



Introduction to Value Acceleration

Increase Business Value and Liquidity

About the Presenters



Seth Webber

Principal | CFA, ASA, CEPA, CBA, CVA

Since joining BerryDunn in 2007, Seth has brought his combination of valuation, consulting, and operations skills to bear for his clients, helping them navigate challenging issues related to business valuation. As head of the Valuation Services Group, he leads a diverse team of valuation experts that draw on the deep resources of BerryDunn to help clients address their needs.



Casey Karlsen

Senior Manager | CFA, ASA, CEPA

Casey provides business valuations for exit planning, estate and gift tax reporting, transaction support, ESOP transactions, and other purposes. He has been involved in valuation engagements in a variety of industries. Casey's favorite clients are those with questions like, "What is my business worth?" and "What should I do in the next few years to set myself up for a successful ownership transition?"



Learning objectives



- ▲ Understand why exit planning 5+ years prior to an exit is so important
- ▲ Become familiar with the Value Acceleration framework
- ▲ Understand and be able to apply the following concepts: wealth gap, profit gap, and value gap
- ▲ Understand options for obtaining liquidity and/or transition of business

About BerryDunn



Founded in **1974**



Sarah Belliveau,
CEO



Employees in
40+ states



875+ Employees

Office locations



Portland
ME



Bangor
ME



Manchester
NH



Boston
MA



Hartford
CT



Charleston
WV



Phoenix
AZ



San Juan
PR

Services Comply with Limitations and Regulations of the AICPA and Public Company Accounting Oversight Board (PCAOB)

BDO **Independent Member**
firm of the BDO Alliance



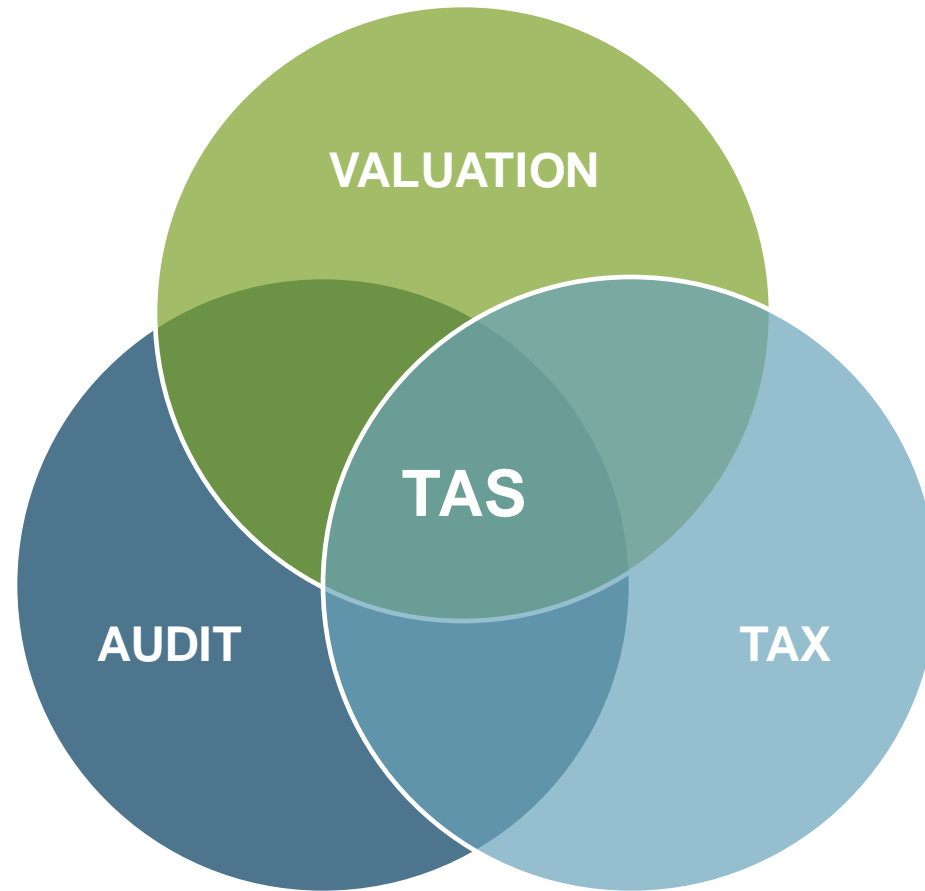
Recognized as a **Top 50**
firm by Accounting Today



Awarded "**Best Workplace Culture**"
by BDO Alliance



Valuation and Transaction Advisory Services (TAS)




Activity: Why Should You Care about Exit Planning?



Number of businesses owned by Baby Boomers

More than 3 million



Estimated value of these businesses owned by Baby Boomers

Nearly \$10 trillion



Percentage of business owners that want to exit within five years

49%



Percentage of business owners that need to harvest the value of their business to support their lifestyle post-exit

70%



Source: 2023 National State of Owner Readiness Report prepared by the Exit Planning Institute.

The Wealth Gap

- ▲ Wealth Gap = \$ needed for retirement – value of assets
- ▲ Value of manufacturing company with \$5 million of EBITDA¹



- ▲ “45% [of business owners] believe themselves best in class or better when it comes to their business’s readiness to transition to a potential buyer”²
- ▲ How to solve wealth gap:
 - Spend less in retirement
 - Increase business value
 - Choose a different exit path



[1] Based on data from DealStats Value Index Q1 2024.

[2] 2023 National State of Owner Readiness Report prepared by the Exit Planning Institute.

The Paradigm

Create a new cycle, focused on value growth and aligning business, personal, and financial goals



Integrates
three legs of
the stool



Grounded in
execution



Creates a
roadmap



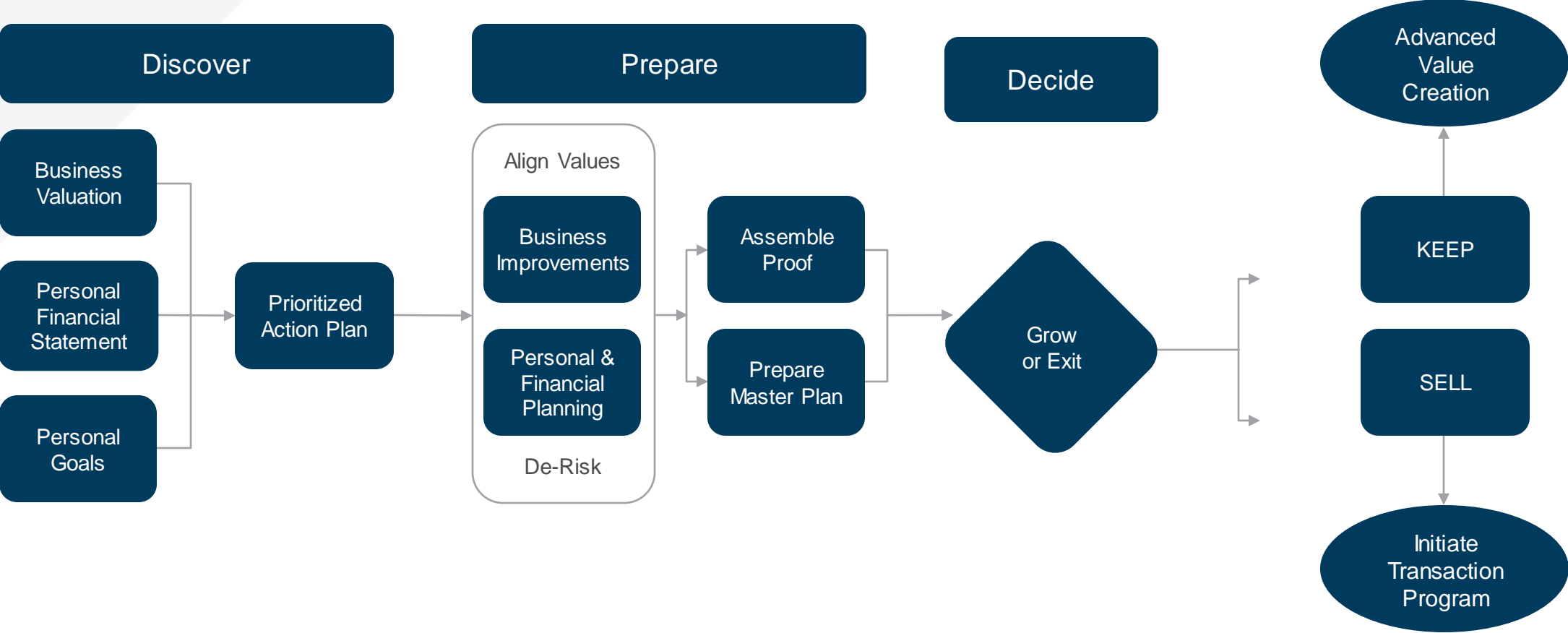
Provides key
deliverable
and metrics



Generates a
leap in value
and liquidity

Value Acceleration

The Process



Key Concepts



Triggering Event

- Starting line
- Assessing business value
- Correlating value to owner's business and financial goals



Value Acceleration

- Aligning values
- Improving cash flow
- Decreasing risk
- Improving the 4 Cs



Action Planning

- Communicating the vision
- Creating a roadmap
- Building in flexibility to adapt

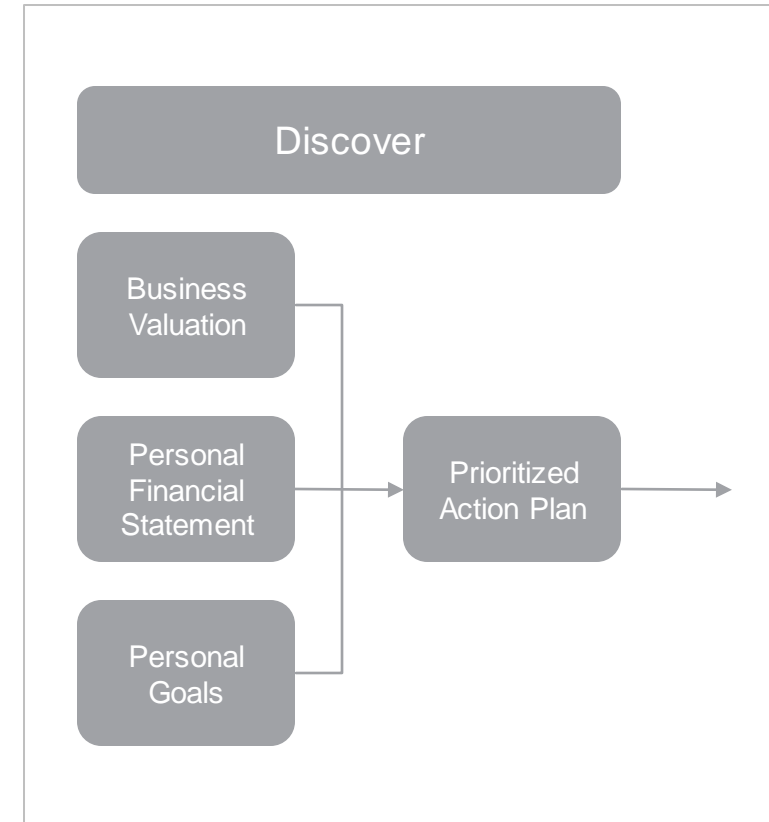


Execution

- Developing alignment
- Creating a culture of accountability
- Developing a cadence

Value Acceleration Phase 1: Triggering Event

- ▲ Three-legged stool
- ▲ Evaluation of current state – both business and personal finances
- ▲ Benchmarking
- ▲ Understand relationship between what you have and what you need



Your Goals Frame the Discussion

Personal goals

- What is the goal?
- What's next?

Personal financial plan

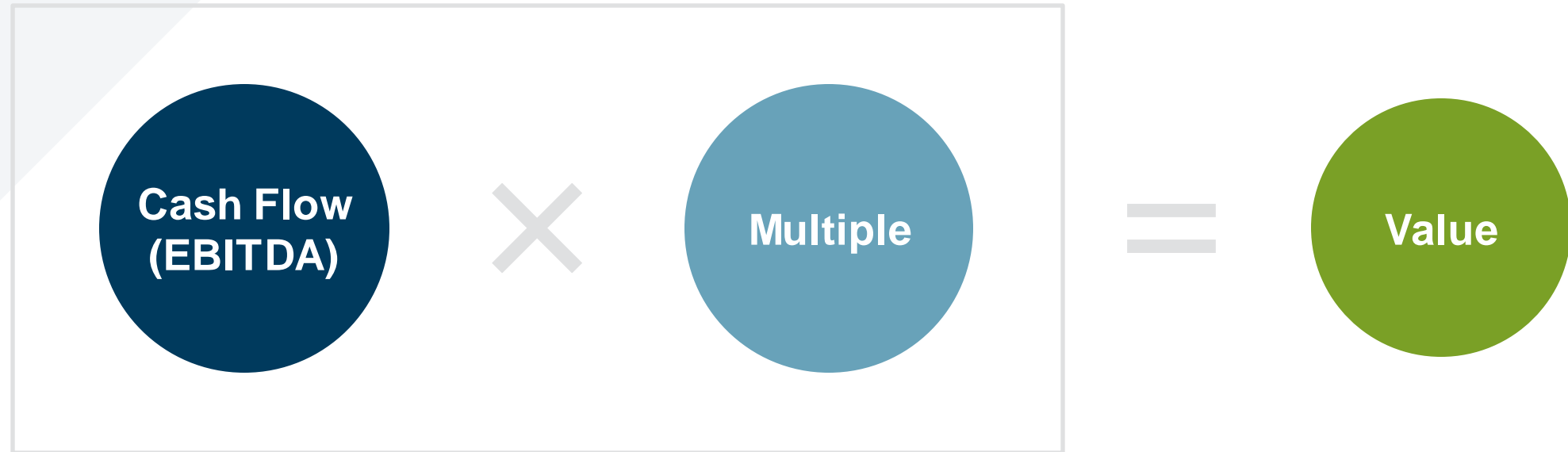
- What do I currently have?
- How much do I need?

Business valuation

- How much can the business contribute?
- How much do I need from the business?



Formula for Value

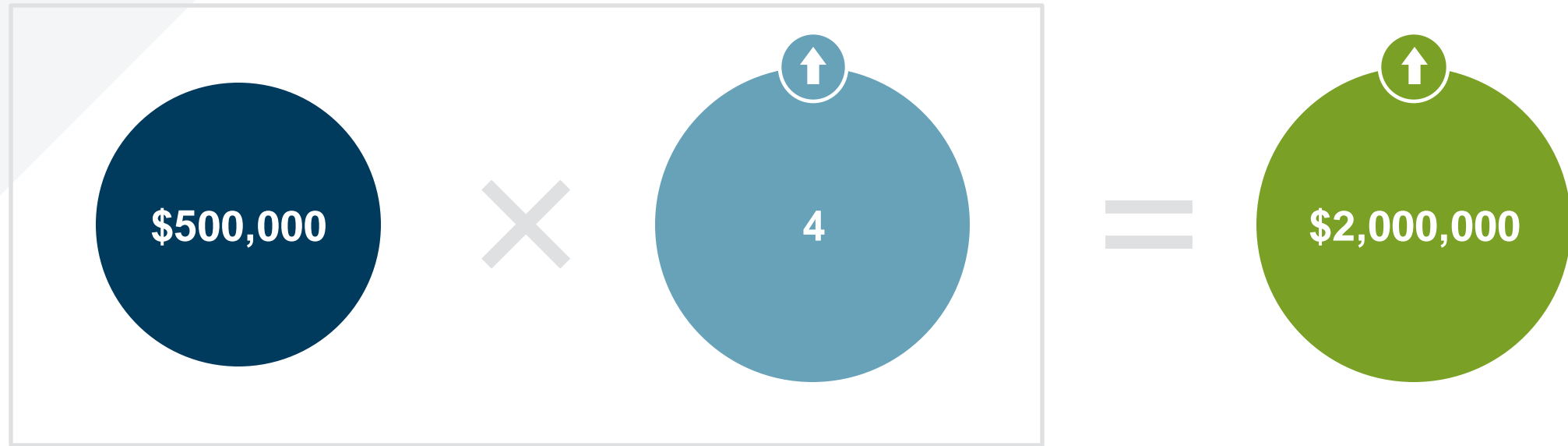


Formula for Value

The diagram shows a mathematical equation: $\$500,000 \times 3 = \$1,500,000$. The numbers are represented by circles of different colors: dark blue for the first value, light blue for the multiplier, and green for the result. The multiplication symbol and the equals sign are shown in a light gray color.

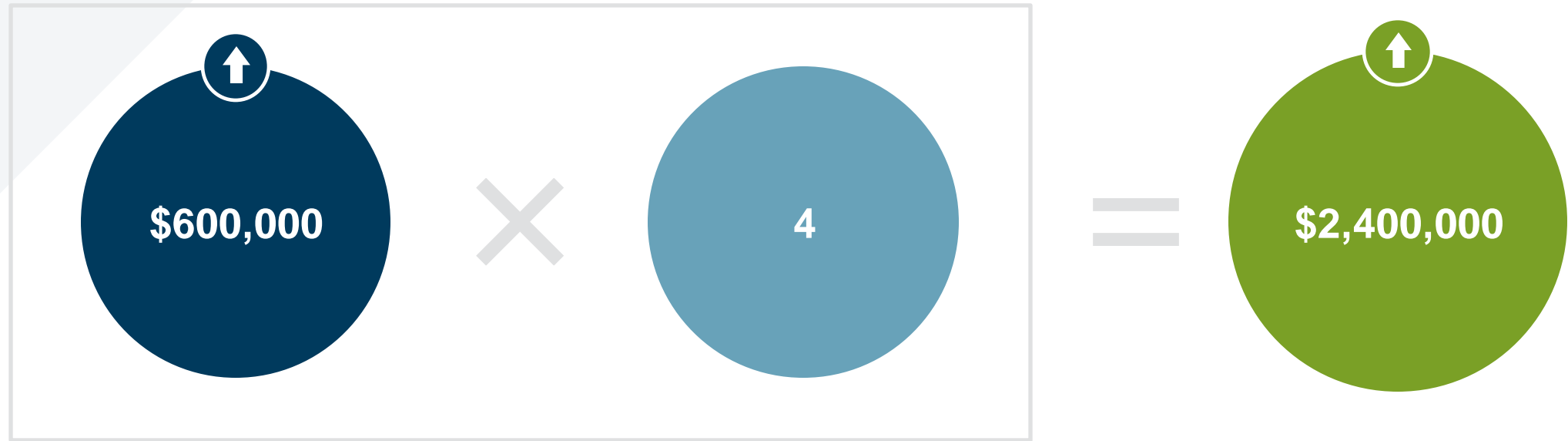
Formula for Value

Value Gap



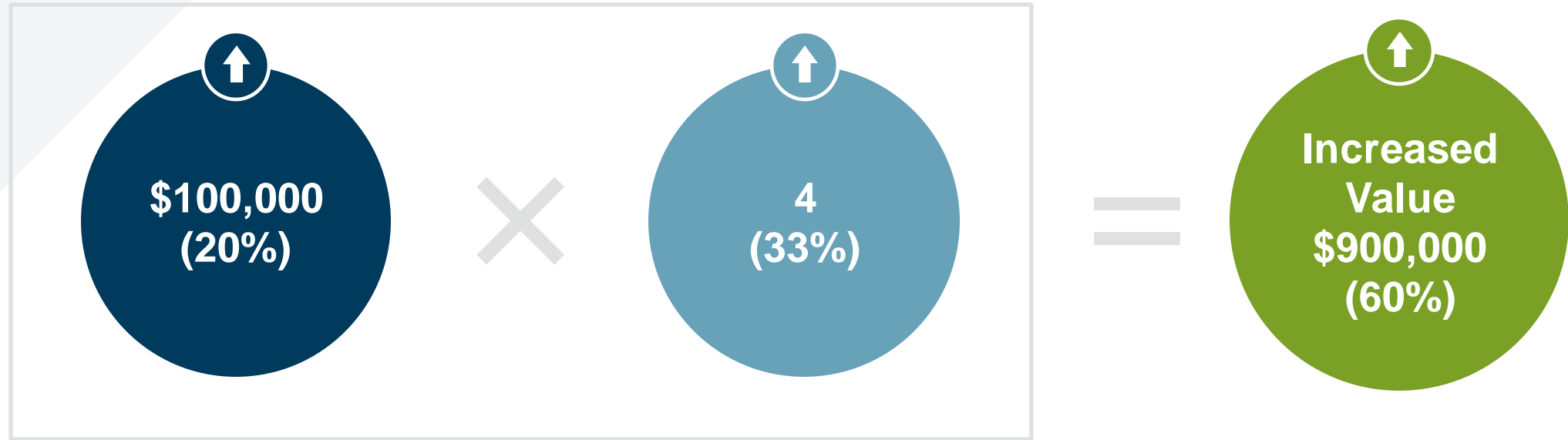
Formula for Value

Profit Gap



Value Acceleration

Multiple and Cash Flow



Factors Affecting Value

Subject Company Risk

Factor	Less than 4x	4x – 6x	Greater than 6x
Barriers to entry	Easy for new competitors to emerge and copy	New entrants require significant investment to compete	Significant capabilities difficult to recreate
Product type	High commodity products with low margins	Limited alternatives to products with average margins	Proprietary products with high margins
Management team	One-man operation or no management team depth	One- or two-person senior management team with adequate experience	Well-rounded management team with deep experience
Profitability	Volatile and/or low profitability, lack of growth opportunities	Some volatility, may lack history of strong profitability	Track record of growing profits with minimal volatility
Customers	Customer concentration, few repeat customers, no contracts in place	Limited or no customer concentration, some repeat customers	Diversified base of repeat customers, many with purchase contracts



Other Factors Affecting Value



Financial Performance

- Revenue
- Gross profit
- EBITDA
- Management's Projections



Balance Sheet Strength

- Cash
- Debt
- Net Working Capital



Diversification

- Service Line
- Customer
- Contract
- Supplier
- Geography

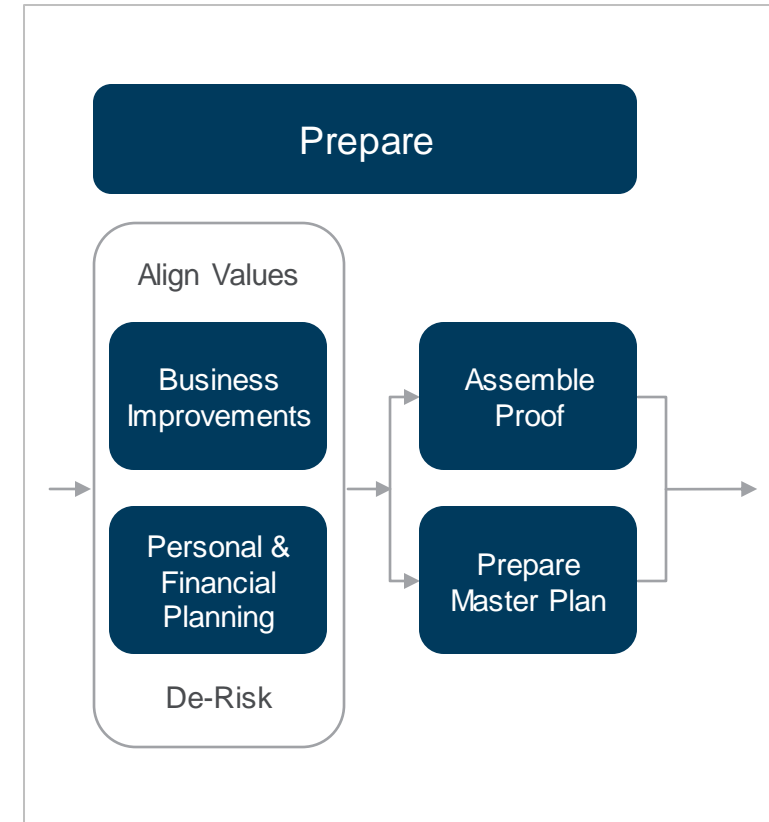


Industry & Economic Trends

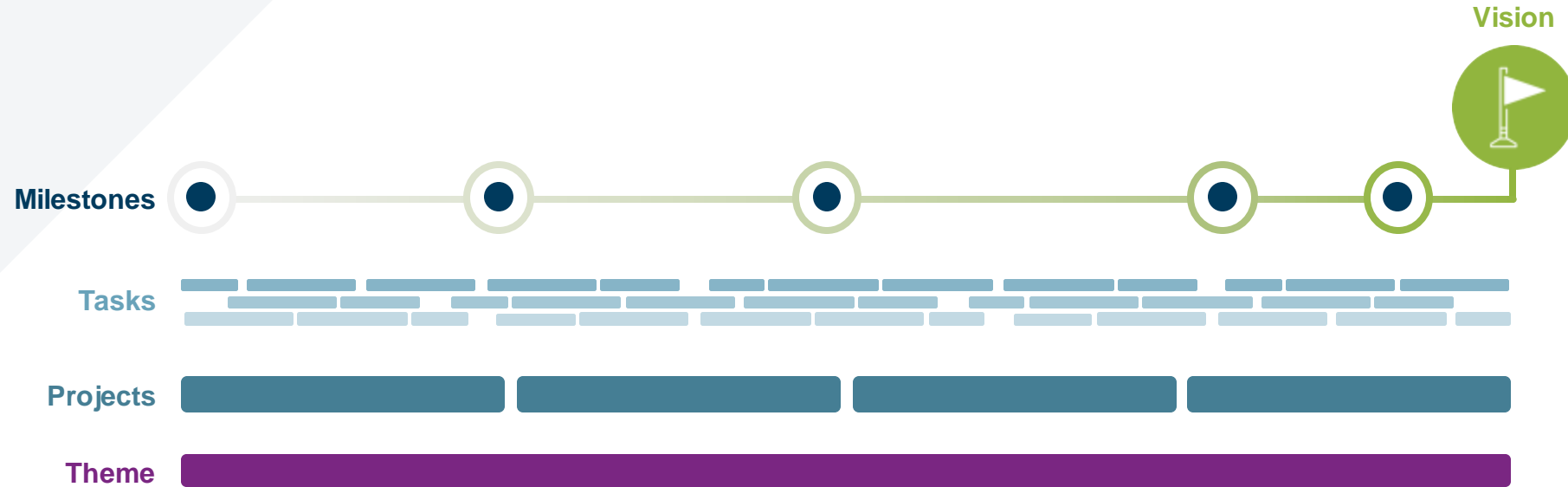
- Inflation
- Interest Rates
- Supply Chain Issues
- Labor Market

Value Acceleration Phase 2: Prepare

- ▲ Assessing value maturity
- ▲ Improving cash flows
- ▲ Decreasing risk
- ▲ Driving value with the 4Cs
 - Human capital
 - Customer capital
 - Structural capital
 - Social capital



Execution



Vision Defining the “to-be” state. *Where are we going and why?*

Milestones Key deliverables: reports, meetings, workshops, events

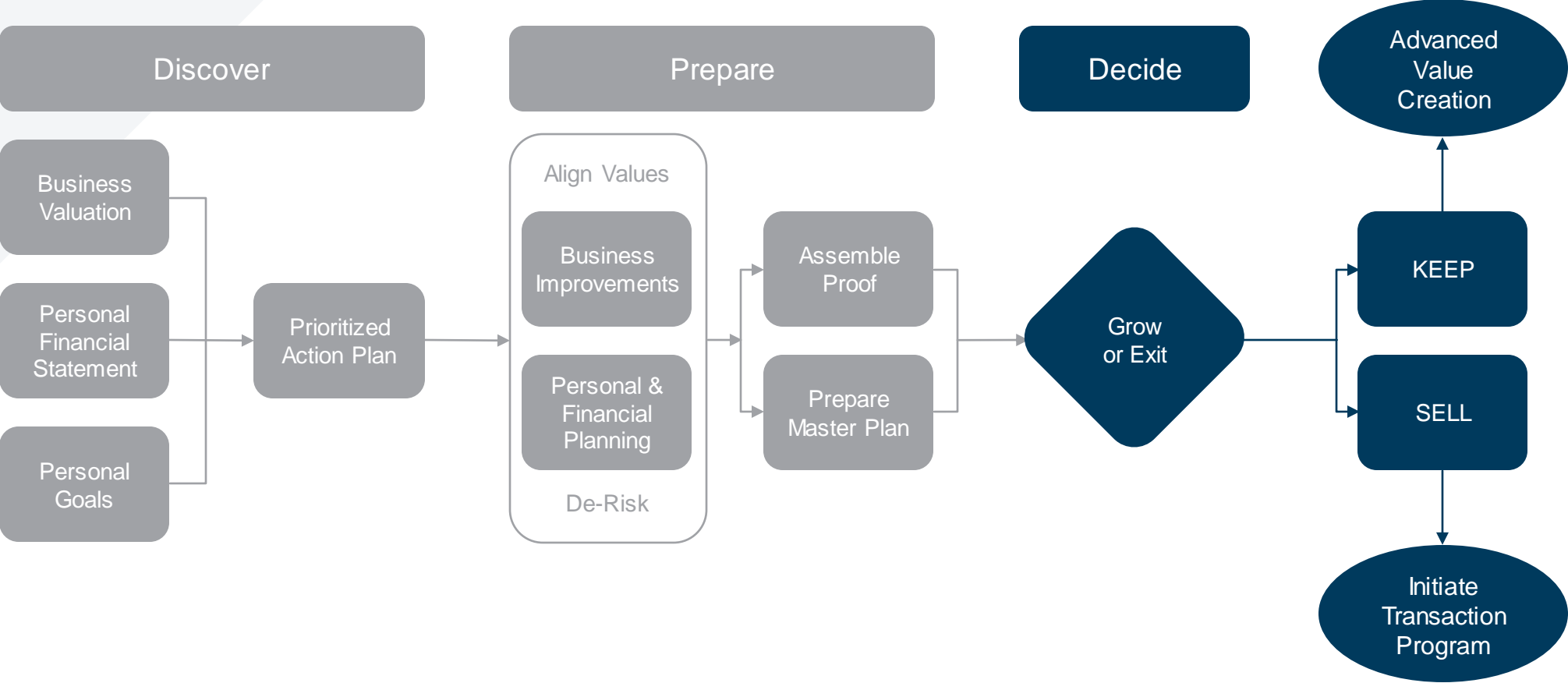
Tasks (<90 days) Detailed steps to achieve prioritized actions, with clear responsibility

Projects (90 days) Break themes into actionable 90-day elements

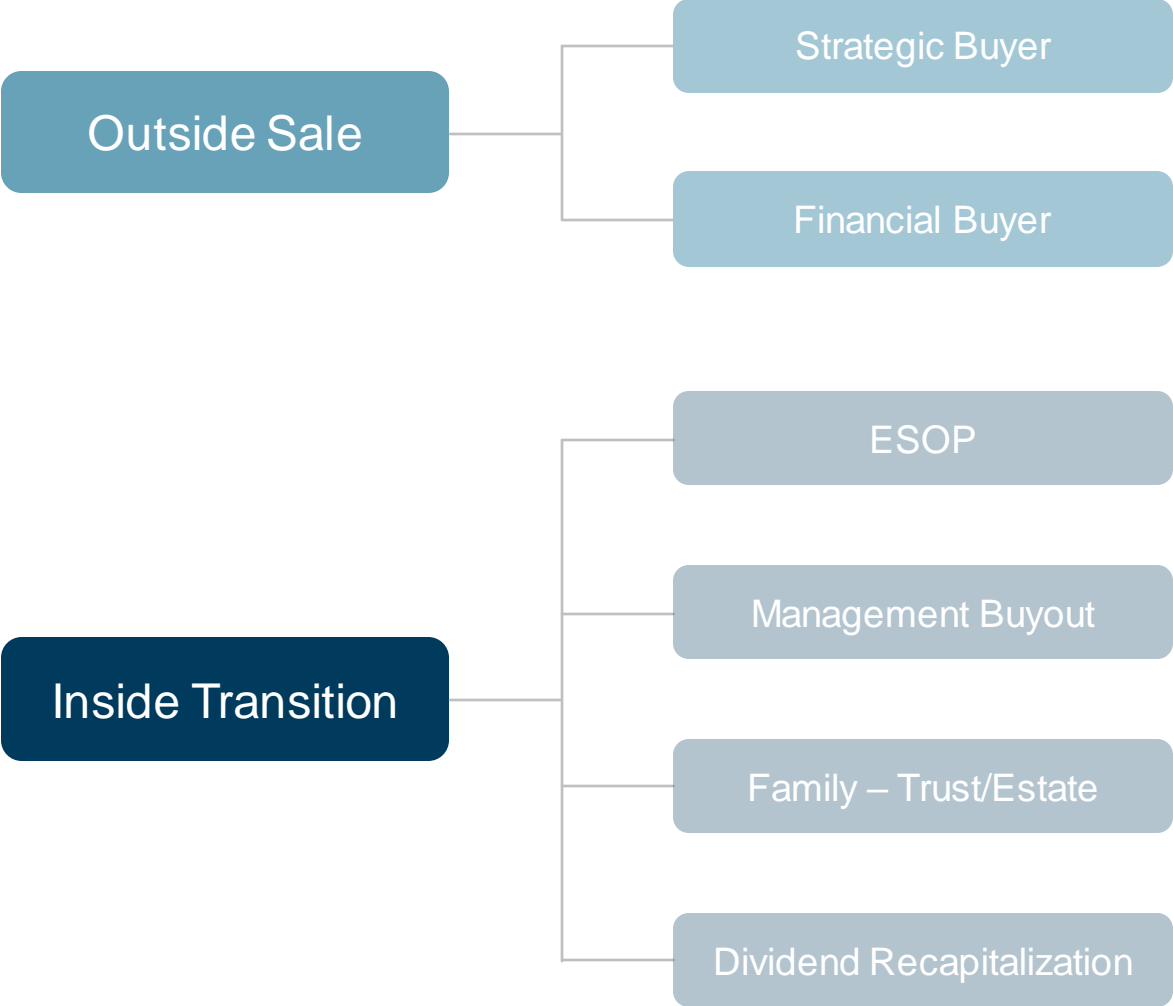
Themes (1 year) Address areas of improvement for focus this year



Value Acceleration Phase 3: Decide



Liquidity Options





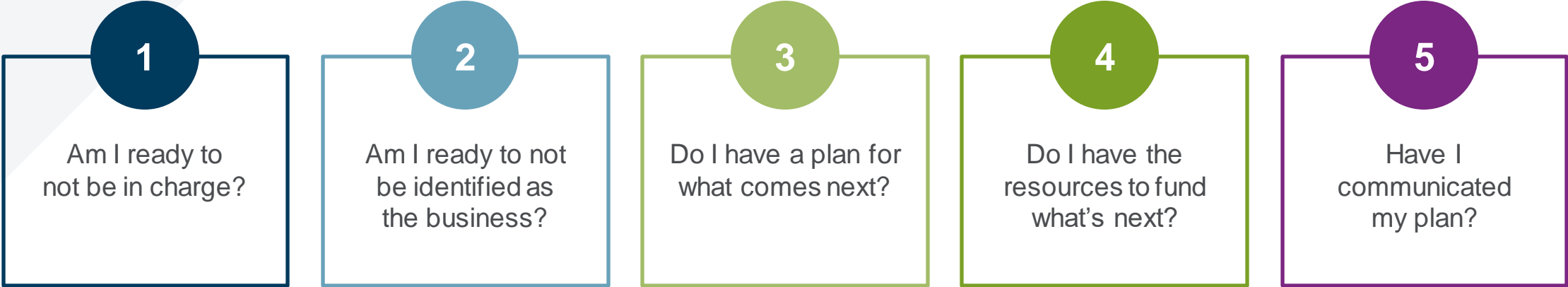
Different Exit Option = Different Path

What do the five years prior to an exit look like?

- ▲ Outside sale:
 - Prepare documentation
 - Enhance profitability
- ▲ Inside Transition
 - Focus on sustainability, not profitability
 - Develop future leaders

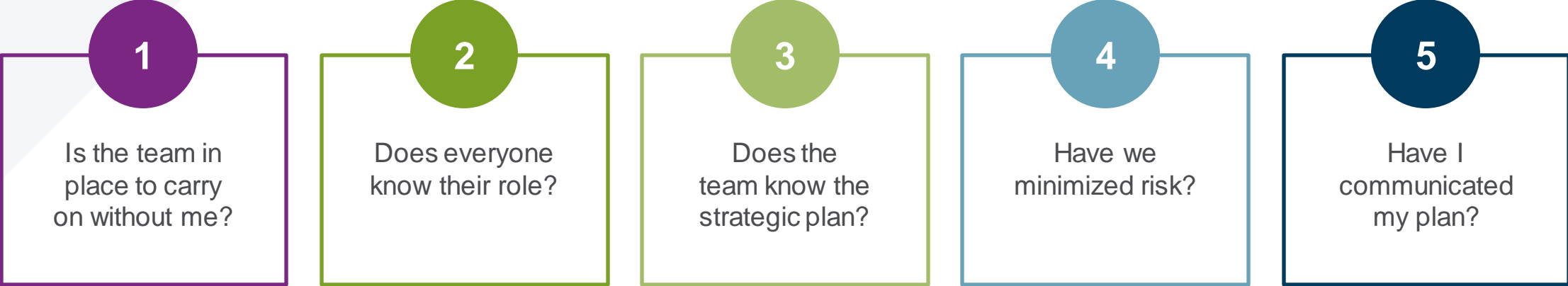
Decision Points

Personal Readiness



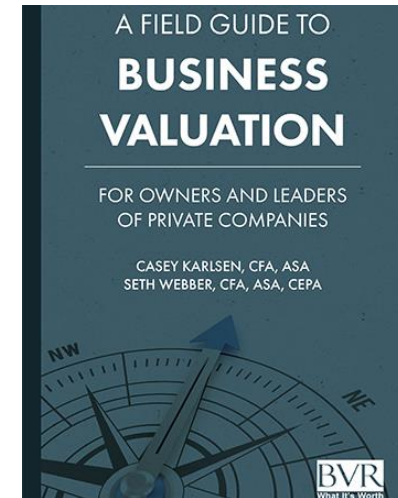
Decision Points

Business Readiness



Additional Resources

“Value Acceleration: The Gas Pedal
for the Value of a Business,”
published in *Estate Planning* journal



A Field Guide to Business Valuation,
published by Business Valuation Resources

Questions?

Seth Webber

CFA, ASA, CEPA, CBA, CVA | Principal
swebber@berrydunn.com
207.541.2297

Casey Karlsen

CFA, ASA, CEPA | Senior Manager
ckarlsen@berrydunn.com
207.842.8053