

# The Growth Myth

Trey Prophater  
Partner – NAVIX Consultants



What does a *happy*  
exit look like to you?



Q: What makes one business more desirable to a buyer than another?

A



B



NAVIX<sup>®</sup>

A



\$20 million gross sales



B

\$10 million gross sales

A



B

\$20 million gross sales	\$10 million gross sales
\$2.0 million pre-tax profits	\$0.9 million pre-tax profits

A



B

\$20 million gross sales	\$10 million gross sales
\$2.0 million pre-tax profits	\$0.9 million pre-tax profits
Revenues & profits up 5% last few years	Revenues & profits flat last few years

A



B

\$20 million gross sales	\$10 million gross sales
\$2.0 million pre-tax profits	\$0.9 million pre-tax profits
Revenues & profits up 5% last few years	Revenues & profits flat last few years
Owner works 50 hours/week	Owner works 50 hours/month

A



B

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Top 20% customers = 80% revenue	Largest customer < 2% revenue



A



B

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Top 20% customers = 80% revenue	Largest customer < 2% revenue
Doesn't own its name	Registered company name/logo, copyrighted materials, & trademarks

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How things work sits inside the employees' heads	How things work sits inside various 3-ring binders

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How things work sits inside the employees' heads	How things work sits inside various 3-ring binders
Loyal key employees	Loyal key employees have long-term phantom stock with non-solicitation/non-competes

A



B

\$20 million gross sales

\$10 million gross sales

## How much your company did (Growth)

Revenues & profits up 5% last few years

Revenues & profits flat last few years

Owner works 50 hours/week

Owner works 50 hours/month

Top 20% customers = 80% revenue

Largest customer < 2% revenue

Doesn't own its name

Registered company name/logo, patents, & trademarks

How things work sits inside the employees' heads

## How your company did it (= Transferable Value)

How things work sits inside various binder

Loyal key employees

Loyal key employees have long-term phantom stock with non-solicitation/non-competes



Maximize the multiple. Reduce the risk.®

# 7 Drivers of Transferable Value



Answer the questions on Pages 1 through 3. When you reach Page 4, please stop and wait.



Page 1

Meeting Code (provided by NAVIX Point of Contact)

If no meeting code, enter "None"

NAVIX Point of Contact

Host Name (provided by NAVIX Point of Contact)

If no host, enter "None"

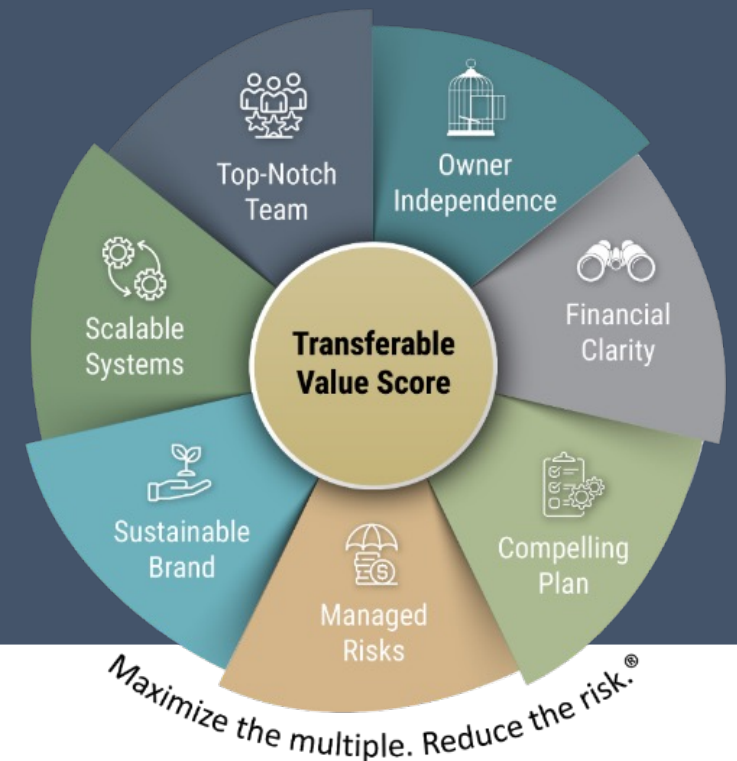
Today's Meeting Code:  
9500

Point of Contact:  
Trey Prophater

Host Name:  
Cam Marston

# Transferable Value Score Assessment

- Measures a company's Transferable Value across Seven Value Drivers incorporating 80 data points
- Used by thousands of companies
- Analyzes your company in three ways:
  1. Transferable Value Score – 0 to 100 points
  2. Exit Trouble Index – top 5 Red Flags
  3. Valuation Estimator – market-based estimate

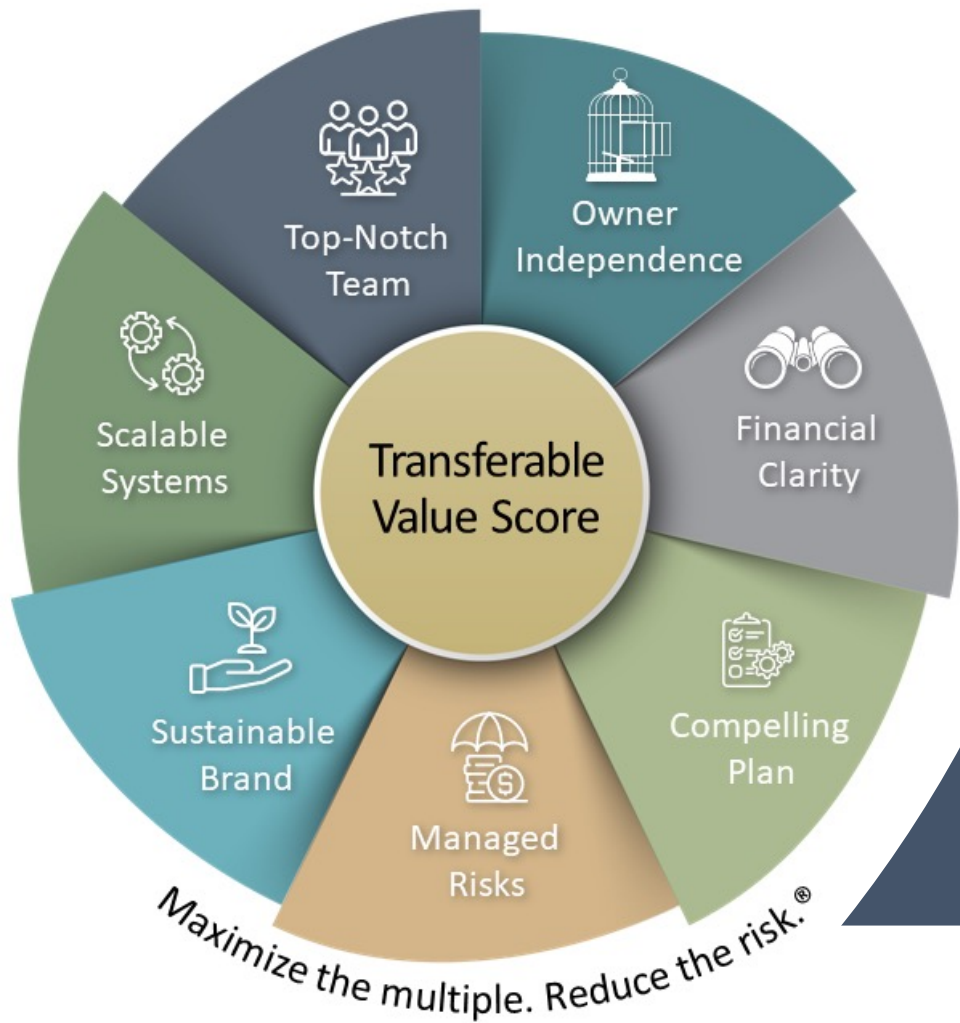


# House-Keeping

1. If you lead/own multiple companies, pick just one to assess today.
2. Valuation Estimator is skipped for persons who have 0% ownership.
3. If we do not finish the Assessment today, you can close the survey and complete it later.



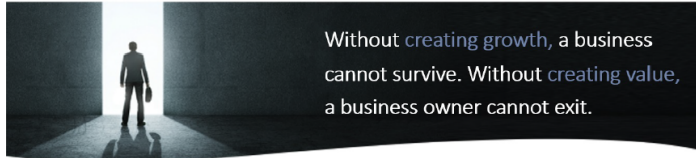




# 7 Drivers of *Transferable Value*

**Transferable Value Score**

Maximize the multiple. Reduce the risk.\*



Without creating growth, a business cannot survive. Without creating value, a business owner cannot exit.

Increasing revenue and profits will take you and your company far, but growth alone will not lead to a successful exit. At exit, your future buyers (or successors) will focus not only how much your company did, but also how your company did it.

Consider these two sample companies of the same size and in the same industry. Which one presents more value?

Widget Company A (\$20mm revenue / \$2mm EBITDA)	Widget Company B (\$20mm revenue / \$2mm EBITDA)
Large portion of sales from one or two key customers	Sales through a diversified customer base
Day-to-day operations run by the company owner(s)	Day-to-day operations run by a professional management team
No written growth goals or measurement against financial targets	Growth is measured against clear goals and financial targets
Company is people-dependent without formal processes	Company follows sustainable and scalable written processes

Company B has characteristics that will make it easier, less risky, and less expensive for a future buyer to acquire and grow that company, or a future successor to assume its leadership. We call these characteristics a company's Transferable Value.

**For business owners to happily exit one day in the future, they and their teams must create Transferable Value.**

The Transferable Value Score, with its 80 assessment questions organized into 7 Value Drivers, shows business owners and leaders how to increase company value today and at the future exit. Raising your company's Transferable Value Score is the path to achieving your exit goals, such as maximizing company value, exiting on your own terms, and building a sustained business legacy.



# Sample TVS Individual Report



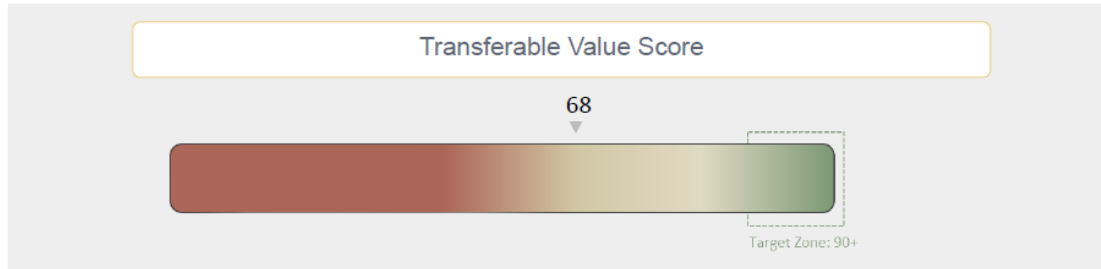
## Transferable Value Score

Maximize the multiple. Reduce the risk.®



Company:	██████████	Assessment Date:	03/24/2023
User:	██████████	NAVIX Consultant:	Patrick Ungashick

Transferable Value refers to the intangible conditions within your company, unrelated to revenues or profits, that impact your future exit success. Without adequate Transferable Value, you will find it difficult and perhaps impossible to achieve your exit goals. Review this report's findings to identify strengths and improvement areas to address now to prepare for your future exit.



This Transferable Value Score is: **Moderate**

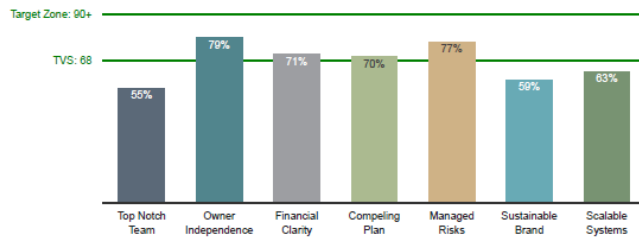
A Moderate Transferable Value Score indicates that while the company currently has some characteristics that positively influence its potential sustainable value to a future buyer or successor, but there are multiple issues that require attention from the company's leadership to improve the company's value. A Moderate score indicates that the company may not present a future buyer or successor with enhanced value compared to the company's peers.

*Sample:*  
Your  
Transferable  
Value Score



## Scores by Driver

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*Sample:*  
Your Score by  
Value Driver

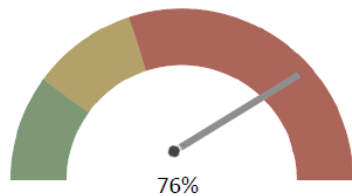


## Exit Trouble Index

The Exit Trouble Index evaluates the likelihood that you will not be able to achieve your exit goals due to limitations in the company's Transferable Value. A higher score indicates greater risk and a higher probability of exit failure.

The Exit Trouble Index **Red Flags** are the five highest-priority issues to consider addressing to reduce risk that you do not exit successfully, either in the event of an Outside Sale or in the event of an Inside Sale or Family Transition.

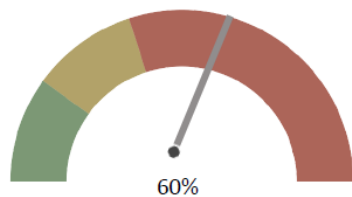
### Outside Sale



#### Top-5 Red Flags

1. Recent EBITDA trajectory
2. Recent revenue trajectory
3. Potential for key team departures
4. Customer concentration
5. Outstanding tax issues

### Inside Sale or Family Transition



#### Top-5 Red Flags

1. Lack of successor CEO
2. Customer concentration
3. Recent EBITDA trajectory
4. Outstanding tax issues
5. Recent revenue trajectory

# Sample: Your Exit Trouble Index



## Valuation Estimator

The Valuation Estimator starts with an estimate of the overall valuation range and then calculates an estimated valuation range for your company, based on your answers to this assessment's questions. It is important to note that this is only an estimate. For example, the actual value of your company at sale can only be determined by soliciting offers from qualified buyers. In addition, this estimate is not a substitute for a formal valuation of your company. Rather, this report can help you prepare for exit by calculating how your company's strengths and weaknesses in Transferable Value may impact the price the company commands at sale, as well as your ability to achieve other exit goals and objectives.

The Valuation Estimator is provided only to individuals who hold an ownership interest in their company. *Do not share your Valuation Estimator with other individuals from your company who lack an ownership interest, unless you intend to disclose this valuation data.*

The findings below are based on information you provided in this assessment, weighted to reflect the preferences, issues, and concerns common to many business buyers and successors. Review these results with your NAVIX Consultant. Improving Transferable Value prior to exit can improve the multiple you receive at exit.

### Multiples Range

	<u>Low</u>	<u>Median</u>	<u>High</u>
All Companies in Medical Staffing:	6.0x	7.5x	9.0x
Estimated Valuation Range for [REDACTED]	5.8x	6.6x	7.3x

### Estimated Normalized EBITDA Valuation Range

	<u>Low</u>	<u>Median</u>	<u>High</u>
Based on Assumed Normalized EBITDA of \$4.0 million	\$23.2	\$26.4	\$29.2

Increasing your company's Transferable Value Score can improve the company's applicable multiple at your exit, which in turn can increase the company's value to a buyer or successor. Whether the intention is to exit in the near term or many years from now, focusing on Transferable Value can also help create a better business today.

Maximize the multiple. Reduce the risk.®

# Sample: Your Valuation Estimator



## Multiples Range

	<u>Low</u>	<u>Median</u>	<u>High</u>
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## Key Points

- Growth  $\neq$  Value
- To create happy exits for everybody, leadership teams must create value while pursuing growth
- All companies go through exit events—it is a strategic issue to discuss and address years before it likely happens
- Preparing a company for future exit is the same as making a great company for today





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## For More Information



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