



perspective
GAINED

Value acceleration framework

ENERGIZE YOUR BUSINESS WITH BERRYDUNN

Presented by: Seth Webber, CFA, ASA, CEPA
Cameron Scott, ASA
Katherine P. Whitehead, CVA, CEPA

What Do We See?

- Baby boomers are reaching retirement at 10,000 per day nationwide
- Maine is the oldest state in the Union (Other New England not far behind)
- 63% of private businesses are owned by Boomers
- 80% of business owner wealth is tied up in their business
- 90% of business owners plan on a sale to provide liquidity for retirement
- 70%-80% of businesses put on the market don't sell
- 50% chance that a transition will NOT be of owner's choosing (death, disability, divorce, distress, disagreement)

Valuation Services Group

WE HELP YOU UNRAVEL THE OFTEN CONTENTIOUS QUESTION, "WHAT'S IT WORTH?"

We offer business valuation services to:

- Individuals
- Attorneys
- Privately held businesses that are:
 - Family owned
 - ESOPs
 - Investor owned

We provide clarity to the complexities of valuation with:

- Careful and thorough review of the history of the business
- Assessment of current market conditions as they impact ongoing cash flows
- An independent, objective opinion of the company's value, in a reporting format tailored to your needs



Education

BS, Accounting, Bryant University

Meridith L. Byrne, CVA

SENIOR VALUATION ANALYST

mbyrne@berrydunn.com
207.541.2215

Areas of Expertise

Analysis for:

- Gifting
- Estate planning
- Litigation support
- ESOPs
- Transaction support

Business Valuation Certification Awarded

The Certified Valuation Analyst designation by National Association of Certified Valuators and Analysts



Education

BS, Economics, Brigham Young University

Andrew R. Hutchins, CVA

SENIOR VALUATION ANALYST

ahutchins@berrydunn.com
207.541.2214

Areas of Expertise

Analysis for:

- Gifting
- Estate planning
- Litigation support
- ESOPs
- Transaction support

Business Valuation Certification Awarded

The Certified Valuation Analyst designation by National Association of Certified Valuators and Analysts



Casey Karlsen

SENIOR VALUATION ANALYST

ckarlsen@berrydunn.com
207.842.8053

Areas of Expertise

Business valuations for:

- ESOP transactions
- Litigation support
- Estate planning
- Gifting
- Transaction support

Education

BA, Finance, Washington
State University

MBA, George Fox
University

Chartered Financial
Analyst (CFA) Program,
Passed Level I, Candidate
for 2020 Level II

Candidate in the American
Society of Appraisers
(ASA)



Education

BA, English, Clark
University

MPS, Hotel
Administration, Cornell
University

Arthur H. Marshall, MPS, ASA, CVA

SENIOR MANAGER + EXPERT WITNESS PRACTICE LEAD

amarshall@berrydunn.com
207.541.2271

Areas of Expertise

- Gift and estate valuation
- FLP/LLC valuation
- Expert witness services
- Merger and acquisition analysis and support
- Ad Valorem property tax abatement
- Hospitality consulting

Business Valuation Certifications Awarded

The Accredited Senior Appraiser designation by the
American Society of Appraisers

The Certified Valuation Analyst designation by National
Association of Certified Valuators and Analysts

The Certified Business Appraiser designation by the
Institute of Business Appraisers



Cameron A. Scott, ASA

**MANAGER +
TRUST AND ESTATE PRACTICE LEAD**

cscott@berrydunn.com
207.842.8179

Areas of Expertise

- Business valuation
- Family law matters
- Estate and gift tax matters
- Shareholder litigation
- Business damages
- Transactions
- Succession and exit planning
- ESOPs

Education

BS, Finance, *honors*,
Bryant University

MBA, Finance, Southern
New Hampshire
University

Chartered Financial
Analyst (CFA) Program,
Passed Levels I and II

National Family Law Trial
Institute, 2017 Expert
Witness Faculty Member

Business Valuation Certification Awarded

The Accredited Senior Appraiser designation by the
American Society of Appraisers



Education

BS, Mechanical
Engineering, Cornell
University

MBA, University of
Virginia

Seth E. Webber, CFA, ASA, CEPA

PRINCIPAL + VALUE ACCELERATION PRACTICE LEAD + M&A ADVISORY PRACTICE LEAD

swebber@berrydunn.com
207.541.2297

Areas of Expertise

- Business valuations
- Expert witness services
- Merger and acquisition analysis and support

Business Valuation Certifications Awarded

The Chartered Financial Analyst designation by the CFA Institute

The Accredited Senior Appraiser designation by the American Society of Appraisers

The Certified Exit Planning Advisor designation by the Exit Planning Institute



**Katherine P. Whitehead, CVA,
CEPA, MBA**
MANAGER + ESOP PRACTICE LEAD

kwhitehead@berrydunn.com
207.541.2335

Areas of Expertise

- Business valuations
- Gift and estate valuation
- Merger and acquisition analysis
- Litigation support
- ESOP analysis and advisory
- Transaction support

Education

BS, Business
Administration, University
of Rhode Island

MBA, University of San
Francisco

Candidate in the American
Society of Appraisers
(ASA)

Business Valuation Certifications Awarded

The Certified Valuation Analyst designation by National
Association of Certified Valuators and Analysts

The Certified Exit Planning Advisor designation by the
Exit Planning Institute

What Do We Know?

98% of business owners agree that transition planning is important

86% of business owners have not completed a strategic review or value growth project

83% have no written transition plan

78% have no transition team

65% do not understand their exit options

49% have no transition plan at all

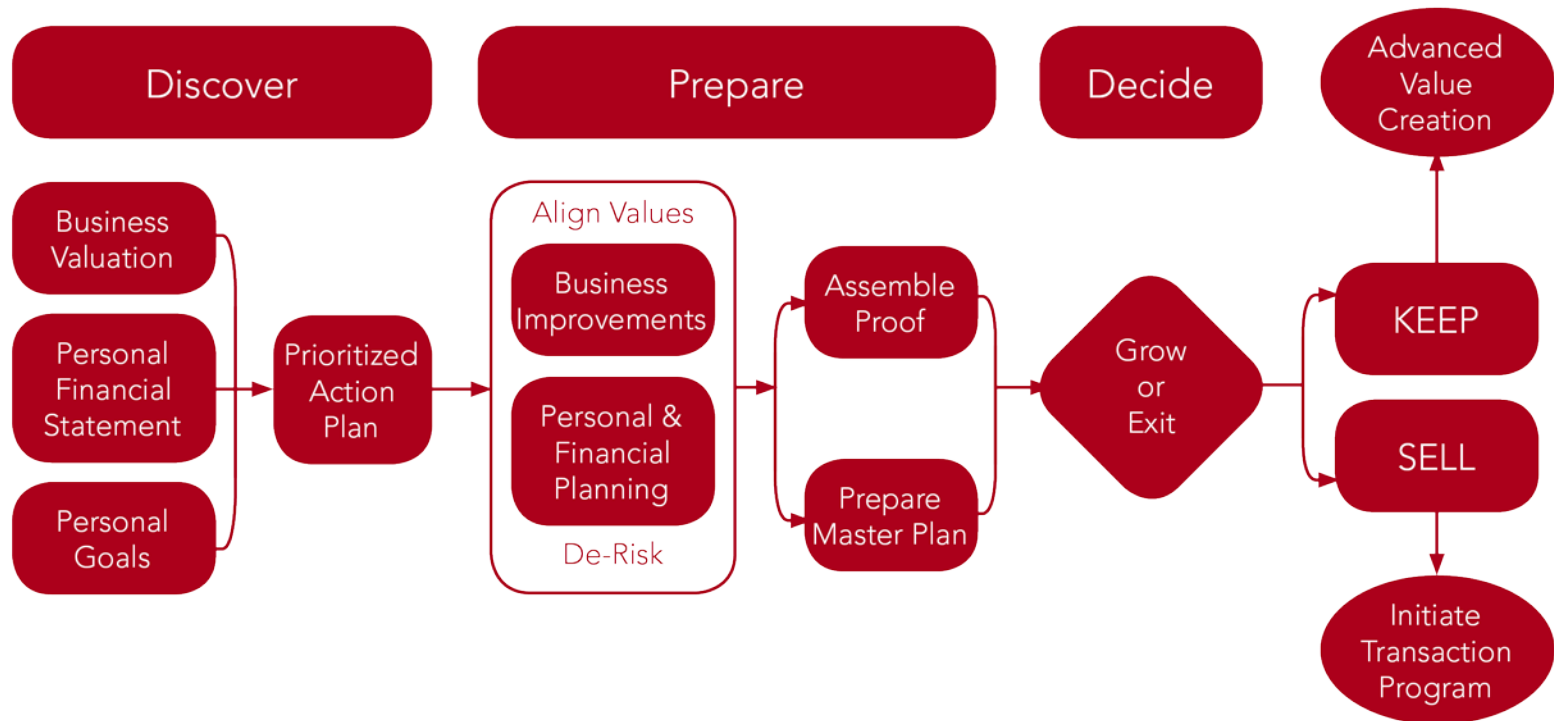
The Paradigm

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

Value Acceleration

THE PROCESS



©Exit Planning Institute

Key Concepts

Triggering Event

- Starting Line
- Assess business value
- Correlate value to owner's business and financial goals

Value Acceleration

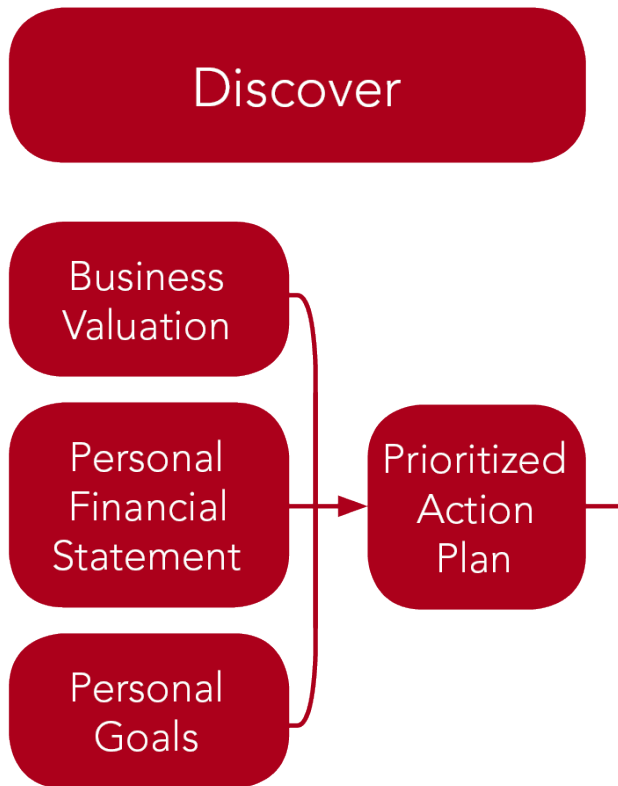
- Aligning values
- Improving cash flow
- Decreasing risk
- Improving the 4 Cs

Action Planning

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

Execution

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



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?

Establishing Foundation

Solid Financials

- Recasting financials
- Addbacks and risk

Strong Narrative

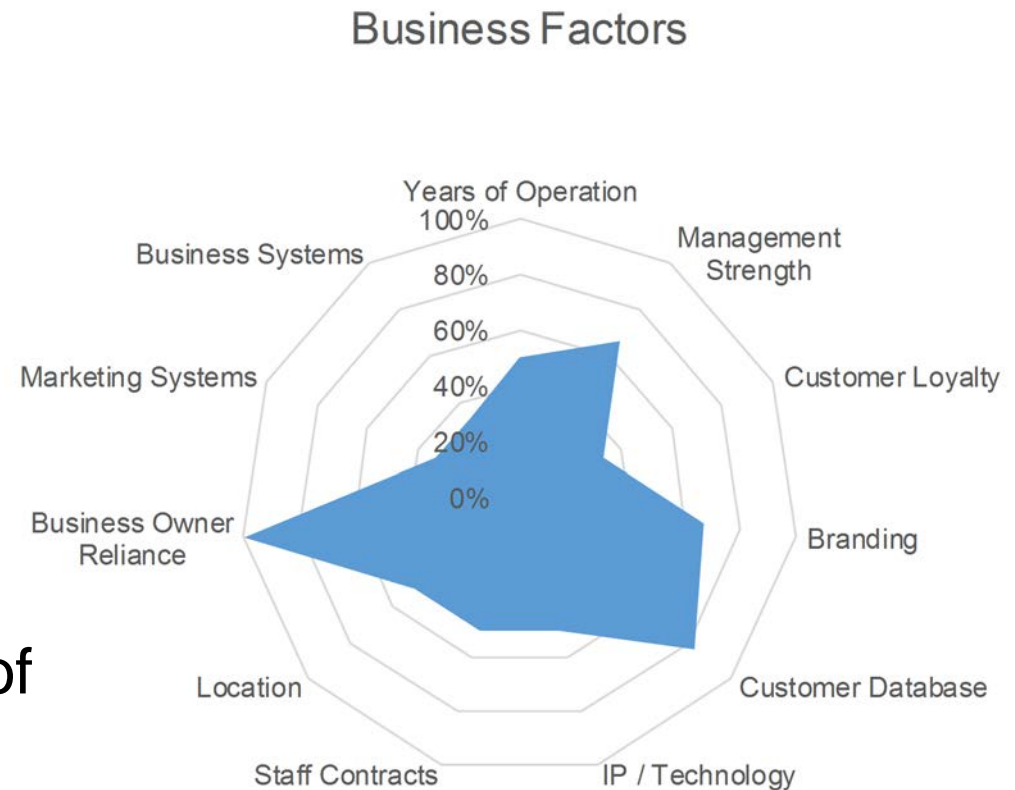
- Management plan
- Realistic runway

Attractiveness & Readiness

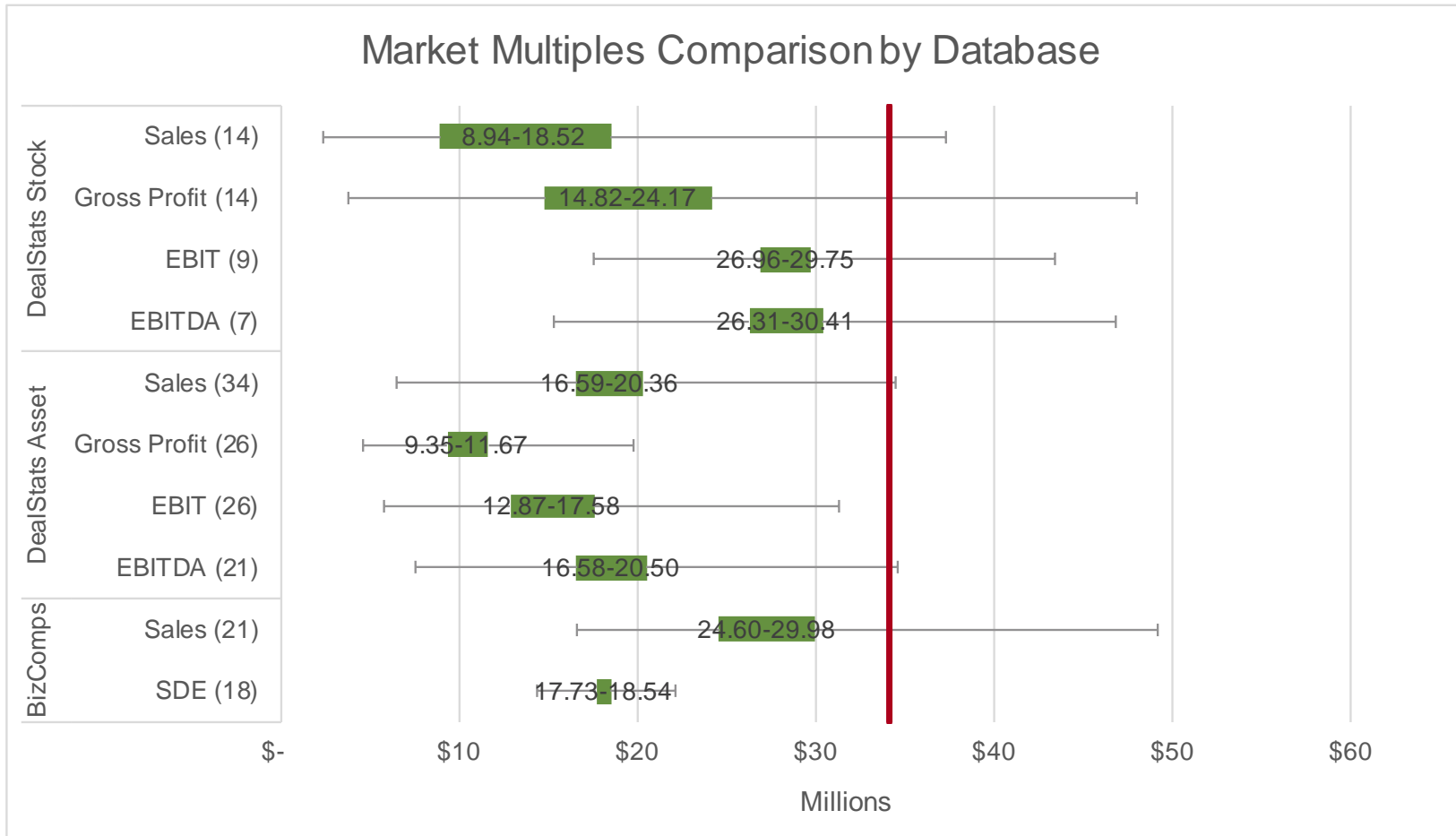
- Beyond financial performance
- Where are you in the range?

Assessing Business Attractiveness

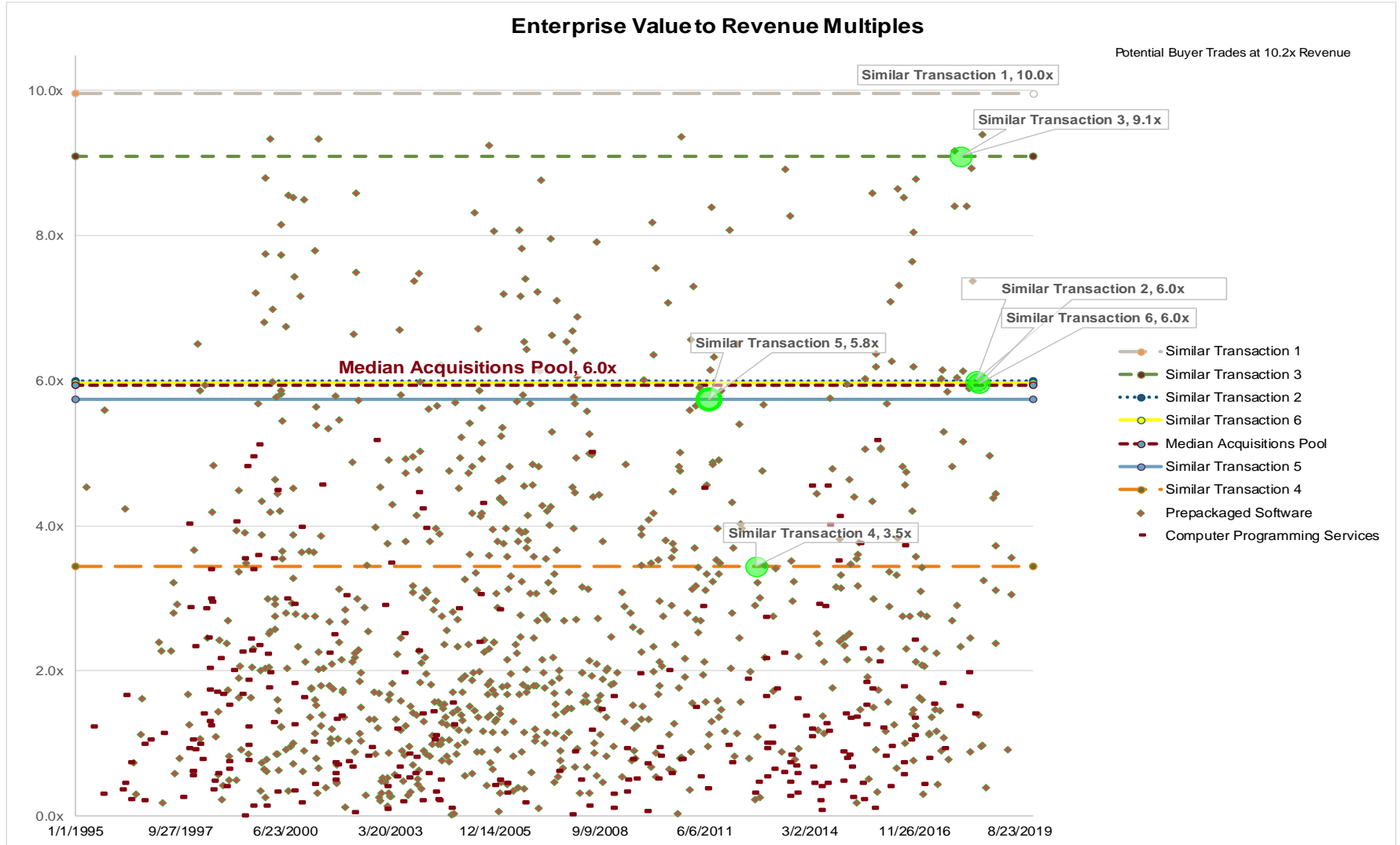
- Company has minimally invested in business systems
- No consistent approach to sales / marketing / delivery of services



Data Visualization: Ranges of Values



Data Visualization: Multiples and Layering

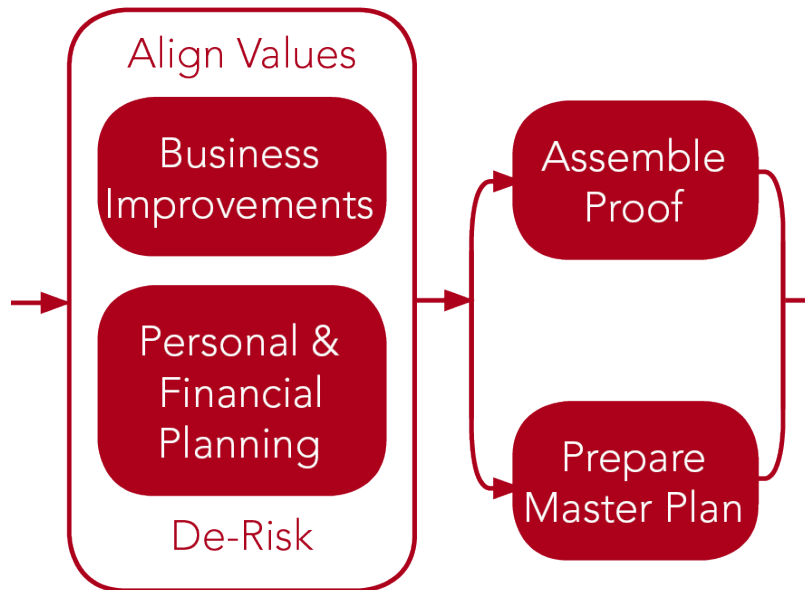


Data Visualization: Time Series and Industry

Transaction Values: Revenue and EBITDA Multiples

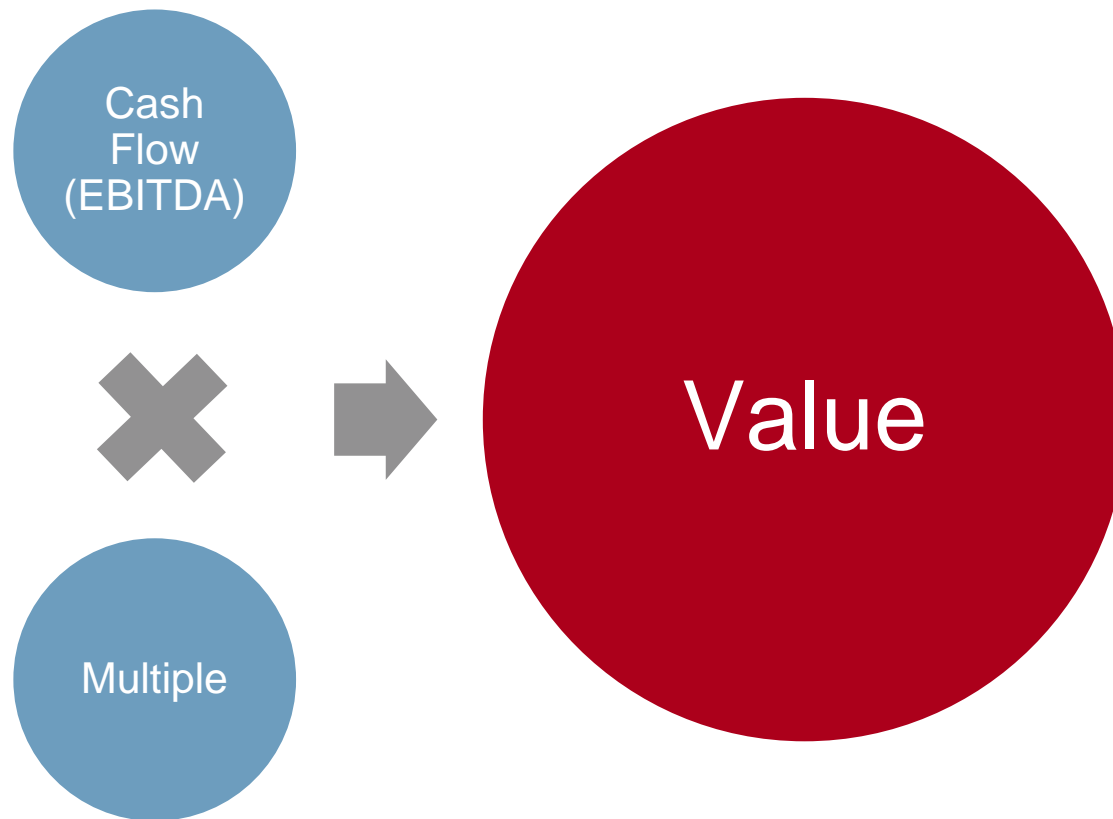


Prepare

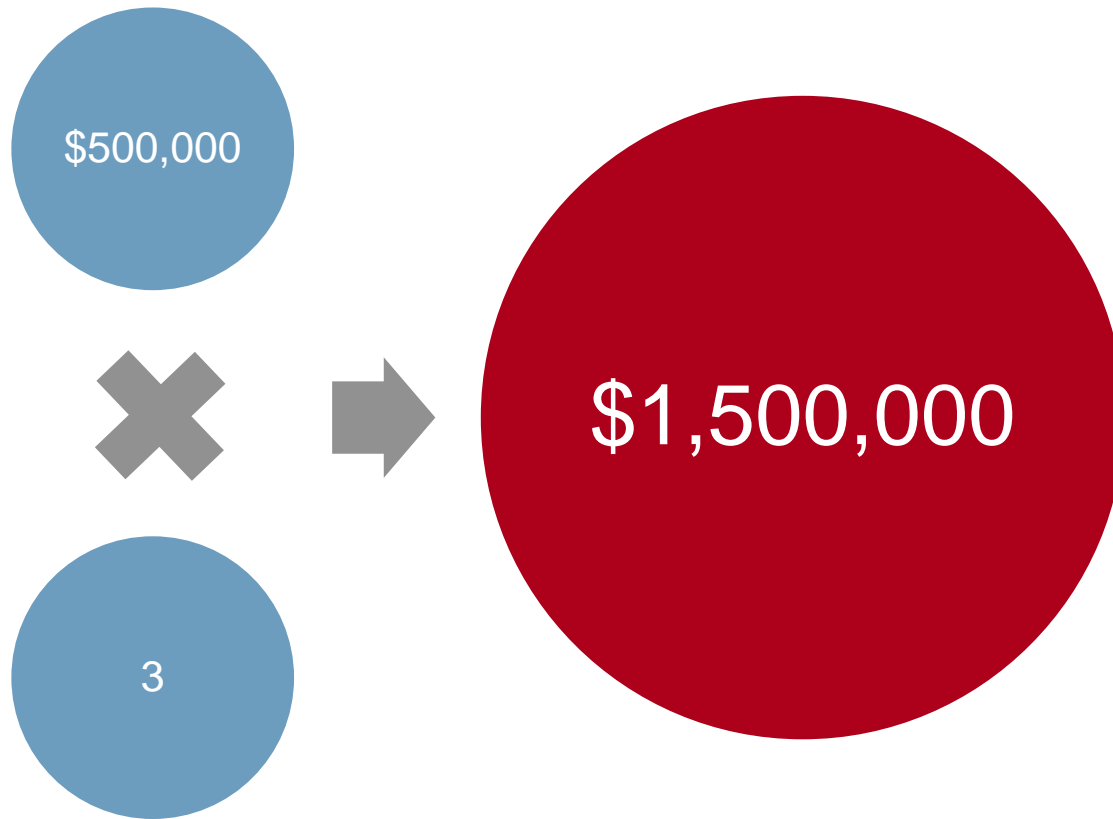


- Assessing value maturity
- Improving cash flows
- Decreasing risk
- Driving value with the 4Cs
 - Human Capital
 - Customer Capital
 - Structural Capital
 - Social Capital

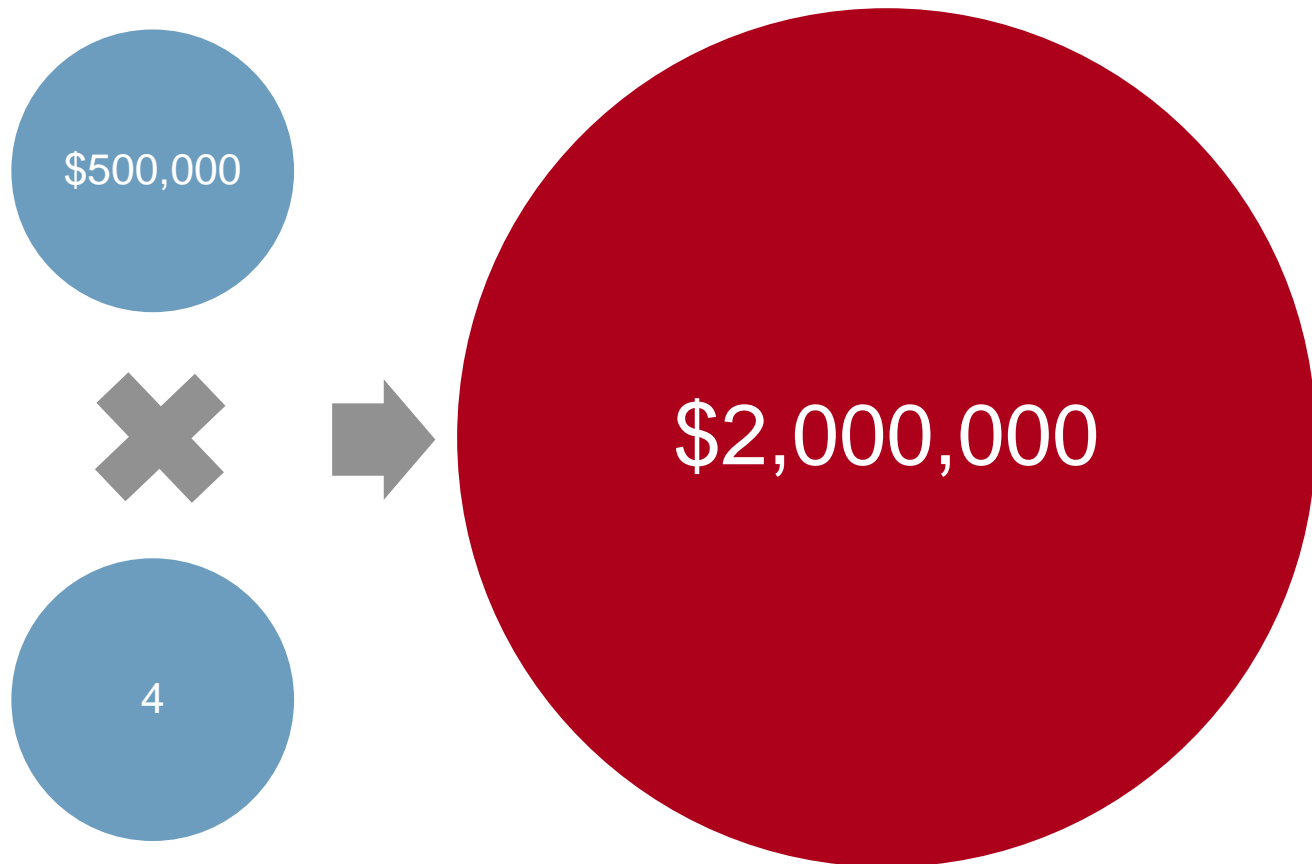
Formula for Value



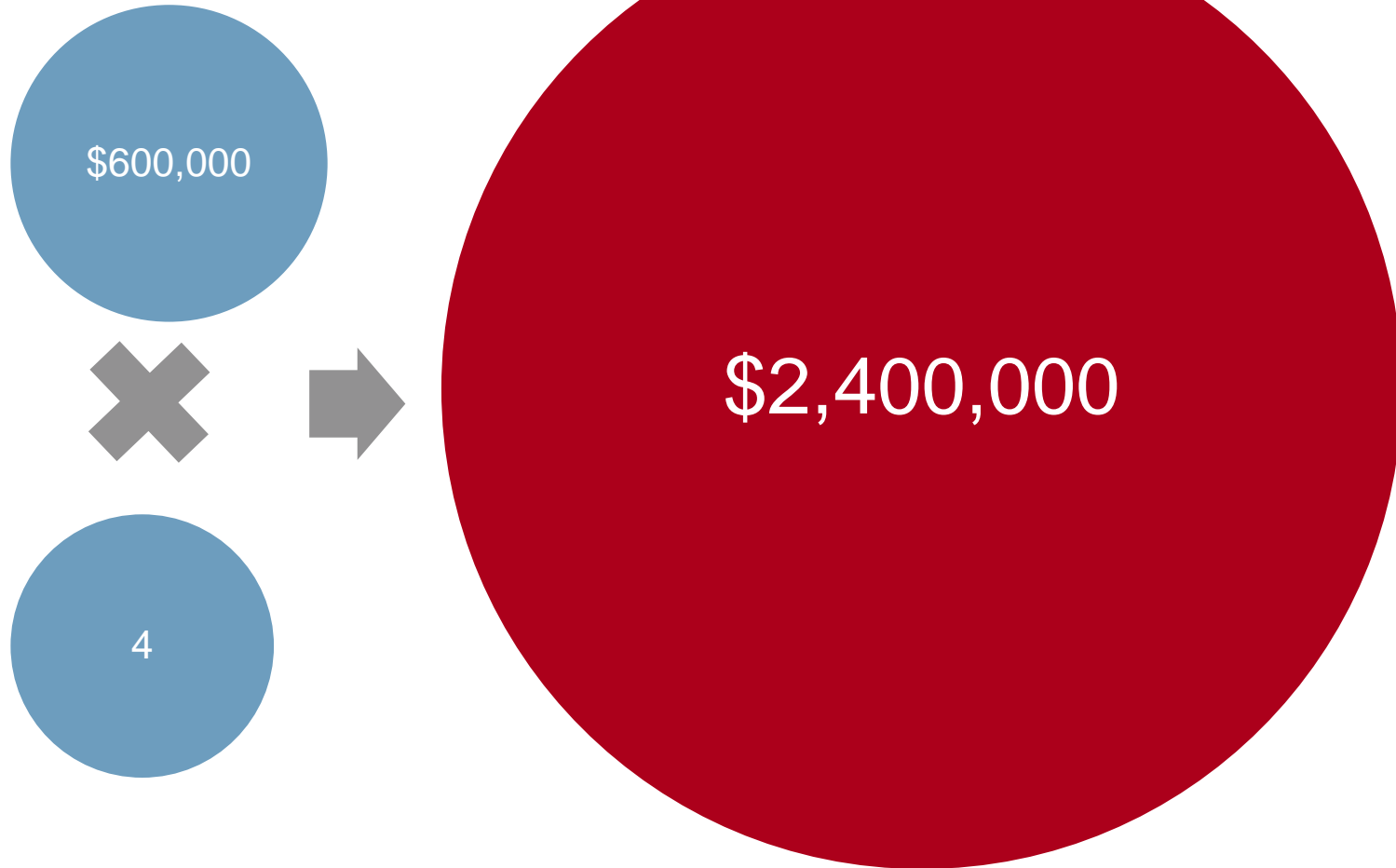
Formula for Value



Formula for Value

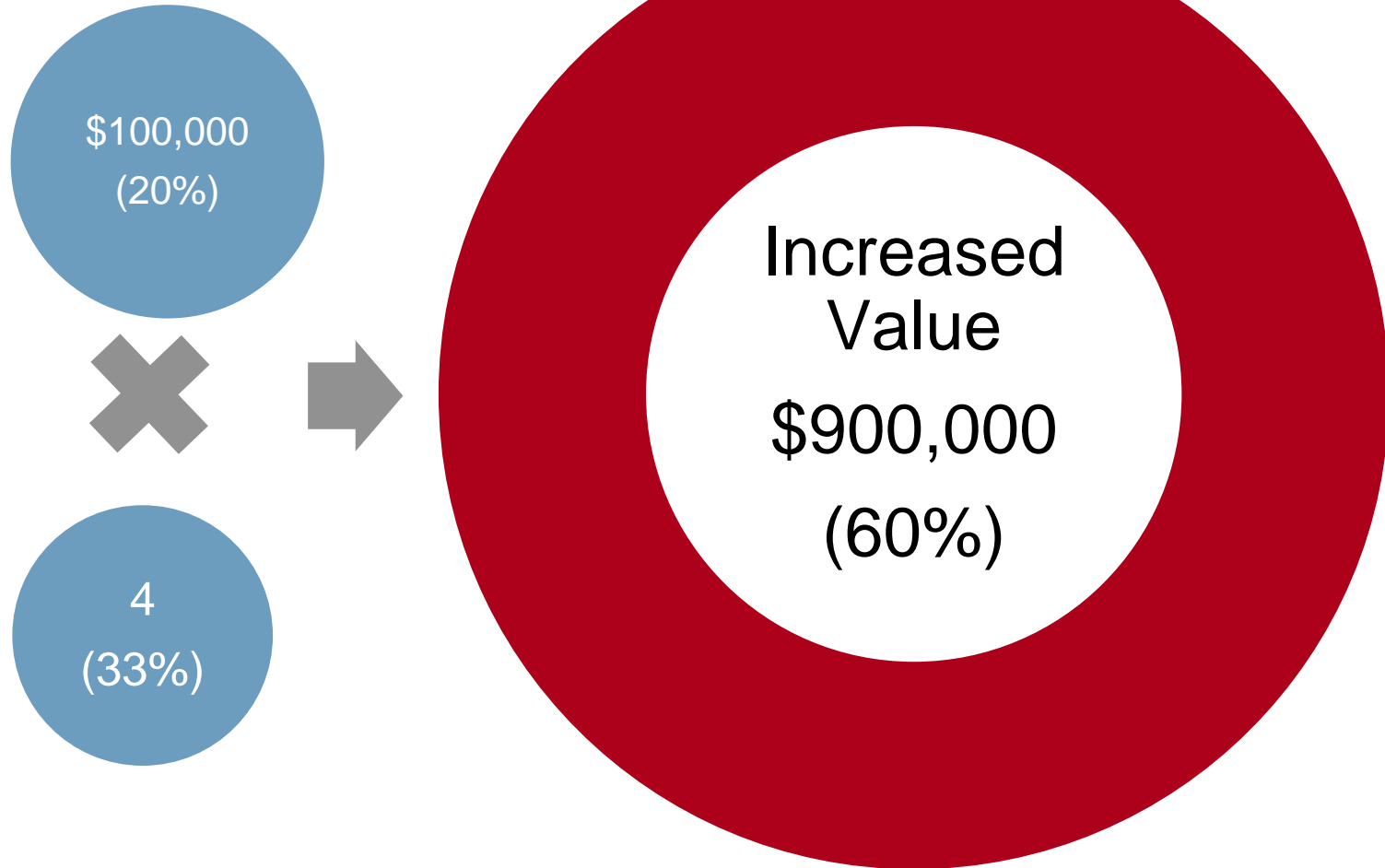


Formula for Value



Value Acceleration

MULTIPLE AND CASH FLOW



What Impacts Multiple?

Intangible Value

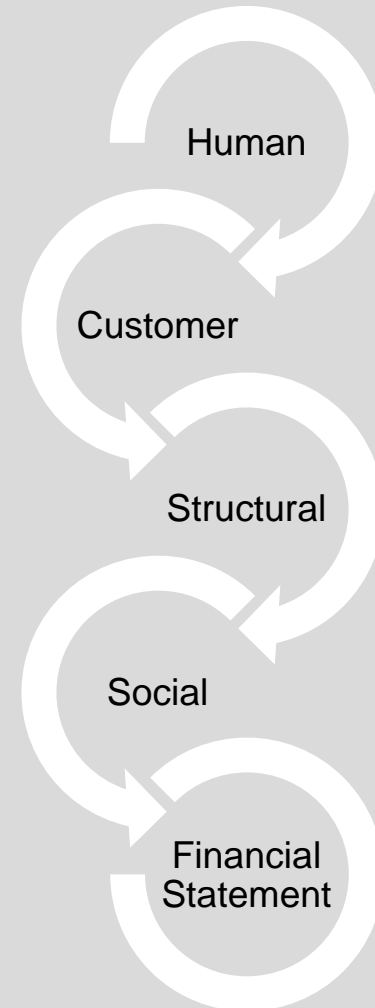
Value Acceleration
“Goodwill”
“Blue sky”

3 X +

Tangible Value

Accounting Systems
Financial Statements

1 – 2 X



Human Impact on Multiples

- 4	4 - 6	6 +
One- man operation (chief cook and bottle washer)	One- or two-person senior management team (two men and a shaggy dog)	Well-rounded management team
No professional accounting staff	Controller on staff	Full-time CPA/CFO on staff
Owner takes all phone calls from customers	Dedicated salesman on the team	Full sales team that manages customers

Customer(s) Impact on Multiples

- 4	4 - 6	6 +
Top 3 customers over 90% of revenue	Top 10 customers are less than 50% of revenue	No customer is more than 5% of revenue
Master Service Agreement with Purchase Orders	Annual contracts	Multi-year contracts
Local mom/pops are only customers	Middle market / regional businesses	Blue chip multi-nationals
Lumpy / project revenue	Mix of one-time / recurring revenue	Small, recurring purchases

Customer(s) Impact on Multiples

- 4	4 - 6	6 +
High commodity product with low margins	Limited alternatives to your product with average margins	Proprietary product with high margins
No differentiation	Balanced market share across industry	Market leader with few competitors
No contracts	Annual contracts	Multi-year supply agreements with exclusivity
Core operations outsourced to supplier	Painful to switch suppliers, but not crippling	Easy to swap out non-performing suppliers
Top 3 suppliers are over 90% of material expense	Top 10 suppliers are over 50% of material expense	No supplier more than 5% of material expense
Small market size that is shrinking	Low market growth	Large market, growing rapidly

Structural Impact on Multiples (Continued)

- 4	4 - 6	6 +
No CPA / Compiled Financials	Reviewed Financials	Audited Financials
Little to no accounting systems	Limited information systems	Sophisticated information systems
No formal training or operating guidelines	Informal processes and reporting structure	Well documented systems and processes
No explicit sales process	Sales process with uneven execution	Sales process with coordinated incentive programs
Heavy government pressures / regulation that constrains business	Heavy government pressures / regulation that promotes the business	Little government involvement

Social Impact on Multiples

- 4	4 - 6	6 +
Completely discretionary (unimportant)	Should / need to have your solution (can pick from many like companies)	Product / service is “required” (best in breed or sought out for work)
No / low employee engagement	Divide between management team engagement and hourly employees	Collaborative culture
Reactionary culture, no driving vision	Vision / strategic plan created as an exercise, not widely shared or updated	Well articulated vision of “to-be” state with engagement by key stakeholders
Suppliers can sell directly to your customer base (bypass)	Occasional / hybrid competition	Exclusivity / non-compete as part of the contract

Execution

Vision

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

Themes (1 year)

Address areas of improvement for focus this year

Projects (90 days)

Break themes into actionable 90 day elements

Tasks (<90 days)

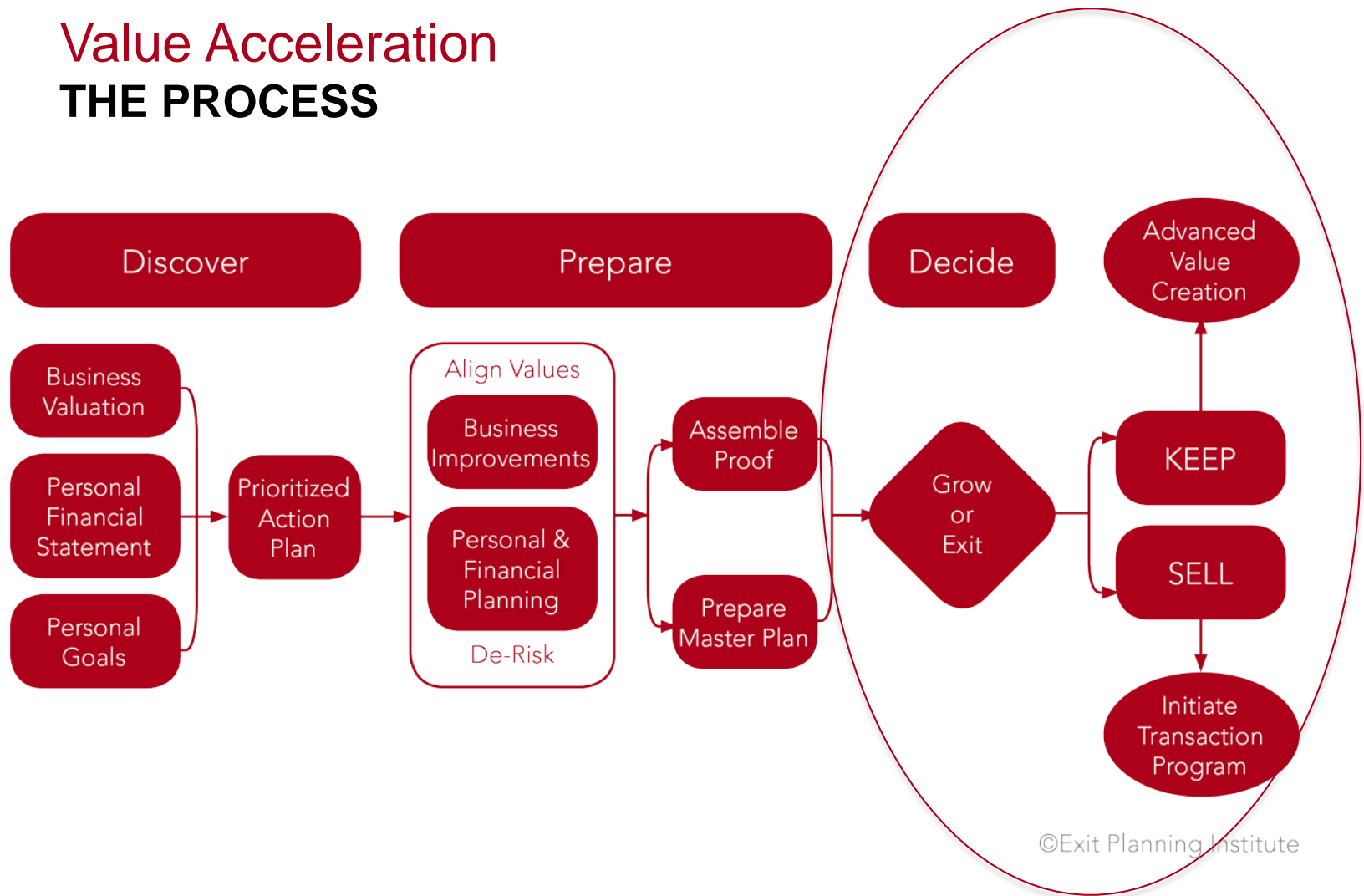
Detailed steps to achieve prioritized actions, with clear responsibility

Milestones

Key Deliverables
Reports
Meetings
Workshops
Events

Value Acceleration

THE PROCESS



Decision Points

PERSONAL READINESS

- Am I ready to not be in charge?
- Am I ready to not be identified as the business?
- Do I have a plan for what comes next?
- Do I have the resources to fund what's next?
- Have I communicated my plan?

Decision Points

BUSINESS READINESS

- Is the team in place to carry on without me?
- Does everyone know their role?
- Does the team know the strategic plan?
- Have we minimized risk?
- Have I communicated my plan?



Questions

SETH E. WEBBER, CFA, ASA, CEPA
swebber@berrydunn.com

CAMERON A. SCOTT, ASA
cscott@berrydunn.com

KATHERINE P. WHITEHEAD, CVA, CEPA
kwhitehead@berrydunn.com