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# Pre-sale Grooming



**A Proven Formula  
to:**

**Position Your Company  
For Sale  
At Maximum Value**

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**10M - 12M businesses will be for sale in the next 10 years**

**If you're in that group...**



**... how do you differentiate?**

“That will make the field enormously crowded”, Steven Popell, exit-strategy consultant, San Francisco

“If you have strong fundamentals, there will be willing buyers out there”, Andrew Keyt, Loyola University

# The Facts Are....

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Small Business Administration –  
23,000,000 businesses in U.S.

Inc Magazine –  
65% -75% will be for sale in next 5 to 10 years

Cornell University –  
Boomers own 12M & > 70% will sell in 10-15 years

USA Today –  
Largest transfer of wealth in U.S. history

PwC's *Family Business Survey* –  
Over 40% of all owners have no succession plan

Pepperdine University Survey –  
Number 1 reason is retirement

# The Facts Are....

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“71% of small and mid-sized enterprise owners plan to exit their businesses within the next ten years, strongly highlighting the growing importance of enhancing business value. However, the challenge is that few organizations genuinely understand what actions they must take to achieve this goal...”

**Deloitte Touche**

According to a survey :

- 65% of business owners do not know what their business is worth
- 75% of the owner's net worth is tied up in the business
- 85% have no exit strategy

**PricewaterhouseCoopers**

Big dreams aside, the truth is that many small business owners have no exit strategy for their businesses in the event of their disability, death or retirement.

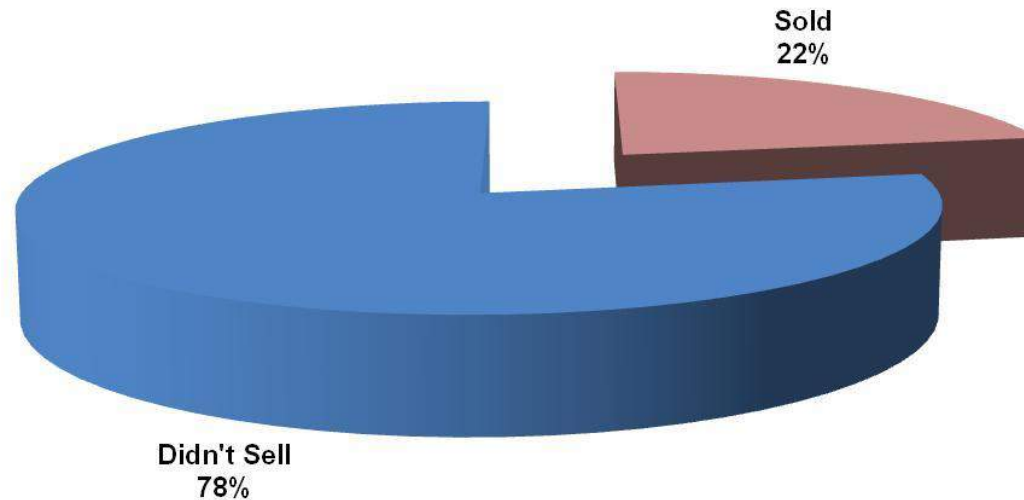
**Small Business Administration**

You buy insurance to protect your assets;  
shouldn't you plan to maximize and protect your greatest asset?

# The Facts Are....

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From 2005 - 2012 ~ **78%** of businesses for sale – *did not* sell



“The primary cause for failure....is the lack of planning.”  
- SBA

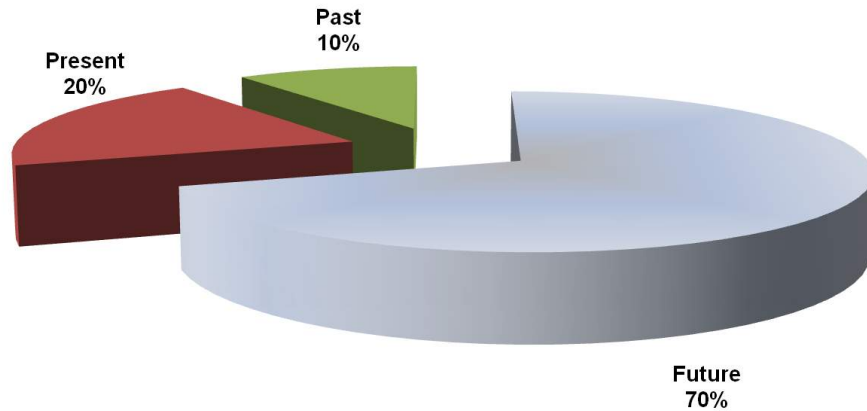


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# **What Affects Value and Salability?**

# What Affects Value and Salability?

## Uncertain Future



“The investor of today does not profit from yesterday’s growth.”  
— Warren Buffett

# What Affects Value and Salability?

## The “Iceberg Effect”

*Concerns about what may be below the surface impacts value*





# What Affects Value and Salability?

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## The Five Pillars

The 5 key areas that dictate valuations in 90+% of all deals

- **Financial** (including key drivers, reporting, governance, controls and planning)
- **Legal** (including compliance and risk management)
- **Customers** (including how reached, frequency & volume, types, concentration and stickiness)
- **Products and Services** (including margins, protectability, extensibility, lifecycle and risks)
- **Scalability and Leveragability** (including people, technology, products, channels, customers and IP)

# What Affects Value and Salability?

## Moving the EBITDA Multiple

$$\begin{aligned} \$1\text{M} \times 3.9 \\ = \$3.9\text{M} \end{aligned}$$

A small increase in EBITDA and a few improvements to the five pillars that affect value increased the Enterprise Value by 63%

$$\begin{aligned} \$1.2\text{M} \times 5.3 \\ = \$6.36\text{M} \end{aligned}$$

Average Multiple of EBITDA

EBITDA	1st Quartile	Median	3rd Quartile
\$1M	3.9	4.0	5.3
\$5M	4.5	5.0	5.7
\$10M	5.0	6.0	7.0
\$25M	5.5	6.0	7.8
\$50M	7.5	7.5	8.0

Source: Pepperdine University Survey

**Success does not happen by  
itself...**

**...you have to plan for it**

There are no secrets to success. It is the result of preparation, hard work, and learning from failure.  
— Colin Powell

# Build A Collaboration Team

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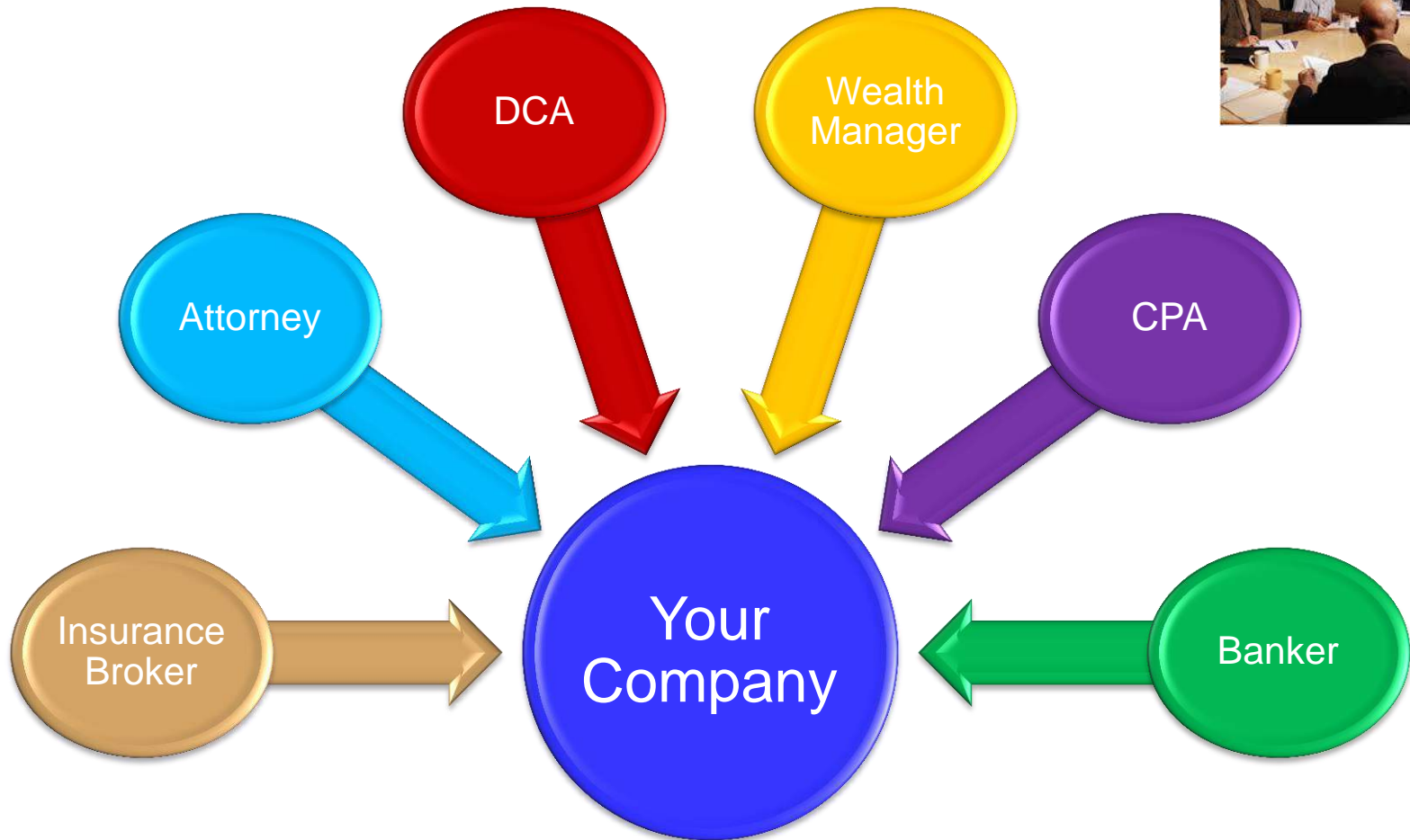


"I believe in getting things done through other people."

**Warren Buffett**



# Build A Collaboration Team



# Four Phases To Exiting At Maximum Value

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Assessment/Enterprise Value



Formulate/Prioritize Plan



Implement Value Enhancers



Exiting At Maximum Value

It's Really Just Another Business Process – BUT Potentially The Most Lucrative



# The Five Pillars of Enterprise Value



We assess each area in detail


Leverage a company's strengths (attractors)

Shore up weaknesses (detractors)



# Phase One – Assessment/Enterprise Value

## Five Pillars of Enterprise Value scoring intake form



**Your Company**  
**Five Pillars Scoring**

	Target Score	Current Score		
Observation	Responsibility	Assigned	Evidence	Evidenced
<b>2.0 Legal</b>				
2.01 Clean corporate records, minutes, governance	5	3		
Needs reviewing	Team	2/1/14	Team Review and Reply to File	2/25/14
2.02 Definitive IP assignments and protections	5			
Needs reviewing	Attorney	2/1/14	Attorney Written Reply	
2.03 Litigation/pending threats/labor issues/law violations	5			
Client states non applicable	Team	2/1/14	Team Review and Reply to File	
2.04 Licenses/permits current	NA			
Client states non applicable	Team	2/1/14	Team Review and Reply to File	2/18/14
2.05 Contingent liabilities	5	3		
Needs reviewing	Team	2/1/14	Team Review and Reply to File	2/18/14
2.06 Long-term, transferable leases	4			
Needs reviewing	Team	2/1/14	Team Review and Reply to File	
2.07 Clear ownership of all assets	5			
Needs reviewing	Team	2/1/14	Team Review and Reply to File	
2.08 Insurance/insurance risk	5	4		
Needs reviewing	Ins Broker	2/1/14	Insurance Broker Written Reply	2/20/14



In conjunction with Collaboration Team



# Phase One – Assessment/Enterprise Value

## Value Drivers - Attractors & Detractors Scoring

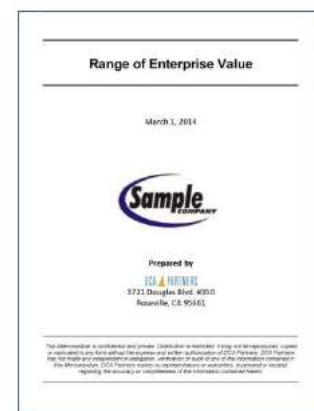
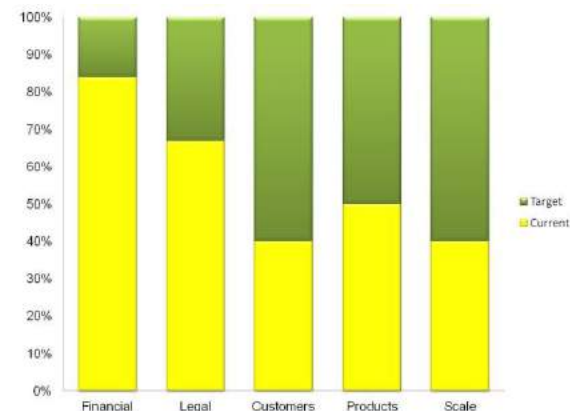
5.0 Scalability/Leveragability		Target	Score
5.01	Management team capable of scaling	5	3
5.02	Reliance on individuals (especially the owner)	5	5

4.0 Products		Target	Score
4.01	Distinct competitive products/services	5	4
4.02	Proprietary products/services	5	3

3.0 Customers		Target	Score
3.01	Distinct competitive products/services	3	2
3.02	Proprietary products/services	4	2

2.0 Legal		Target	Score
2.01	Clean corporate records, minutes, governance	5	5
2.02	Definitive IP assignments and protections	2	1

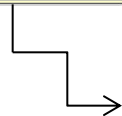
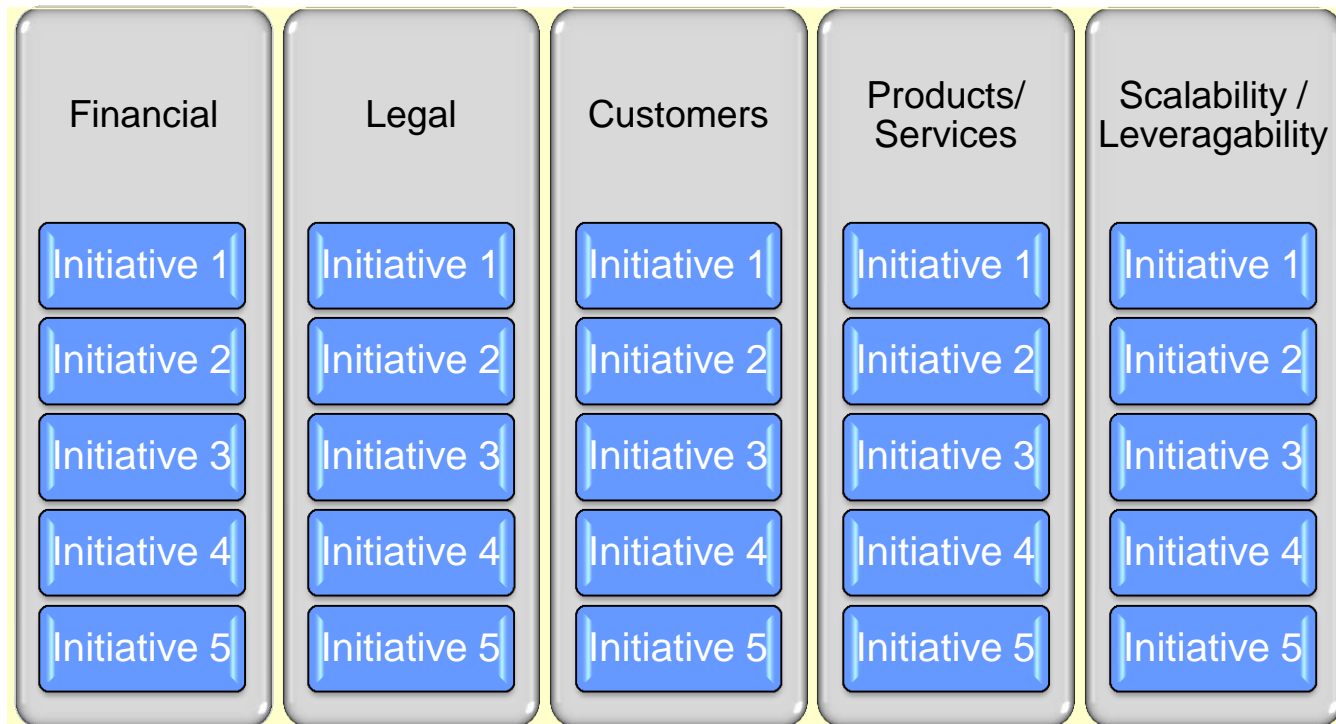
1.0 Financial		Target	Score
1.01	Professional statements	5	4
1.02	Performance relative to plan	5	3
1.03	Revenues and profits trending upward	5	3
1.04	Performance vs. industry norms	5	3
1.05	Quality of revenue (one-time or reoccurring)	5	2



In conjunction with Collaboration Team

# Phase Two – Formulate/Prioritize Plan

## Pillars That Affect Enterprise Value



Closing the GAP



# Phase Two – Formulate/Prioritize Plan

Develop an action plan to implement agreed upon enhancements

DCA PARTNERS					
Your Company Action Plan					
Pillar 5: Scalability/Leveragability					
Code	Initiative	Target	Score	Due?	Who
5.01	Management team capable of scaling	5	2		
	The A team has limited management training/experience				
	Identify management training program for A team			1/15/13	DT
	Identify which A team members need to attend			1/15/13	MK
	Schedule training			1/30/13	MK
	Reevaluate A team's capabilities			12/30/13	DT
5.04	Experienced, trained staff	4	2		
	Accounting staff is very week				
	Identify accounting training alternatives			2/10/13	AP
	Identify who should be trained			2/10/13	AP
	Develop training plan			2/28/13	AP
5.08	Up-to-date, at-market HR policies and procedures	5	3		
	The HR policies and employee manual are outdated				
	Determine cost updating - internal vs. external			3/1/13	RD
	Develop implementation plan			3/30/13	RD
	Begin implementation			4/15/13	RD

Clarity around *Which, Why, What, When and Who*

# Phase Three – Implement Value & Salability Enhancers

The starting point



# Phase Three – Implement Value & Salability Enhancers

Track overall performance relative to plan

DCA PARTNERS						
Your Company Action Plan Reporting						
Pillar 5: Scalability/Leveragability				April 1, 2013		
Code	Initiative	Target	Score	Due?	Who	Status
5.01	Management team capable of scaling	5	2			
	The A team has limited management training/experience					
	Identify management training program for A team			1/15/13	DT	Comp ●
	Identify which A team members need to attend			1/15/13	MK	Comp ●
	Schedule training			1/30/13	MK	NS ●
	Reevaluate A team's capabilities			12/30/13	DT	
5.04	Experienced, trained staff	4	2			
	Accounting staff is very weak					
	Identify accounting training alternatives			2/10/13	AP	Comp ●
	Identify who should be trained			2/10/13	AP	Comp ●
	Develop training plan			2/28/13	AP	NS ●
5.08	Up-to-date, at-market HR policies and procedures	5	3			
	The HR policies and employee manual are outdated					
	Determine cost updating - internal vs. external			3/1/13	RD	Comp ●
	Determine implementation plan			3/30/13	RD	Incomp ●
	Begin implementation			4/15/13	RD	

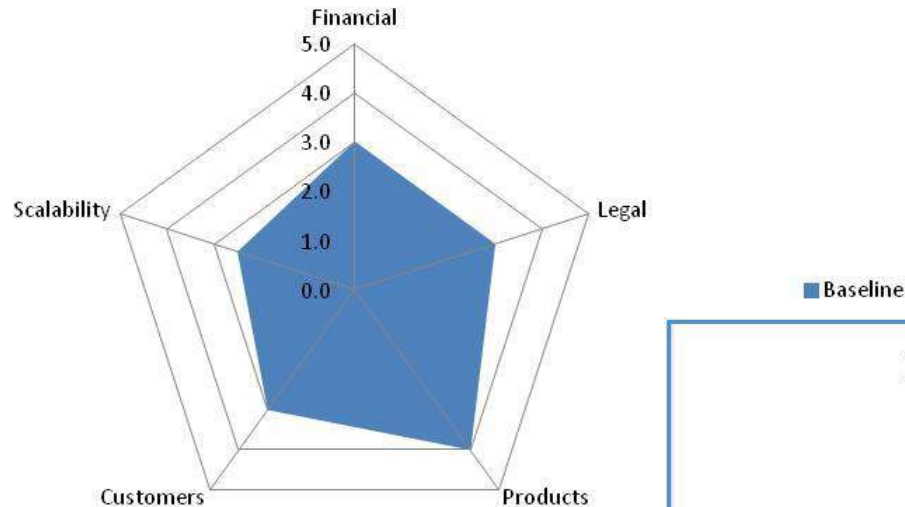
Clarity around *Which, Why, What, When* and *Who*

WORK  
the

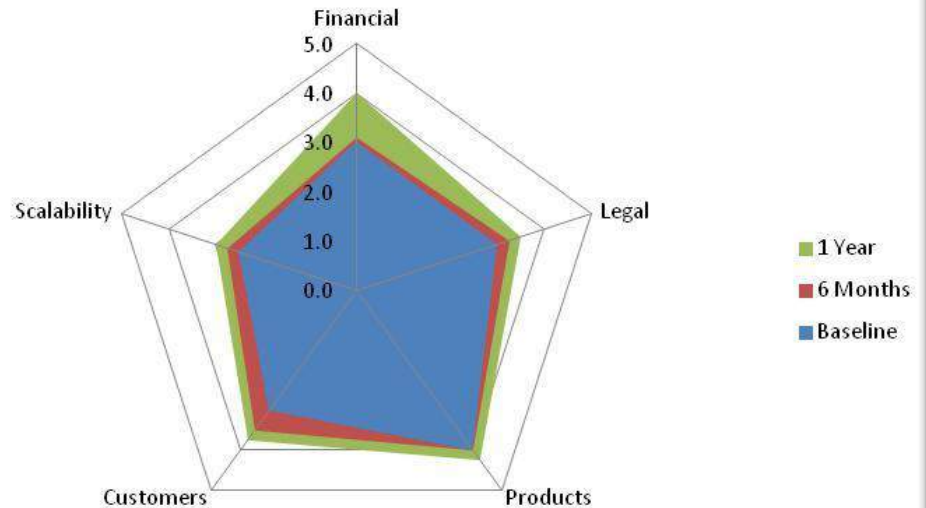


# Phase Three – Implement Value & Salability Enhancers

## Prepare Your Company for Sale



## Prepare Your Company for Sale



## DCA PARTNERS

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# Phase Four - Exiting At Maximum Value

Target right buyers and professionally manage the process

DCA PARTNERS		Your Company Target List							
Count	38								
Person		Name	Website	First	Last	Title	Email	Telephone #	Street Name
CR	1.01	kkqzckn Ckkkuntzqs	www.kkqzcknckkuntzqs.ngt	kkrrk	Wklthqr			310.876.0353	5670 Wzlszhrq Blvd., Stq. 2490
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GB	1.08	qatg Hkuszn Ckrprktzkn	www.qatghkuszn.ckk	Jkhn	Huskay	Prqszdqnt	jhuskay@qatghkuszn.ckk	310.575.3546	1640 S. Sapulvdk Blvd., Stq. 425
GB	1.09	Stkkks Ckrprktzkn		Pkul	Z.	Prqszdqnt	pzs@surqwaqt.ngt	916.783.0330	3007 Dkugls Blvd., Stq. 170
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# Phase Four - Exiting At Maximum Value

Target right buyers and professionally manage the process

DCA PARTNERS		Your Company Target List							
Count	38	Name	Website	First	Last	Title	Email	Telephone #	Street Name
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CR	1.02	kkqrzckn Ckkkunztzqs	www.kkqrzcknckkkunztzqs.ngt	kkrk	Wklthqr			310.876.0353	5670 Wzlszrq Blvd., Stq. 2490
CR	1.03	kpkrktqnt znvqstqnt knd kknkgaknt Ck.	www.kzckck.ckk	Jkhn	Bqzzknt	qVP, Trknskctzkns		303.757.8101	4582 S. Ulstar Strqqt, Stq. 1100
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GB	1.07	Hydqr Prkpqrty kknkgaknt	www.hydqrck.ckk	Stqva	kkrqgtz	Prqszdqnt		760.591.9737	1649 Ckplzkn Rkkd, Suztq 500
GB	1.08	L&k Dqvglkpkqnt Pkrtngqrs, znc.	www.lkdqvpkrtngqrs.ckk	Rknkld	kkqlzs	Cqk		914.833.3000	1865 Pklqr kvq., Stq. 203
GB	1.09	kqtk Hkusznq Ckrprkrtzkn	www.kqtkhkusznq.ckk	Jkhn	Huskay	Prqszdqnt	jhuskay@kqtkhkusznq.ckk	310.575.3546	1640 S. Sqpulvqdk Blvd., Stq. 425
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pR	1.15	Hkllwykdk pkkkunty Hkusznq pkrprkrtzkn	www.hkllwykdkhkusznq.krg	Rksq	klskn	Dzrqptkr	rksq@whphp.krg	323.469.0710	5020 Skntk kknzpk Blvd.
CR	1.16	Lks kngqlqs Hkusznq Pkrtngqshp	www.lkhkusznqpkrtngqshp.ckk	kkry	Szlvqrstqzn	Prqszdqnt	kkry@lkhkusznqpkrtngqshp.ckk	213.629.9172	800 Skuth Fzguqrkk Strqqt, Suztq 1270
CR	1.17	kktqn Tkwwrs	www.kkstantkwqrs.krg	Czndy	Wylzq	kgr		559.266.9946	1240 Brkdkwy Plkzk
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CR	1.19	kzdpqn Hkusznq Ckrp.	www.kzdpqn-hkusznq.krg	ktthq	Frknklzn	Prqszdqnt	kfrknklzn@kzdpqn-hkusznq.krg	650.356.2900	303 Vzntkq Pkr Dr., Stq. 250
CR	1.2	Pqkqlq's Sqlf-Hqjp Hkusznq Ckrprkrtzkn	www.pshhc.krg	qkqntq	Duncn	qxqcutvq Dzrqtkr	qkqntqad@pshhc.krg	805.781.3088	3533 qkplq Strqqt
GB	1.21	Jkkbkraq Hkusznq Ckrp.	www.jkkbkraqhkusznq.ckk	Lkurk	krcbulqtk	Prqszdqnt	lkrbulqtk@jkkbkraqhkusznq.ckk	949.263.8676	17701 Ckwkn kvq., Stq. 200
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# Phase Four - Exiting At Maximum Value

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Negotiate the best possible terms



## Phase Four - Exiting With Style At Maximum Value

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# Summary of Four Phases

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- Improve the Five Pillars that affect Value and Salability
  - (Financial, Legal, Customers, Products/Services & Scalability/Leveragability)
- Leverage a company's strengths (Value & Salability attractors)
- Shore up weaknesses (Value & Salability detractors)
- Close the GAP
- Proactively prepare the Company for a successful sale
- Target the "right" buyers, and what each buyer values most
- Position the Company's optimal value proposition
- Manage the process efficiently and professionally
- Create a "competitive" bidding environment
- Anticipate, and effectively responding to, Buyer concerns
- Negotiate best possible deal terms
- Maintain deal momentum throughout the process

# Phases and Deliverables

Phase	Activities	Deliverables	Fee Structure
<b>Phase1</b> (Assessment/ Enterprise Value)	Interview & gather data Score Value Drivers Determine enterprise value Targeted enterprise value	Report of finding Enterprise value The gap, if any Areas of highest priority	Fixed project fee based on timeline and role
<b>Phase 2</b> ( Formulate/ Prioritize Plan)	Costs/Benefits Prioritize tasks Formulate plan Determine roles	Detailed action plan Detailed tracking system Defined roles and responsibilities Agreement with all involved	Fixed project fee based on timeline and role
<b>Phase 3</b> (Implement Value Enhancers)	Communication plan Monitoring progress Reinforce accountability Keep project on track	Monthly progress reports Monthly progress meetings Highlight roadblocks and resource gaps Increased Enterprise Value	Monthly fee
<b>Phase 4</b> (Exit At Maximum Value)	Target “right” buyers Develop Teaser & CIM Marketing plan Populate data room Negotiate best terms/conditions	Complete list of targeted buyer Teaser/comprehensive CIM Effective outreach to buyer pool Negotiate best possible agreements Closing	Monthly Fee / Success fee

# What have clients said?

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*“DCA helped us negotiate a selling price that was, honestly, more than we would have had the confidence to ask for, and they never once backed off of that number until the deal was done. It would have been foolish for us to try to navigate this sale on our own - I can't even imagine how different the outcome would have been, to our detriment.*

*I hope this is the last business sale I ever go through, but if it's not, I can guarantee DCA will be involved in the next one!”*

*– Brian Smith, President  
Lighthouse PMG*

*“When we decided to sell Golden State Collision Centers, Inc., we were fortunate to have DCA at our side to guide us through the process. They helped with every aspect of our sale from the initial conversations with the buyer all the way through to signing. They did a great job negotiating a price for our business, and offered key advice on topics we hadn't considered. We would highly recommend DCA as a firm who has the client's best interest in mind.”*

*– Dave and Michelle Finkelstein  
Golden State Collision Centers*

# What have clients said?

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*“When I decided to sell Tile Outlet, I sought assistance from one of the professionals at DCA Partners. His experience, attention to detail and extensive knowledge of the selling process gave me great comfort and confidence throughout the engagement. His creative solutions and tenacity resulted in me getting a tremendous deal. I would highly recommend him to any owner that is considering selling their business.”*

*– Doug Disney  
President, Tile Outlet*

*“Without DCA Partners, we would not have been able to move the sale forward nor would we have realized the maximum payout. Their professionalism during negotiations literally changed my life.”*

*– Ralph Laurie  
Happily Retired  
Former President, CAESY Education Systems*

# The Ultimate Customer

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Self-made millionaire Mal Emery, who developed and successfully sold 14 businesses said:

*“Before I even consider starting or buying a business, I must be able to visualize or articulate a clear and concise picture of what that business will look like when I sell out. You see, I design **all** my businesses to sell. I call the buyer, my ultimate customer... the one who puts me out of business.”*



Maximizing enterprise value is more than a distant end goal. It should always be top of mind.



# If You'd Like More Information...

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