

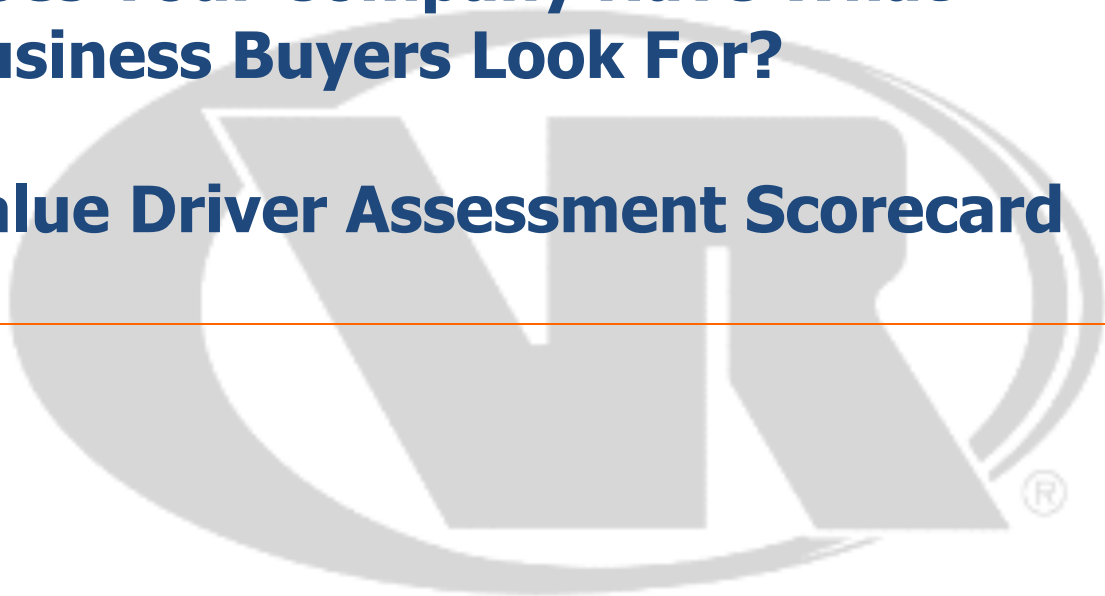


---

**Does Your Company Have What  
Business Buyers Look For?**

**Value Driver Assessment Scorecard**

---



## **Does Your Company Have What Business Buyers Look For?**

What matters most to a business buyer when evaluating a company for purchase? As a Business Broker that works with hundreds of mid size businesses province wide, this is one of the most common questions I hear. The answer is simple – a return on investment commensurate with their risk given their other investment alternatives. That might sound simple enough, but how do professional dealmakers determine the likelihood of that happening? Business buyers look for several key drivers when considering an acquisition.

A value driver measures systems, processes, strategies, resources, etc., that create sustainable value. When you understand these, you begin to see more clearly what an objective outside person sees when they look at your company. Drivers fall into one of two groups– those you can influence and those you cannot. You can influence internal value drivers. External value drivers, at best, can just be understood.

### **External Value Drivers**

External value drivers include Industry Growth, Barriers to Entry, Market Size, Likelihood of Foreign Threats and Depth of Competition. A company operating in an industry with high growth is, of course, more favorable all things being equal. When difficult barriers to entry exist in a particular industry then companies operating in that industry have the potential for higher value relative to other companies. Companies operating in industries that have a large market size have greater opportunity when compared to their counterparts. Naturally, buyers also prefer companies where the threat of foreign competition is small and where there are fewer competitors.

Few companies measure well in all external value driver categories. In fact, many companies who operate with unfavorable external drivers still command a strong value in the marketplace. They understand the drivers and more importantly, they have strategic plans to respond and deal with them effectively.

### **Internal Value Drivers**

Key internal value drivers are Sales Trends, Gross Margin Trends, Earnings Trends, Uniqueness of Product or Service, Customer Concentration, Sales & Marketing Programs, Vendor Reliance, Management Team, Recurring Revenue, SOP, Business Plan, Infrastructure, Information Systems, Market Share, Reputation, Ease of Transfer, Technology or Process Advantages and Intellectual Property.

Some of the internal drivers are more important. The three key trends remain the most important - many business owners tend to bury their heads in the sand and ignore trends in sales, gross margins and earnings. Rest assured buyers will not ignore these trends – they are interested in solutions not excuses. Customer concentration, management team and ease of transfer are high on the list as well. Low customer concentration, a strong management team and a company that is easy to transfer help substantiate a higher value from prospective buyers.

As you reflect on these drivers with respect to your own company, remember there is no perfect company. Every company has struggles and challenges they must fight to overcome. In actuality, weaknesses are not all bad as they enable a buyer to see opportunity for improvement. So if you are curious how professional dealmakers will view your company, do a value driver assessment. From there, you can look to resolve weaknesses, overcome threats and build on your strengths.

### **Value Driver Assessment Scorecard**

Does your company have what business buyers really look for? Use our Value Driver Assessment Scorecard to rate your company (based on 22 key value drivers) to find out. Select “1” for the

---

lowest score and "5" for the highest. Skip any value drivers that are not applicable to your company. Do not worry about your overall score. The goal is to get a clear picture of your company's strengths and areas for improvements.

<b>Value Drivers</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Positive Sales Trend					
Positive Gross Margin Trends					
Positive Profit Trend					
Uniqueness of your Product/Service					
Low Customer Concentration					
Strong Sales & Marketing					
Low Vendor/Supplier Reliance					
Strong Management Team					
High Recurring Revenue					
Accurate Business Plan					
Strong Infrastructure/Location					
Strong Information Systems					
Large Market Share					
Strong History / Reputation					
Easy to Transfer					
Technology / Process Advantages					
Intellectual Property					
Distribution Leverage					®
Low Competition					
Insulated from Foreign Threats					
High Barriers to Entry					
High Industry Growth					
<b>Total</b>					

---

### **About Us**

VR Business Sales has attained the position as Alberta's market leader in the sale of privately owned companies. Our clients choose us because, through our proprietary marketing process, we are able to sell small and mid size businesses for its maximum value than are typically achieved. Since 1979, VR has built up a reputation based on trust, integrity and mutual respect.

---