



paul  hoyt

Office Hours

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Welcome to Office Hours

- A relaxed, informal mentoring program
- Held every Monday at Noon Pacific Time
- All recordings, slides, and exercises are archived in our member's area
- All recordings are available on my YouTube channel:

www.YouTube.com/user/PaulHoyt

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The Reasons

- Being a successful small business owner can be a great experience!
- But it's tough - you need Education, Training, Tools, and Team to be successful
- I want you to get to know me

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The Reasons

- First and most importantly, I want you to know that I care about you.
- I want you to succeed in every area of your life, whatever that means to you.
- I want you to find the **greatness**, the **happiness**, the **divinity** within yourself, and then remember it, embrace it, and live it every day.

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My Passion

- To increase the survival rate...
- Accelerate the growth rate...
- And reduce the struggle rate of businesses in America

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My Vision...

- To help millions of CEOs and Entrepreneurs accelerate their business growth and enjoy greater harmony and balance in their lives
- To help them “Grow and Thrive and blast past Survive!”
- You can help by passing the word

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Office Hours Agenda

- In depth discussion of a business success principle
- Closing remarks, special offers, and invitation for next weeks session
- Open Q&A and coaching

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Join Us!

- Brilliant Business Groups on Facebook and LinkedIn
 - <https://www.facebook.com/groups/BrilliantBusiness/>
 - <http://bit.ly/BrilliantBusinessGroup>

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Join Us!

- Business Success Principle of the Day postings on both Facebook and LinkedIn
- Energy of the Day posting on Facebook
- Make comments, ask questions, share insights and “takeaways”
- “Like” my business page on Facebook

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Today's Topic:

What's It Worth? Valuing Your Company

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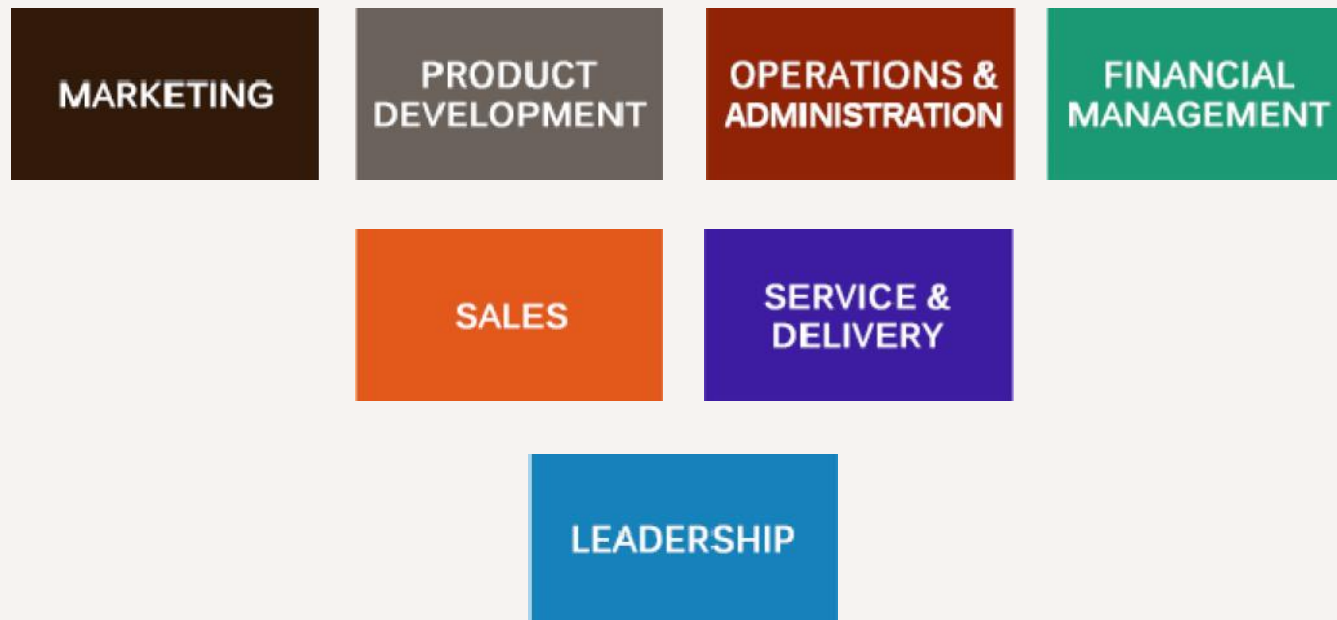
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The Key Performance Areas



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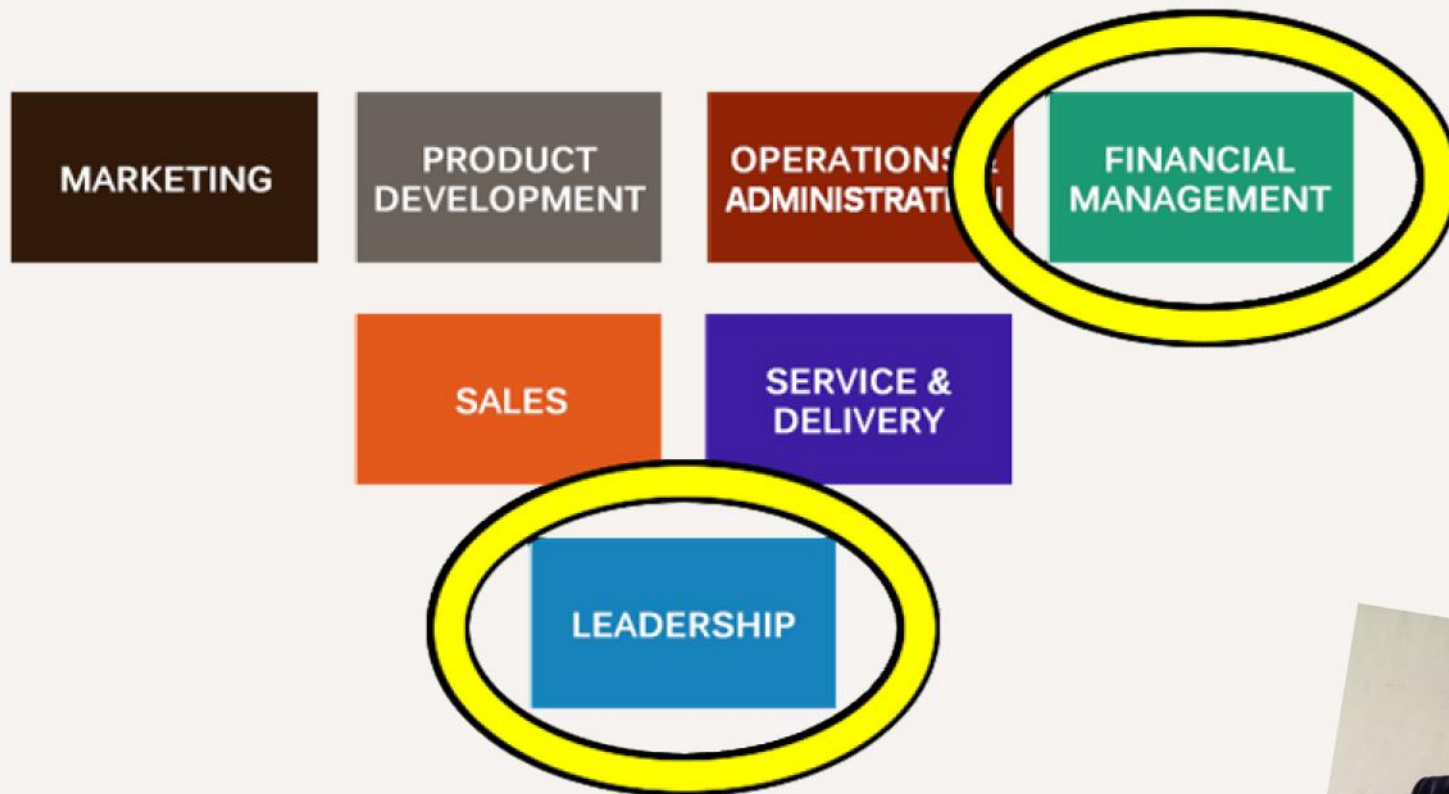
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The Key Performance Areas



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Agenda

- Reasons to get a valuation
- Where to get a valuation
- Definitions of Value
- Components of Value
- Approaches to Determining Value
- Factors Affecting Value
- Examples
- Valuing New Ventures
- The Bottom Line

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Reasons for Valuation

- Change of ownership
- Raising capital
- Loans
- Lawsuits
- Sale of assets
- Stock based compensation

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Stock Based Compensation

- IRS requires formal valuation opinion every 12 months to avoid tax penalties

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Change of Ownership

- New partner
- Departure
- Death
- Divorce

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Getting a Valuation

- Accreditation in Business Valuations (ABV)
- Certified Valuation Analyst (CVA)
- Business Broker
- Investment Banker
- CPAs, Attorneys, and Business Advisors
- Investors

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Definitions of Value

- Fair Market Value
- Liquidation value
- Investment value
- Strategic value
- Replacement / re-creation value

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Components of Value

- Cash flow
- Liquid assets
- Fixed Assets
- Intangible assets
- Liabilities

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Intangible Assets

- Intellectual property
- Customer relationships
- Contracts
- Artistic

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Approaches to Determining Value

- Market Value
 - Similar transactions
- Asset Value
 - Cost to replace
- Liquidation Value
 - Quick salvage value

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Approaches to Determining Value

- Financial Value
 - Cash flow
- Multiple of Revenues
- Multiple of EBIT and EBITDA

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Factors Affecting Value

- External (out of control)
 - Expanding, shrinking markets
 - Global economic conditions
 - Legislation
 - Customer preferences
 - Advances in technology

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Factors Affecting Value

- Internal (can be controlled)
 - Financial results
 - Team
 - Plans
 - Intellectual property
 - Quality of records

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Factors Affecting Value

- Appearance and intuition
- Transferability of value
- Ability to make more profitable
- Leverage (loans available)
- Risk
- Stage of business

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Major Risks

- Execution risk
- Economic risk
- Competitive risk
- Legislation risk
- Production risk
- Funding risk
- Market response risk
- Technology risk

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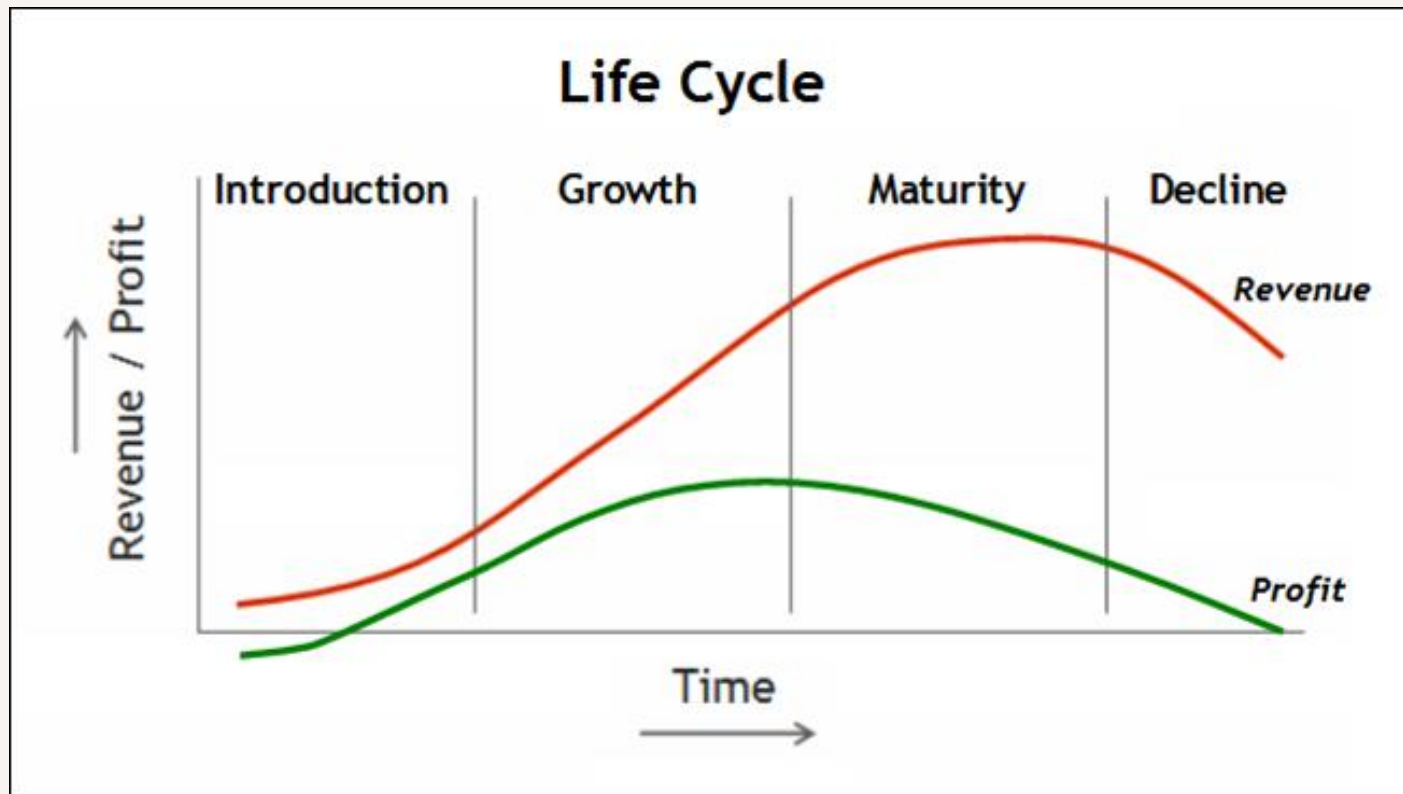
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Stage of Business



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Strategic Value

- Marketshare
- Customer base
- Competitive buffer
- Patents and other Intellectual Property

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Examples

- High Tech Company
- Product Company
- Service Company

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High Tech Company

- Intellectual property
- Team
- Competitive buffer
- Time to market
- Customer base
- Valued on: Strategic Advantage

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Product Company

- Cash flow
- Customer base
- Intellectual property
- Inventory, other physical assets
- Brand awareness
- Valued on: Multiple of Earnings

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How Much is Your Company Worth?

Range of EBITDA	Multiple of EBITDA
Less than \$1m	2 to 4 times
\$1m to \$2.9m	3 to 5 times
\$3m to \$4.9m	4 to 6 times
\$5m to \$9.9m	5 to 7 times
Greater than \$9.9m	6 to 8 times

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Service Company

- Customer base
- Cash flow
- Brand awareness
- Valued on: Multiple of Revenues

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Valuing New Ventures

- The Harvard Method
- The Dave Berkus Method
- The Scorecard Method

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The Harvard Method

- Aka “The Venture Capital Method”
- Estimate EBITDA 3-5 years out
- Determine an appropriate multiple
- Project the acquisition value
- Discount to the current time

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The Harvard Method – Example

- Earnings projected to be \$100,000 in 3 years
- Valuation Multiple is 5
- Company will be worth \$500,000
- A 50% ownership will be worth \$250,000
- For a 500% return, invest \$50,000 today
- Assumes no dilution

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The Dave Berkus Method

- Value each step of progress
- Sound Idea: \$1/2 million
- Prototype: \$1/2 million
- Quality Management Team \$1/2 million
- Strategic relationships: \$1/2 million
- Product Rollout or Sales \$1/2 million

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The Scorecard Method

- Determine average pre-money valuations
- Strength of the Management Team 0-30%
- Size of the Opportunity 0-25%
- Product/Technology 0-15%
- Competitive Environment 0-10%
- Marketing/Sales Channels/Partnerships 0-10%
- Need for Additional Investment 0 - 5%
- Other 0 - 5%



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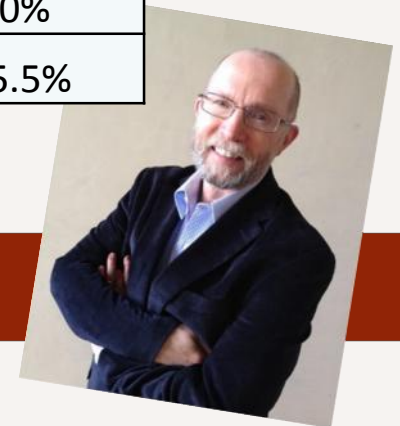
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The Scorecard Method

Comparison Factor	Max	Target Company	Factor
Strength of Team	30%	125%	37.5%
Size of Opportunity	25%	150%	37.5%
Product / Technology	15%	100%	15.0%
Competitive Environment	10%	75%	7.5%
Marketing / Sales / Partnerships	10%	80%	8.0%
Need for Additional Capital	5%	100%	5.0%
Other Factors	5%	100%	5.0%
Sum	100.0%		115.5%



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The Bottom Line

- Valuing a company is both an art and a science
- There are a lot of ways, and a lot of factors
- Every leader needs to understand the value drivers and be focused on them

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Homework / Exercises

- Project your company's value today and 3-5 years out
- Determine your most critical value drivers
- Develop a growth plan that increase the value of your business
- Get coaching and support to manage the process

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Open Q & A and Coaching – in a minute

- Comments and questions on the topic of the day, then any other issues
- Tell me what your biggest “take-aways” are and what insights you gained from this presentation
- Tell me what you are going to focus on

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Our Support Services

- Education
- Training
- Consulting
- Coaching
- Growth Management
 - A “Do it With You” service!

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Our Support Services

Service	Teach You	Do It With You	Do it For You
Education	X		
Training	X		
Coaching	X		
Advising / Mentoring	X	X	
Consulting		X	X
Growth Management		X	X

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New Program: The Awakened CEO System

- For those who are not only building the business of their dreams, but also becoming the person they have always wanted to be
- Introductory webinars and coaching calls are coming
- Call me for more information

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Next Office Hours: March 2nd

- Topic is: Great Agreements
- Let me know what topics you would like for me to address: www.PaulsSurvey.com
- Do your homework!

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Open Q & A and Coaching

- Comments & questions on the topic of the day
- Any other issues
- Your take-aways and insights
- Survey: www.PaulsSurvey.com

Contact Me at paul@paulhoyt.com
call or text: 415.997.8001

- www.SchedulePaul.com

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