THEBENCHMARK

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Value. . .How does it all add up?

Growing a company's enterprise value requires planning, people and perseverance. Great deals don't just fall into an owner's lap. It takes planning and execution. So where do you start?

Let's start with some basics.

Consider a checklist of value drivers and value detractors. Buyers will rate these and other factors that will impact "your multiple" on Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). While there are several ways to value a company, consider the information below as a "practical" start to evaluating your company's tangibles and intangibles.

1. Amount and stability of historical earnings over the last two fiscal years (Adjusted EBITDA)

a. 12%-15%: Puts you well in the game
b. 15%-20%: Separates you from the pack
c. 20%-25%: Puts you at the head of the class, and there aren't many out there.

2. Revenue growth and stability in top line

a. 10% or more: You are a professional sales organization.
b. Single digits: Acceptable but your pipeline and sales channel velocity need improvement.
c. Flat or down: This will cost you dearly over the next two years.

3. Revenue mix/business model

a. Contract maintenance/turf care: Still leads the pack
b. Plant healthcare/snow/residential maintenance: Getting more interesting
c. Design/build or Bid build: Pass

4. Customer concentration/retention

a. Diversity is key. 80/20 rule
b. 85% retention is solid.
c. Credit risk can't be ignored.

5. Location and market

a. Appetite for new market
b. Add market share.
c. Seasonality could be a make or break.
d. Secondary markets are gaining in popularity.

6. Stability and depth of employees/management

a. Licensed and certified.
b. Defined org. — sales, production, account management, administration
c. Tenured, E-verify, H-2B

7. Condition of fleet and equipment

a. Good working order/new/well maintained
b. Large capital expenditures needs will drive down value

8. Technology and information systems

a. Real time data/integrated systems equals premium
b. Budget vs. actual accounting and job cost data are required.
c. CRM, GPS and satellite imaging a plus

9. Strength of company's balance sheet

a. Strong working capital
b. Low debt load
c. Retained earnings: Equity: Does it exist?

10. Current and possible future role of owner

a. Does he/she drive sales: If so, how much?
b. Who manages customer relationships?
c. How involved are they in production?
d. Management style, flow of data.
e. Fire in belly: What motivating factors exist?

The key to evaluating the items above is to know the benchmarks and take action during your budget process to discuss and quantify the impact of these items. Remember, if you build it, they will come.