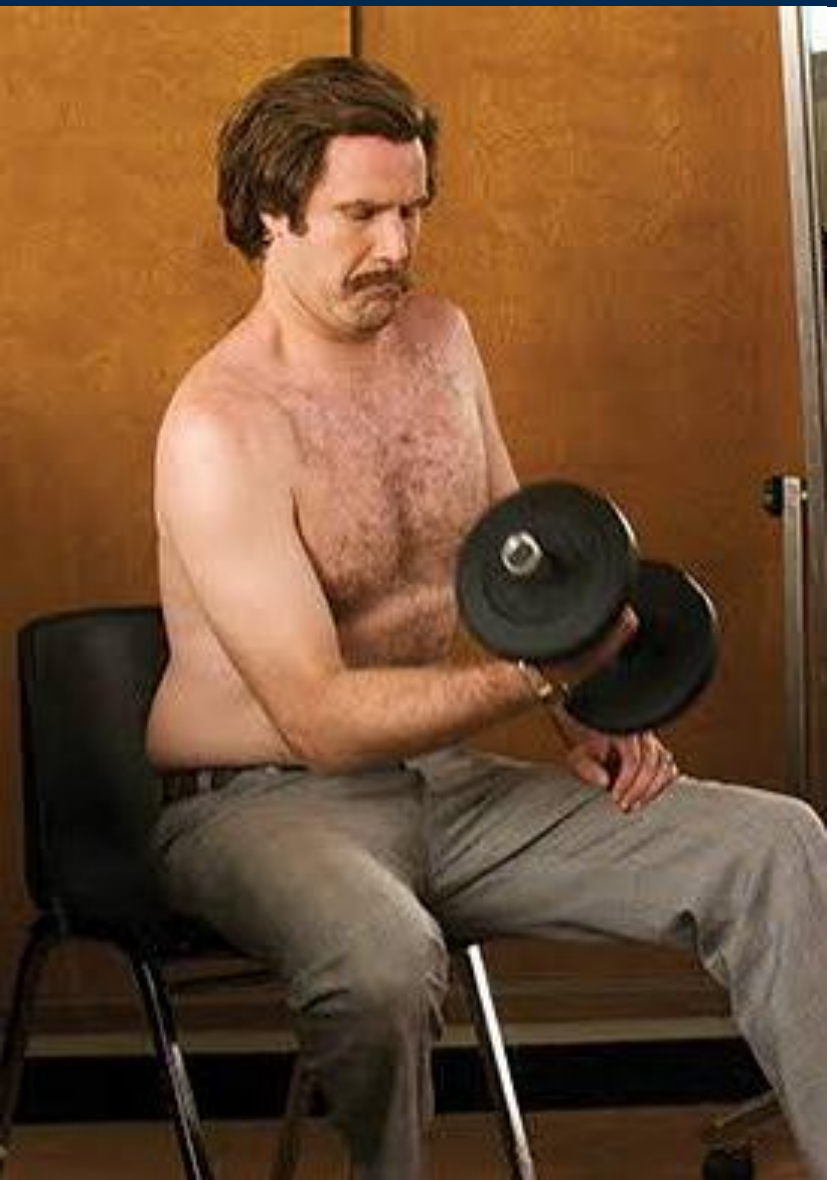
What good looks like

- A track record trending the right way (3+ years)
- Identified, costed opportunities: new markets, products, channels
- Upside left on the table for the buyer



Asset-light, value-heavy

Driver #8: low capital intensity and scalability



Why buyers care

- Buyers value free cash flow, not just reported profit
- Heavy reinvestment means less cash for the buyer and their lenders
- Capital intensive businesses carry risk (repairs, redundancy)

What good looks like

- Revenue can grow faster than costs and headcount
- Low ongoing capex and working capital needs
- Profit that turns into cash, quickly

1 + 1 = 3

Driver #9: strategic value: what can the buyer unlock?

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What a buyer might unlock

- New customers, regions or channels
- Products or capability they'd take years to build
- Cost savings: purchasing, premises, back office

How to use it

- Know who your strategic buyers are and why you matter to them
- Tell the story: what can they do with you that they can't do alone?
- Create competitive tension



Value driver #10: What did I miss?

Group exercise #3: over to you

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Table discussion (2 minutes)

- What else would make a buyer pay more for **your** business?
- Think about your industry, your customers and your most likely buyer
- Agree on your table's best idea
- Nominate a spokesperson



Driver #10

is yours to fill in

Group exercise #4: Swap seats, you're the buyer

See your business the way a buyer will

GROUP EXERCISE

#3

5 minutes

In pairs

How it works

- **Seller:** pitch your business in 60 seconds
- **Buyer:** name one thing you'd pay a premium for, and one thing that makes you want to chip the price
- Swap roles and repeat

Debrief

What did your buyer spot that you've been quietly ignoring?

No unicorns were harmed in the making of this presentation

Know which boxes matter to your buyer



No business ticks all the boxes, so focus your energy

- Understand your industry: what's normal, and what stands out
- Work out who your most likely buyer is
- Fix the 2 or 3 drivers that value most, and tell that story

Different buyers, different wish lists

- **Trade buyer:** synergies, customers, capability
- **Private equity:** management depth, recurring revenue, growth, cash
- **Individual or management buyout:** steady cash flow, transferable relationships

Key takeaways

If you remember nothing else…

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01

It's earnings × multiple

The drivers move the multiple, and you control more of it than you think

02

Make yourself redundant

(In the nicest possible way.) A business that needs you is a job, not an asset

03

Quality of revenue beats quantity

Recurring, spread out and contracted beats big and lumpy

04

Proof beats promises

Clean numbers, documented processes, signed contracts

05

Know your buyer

Focus on the drivers they'll pay for

06

Start now

Value is built over years, not in the 6 months before a sale

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achieve more

