



## Your Company Valuation: Why It Matters and How to Influence It

There are several ways to accurately calculate the value of a business you intend to sell or buy.

Many scenarios—on and off the balance sheet—can negatively or positively affect valuation. The valuation of your business is determined by a combination of **Cash Flow Factors** and **Risk Factors**. Below are specific takeaways you can immediately implement to increase valuation while also reducing risk.

### ● PART 1: Cash Flow Factors that Impact Your Valuation

**1 Know Your EBITDA**  
Nearly all businesses are valued on a basis of EBITDA, serving as a measurable proxy for cash flow.

**2 Identify Owner Expenses**  
Many business owners incur expenses that will not continue under new ownership. Quantifying and validating these expense items leads to enhanced value capture for a seller.

**3 Reduce Capital Expenditures**  
All else equal, companies with high CAPEX requirements trade at a lower multiple than those with little to no CAPEX requirements.

**4 Control Working Capital**  
Working capital intensive business models require additional capital to grow, impacting valuation. Working capital typically becomes a valuable negotiating point in deal structure.

**5 Entity Structure Matters**  
The wrong entity structure for your business can create serious issues in your marketability and valuation at the time of a sale. Assuming buyers will acquire the stock of your company without applying a discount is not always a safe assumption.

**Risk Factors...**

## PART 2: Risk Factors that Impact Your Valuation

### 1 Customer Concentration

Reducing your dependence on any one or two customers minimizes risk and adds value.

### 2 Industry Concentration

Many industries cycle, and a company's ability to diversify cyclical risk enhances value.

### 3 Management Team

Buyers are interested in acquiring talent that is capable of operating the business and maintaining customer relationships.

### 4 Regulatory Risk

Government regulations create opportunity and risk. If a pen stroke by a politician can severely impact your business, find ways to diversify.

### 5 Foreign Currency Risk

If fluctuations in value of the dollar will materially impact your profits, hedge appropriately.

### 6 Project-Based Revenue Risk

Recurring revenue trumps project-based revenue. If the nature of your business is project-based, track and build a pipeline.

### 7 Obsolescence Risk

If you have the risk of a key product or service becoming obsolete, seek additional revenue streams.

### 8 Information Risk

Use credible security vendors to demonstrate that you prioritize protecting your client and business data.

### 9 Financial Statements

Transparent records substantiate claims of successful performance and support a higher valuation.

### 10 IT Data & Reporting

The ability to produce information on customers, suppliers, employees and products adds credibility to the story of your business.

## Meet a Few of Our Clients Who Have Recently Sold Their Businesses



**Meet Jim Marmon,**  
Owner of  
**Team Drive-Away**

#### Jim's Reason for Selling:

Gain liquidity and exit the business at a maximum value.



**Meet Anne Lewis,**  
Owner of  
**Anne Lewis Strategies**

#### Ann's Reason for Selling:

Reduce her ownership in the business and gain a partner to fuel growth.



**Meet Ian Rollo,**  
Owner of  
**Volant Aerospace**

#### Ian's Reason for Selling:

Better position the business for growth and move on to his next business endeavor.

To discuss your current range of value and likely buyers or investors, please contact us for a complimentary **Market Value Assessment**:

**Patrick Nolan, President** [pjnolan@nolanassoc.com](mailto:pjnolan@nolanassoc.com)  
Office: 314.241.0707 x122 Cell: 314.277.0693  
1401 S. Brentwood Blvd., Suite 915, St. Louis, MO 63144



- ➔ Current Range of Value
- ➔ Likely Buyers & Investors
- ➔ Sale and Recapitalization Scenarios
- ➔ Recommendations to Enhance Valuation

1976  
year founded

300+  
transactions

100+  
industries

Global  
experience