

BUSINESS VALUATION FACTORS

The value of your business is influenced by many factors. Recognizing which factors you can influence and which will provide the greatest increase to the transactional value of your company, is empowering. Pharus Group can provide a complimentary valuation analysis and walk you through our valuation scoring process to help you better understand ways to make your operation more attractive to investors.

NEEDS IMPROVEMENT

(< 3 times earnings)*

CUSTOMERS

- Top 3 customers >90% of revenue
- MSA with PO's
- Local moms / pops are only customers
- Owner takes all the phone calls from customers
- Non-recurring / project revenue

BETTER

(4 to 6 times earnings)*

- Top 10 customers <50% of revenue
- Annual Contracts
- Middle market / regional businesses
- Dedicated sales people on the team
- Mix of one-time / recurring revenue

BEST

(7 to 10+ times earnings)*

- No customers more than 5% of revenue
- Multi-year contracts
- Blue chip multi-nationals
- Full sales team that manage customers
- Small or large recurring purchases

INDUSTRY + END MARKETS

- Completely discretionary
- Small market size that is shrinking
- Boom or bust
- Heavy government pressures / regulation that contrain the business

- Should / need to have your solution
- Low market growth
- Cyclical business; correlated to GDP
- Heavy government pressures / regulation that promote the business

- Product / services is "non-discretionary"
- Large market; growing rapidly
- Steady business; grew through the recession
- Little government involvement

SUPPLIERS

- Top 3 suppliers >90% of revenue
- No contracts
- Core operations outsourced to supplier
- Suppliers can sell directly to your customer base

- Top 10 suppliers <50% of revenue
- Annual contracts
- Painful to switch suppliers but not a death blow
- Occasional / hybrid competition

- No supplier more than 5% of revenue
- Multi-year supply agreements with exclusivity
- Easy to bring in new suppliers
- Exclusivity / non-compete as part of contracts

COMPETITION

- High commodity products with low margins
- Thousands of competitors; no differentiation
- Easy for new competitors to emerge and copy what you are doing

- Limited alternatives to your products with average margins
- Balanced market share across the industry
- New entrants would require significant investment to compete

- Proprietary products with high margins
- Market leader with few competitors
- Significant capabilities that would be hard to recreate

MANAGEMENT & FINANCIALS

- Little to no accounting systems
- No CPA involvement
- One-man operation / no management team depth
- No professional accounting staff

- Limited information systems
- Compiled or Reviewed financials
- One or two-person senior management team
- Controller on staff

- Sophisticated information systems
- Audited financials
- Well-rounded management team
- Full time CPA/CFO on staff