



## Because who wants to be average?

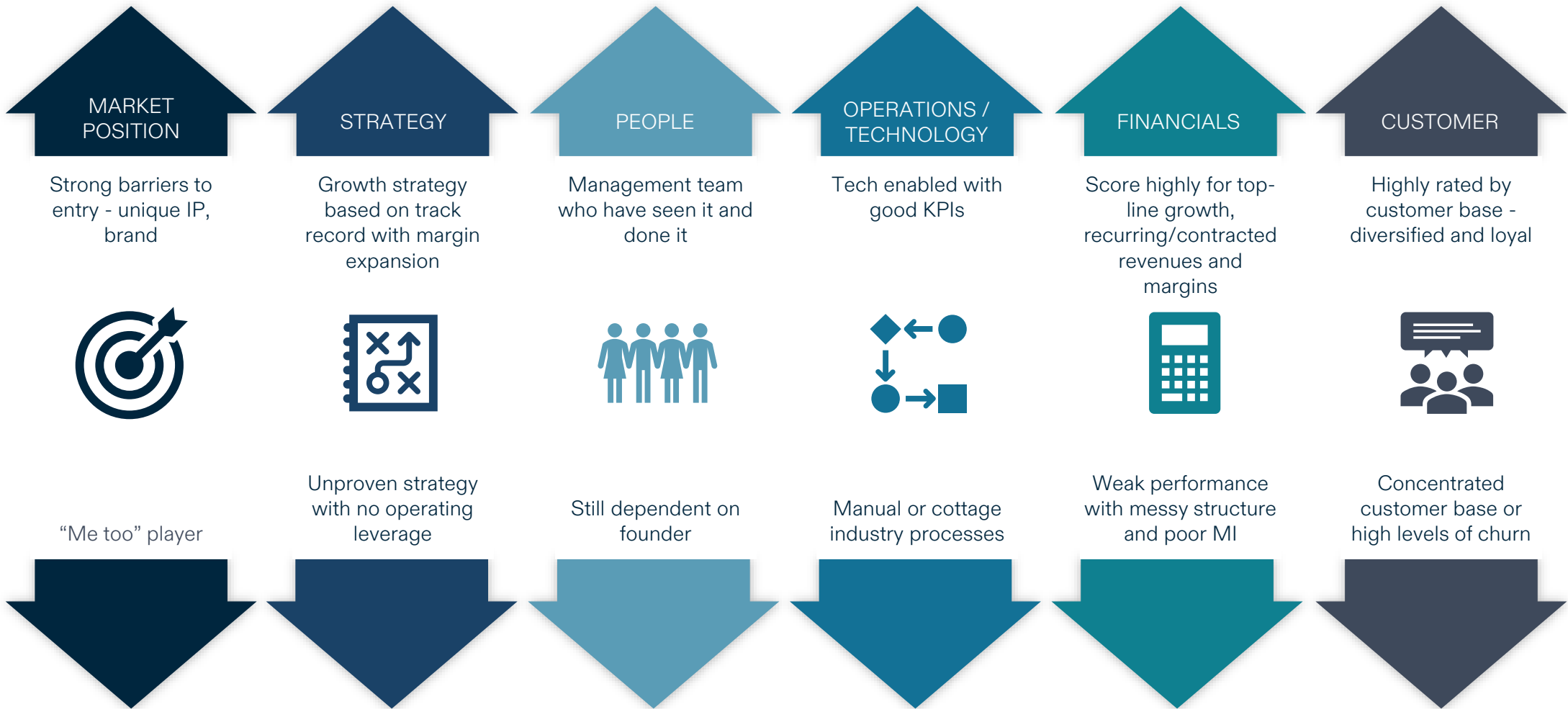
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For any given sector, there will be a range of EBITDA multiples at which companies in the sector will typically be sold. Where a company falls within that range will be determined by how it rates against a set of key value drivers, some of which – like the value drivers in the following table - will apply to all sectors and some of which may be sector specific.

In order to achieve the highest possible multiple for a company in your sector, well in advance of a sale, you need to assess the company's current position relative to these key value drivers and decide what actions are required to ensure that the company achieves the highest possible rating in relation to each of them before a sale process is launched. An action plan with a timetable will need to be put in place to execute the action points identified.

# Best in class in your sector and gap analysis

## Premium multiple



## Discounted multiple

## Track key value drivers in MI to determine launch:

One of the keys to success is to drive the same focus in the management team on improving these value drivers as likely already exists for achieving planned financial performance.

A great example of this was on the sale of an IT services business we were involved with. The Board of that business created a Traffic Light report in their monthly management pack to track the status of these value drivers in the run up to sale.

| KPIS / VALUE DRIVERS | BEFORE PREP | AT SALE | ACTIONS  |
|----------------------|-------------|---------|--|
| Management team      | ●           | ●       | SMT org chart – evidence in current roles for min. 6 months        |
| Recurring revenues   | ●           | ●       | > 50% annuity  |
| Margins              | ●           | ●       | Gross margins > 40%  |
| Cross selling        | ●           | ●       | Number of services provided to key accounts. Sales plan for others |
| Customer retention   | ●           | ●       | > 90%  |
| Cash conversion      | ●           | ●       | > 80%  |

This focus enabled them to take action in the business to improve their rating. For instance, the ability to cross sell multiple services to customers was key to showing the value of their customer relationships. The business changed its commission structure for salespeople so they had an extra incentive on a deal value made up of cross sold services compared with the same value for a single service. The result was that in the 18 month period before sale the cross-sale point was proven and supported the premium price offered by the buyer when they got to due diligence.

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