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Graddon Equity Advisors
BUILDING BETTER EXIT STRATEGIES

10 Things That Make Your Business More Valuable Than That of Your Industry Peers

The value of your company is partly determined by your industry. For example, cloud-based software companies are generally worth a lot more than printing companies these days. However, when we analyze businesses *in the same industry*, we still see major variations in valuation. So we dug through the data available to us from our partners at The Sellability Score and we found 10 things that will make your company more valuable than its industry peer group.

1. Recurring Revenue: The more revenue you have from automatically recurring contracts, the more valuable your business will be to a buyer. If you can find some form of recurring revenue it will make your company much more valuable than those of your competitors that rely on a large percentage of one time jobs.

2. Something Different: Buyers buy what they cannot easily replicate on their own, which means companies with a unique product or service that is difficult for a competitor to knock off are more valuable than a company that sells the same commodity as everyone else in their industry. In our industry of facility services we can benefit from finding a niche service where specialized knowledge is required to do it well.

3. Growth: Acquirers looking to fuel their top line revenue growth through acquisition will pay a premium for your business if it is growing much faster than your industry overall.

4. Caché: Tired old companies often try to buy sex appeal through the acquisition of a trendy young company in their industry. If you are the darling of your industry trade media, expect to get a premium acquisition offer.

5. Location: If you have a great location with natural physical characteristics that are difficult to replicate (imagine an oceanfront restaurant on a strip of beach where the city has stopped granting new licenses to operate), you'll have buyers who understand your industry interested in your location as well as your business. In facility service companies there are geographic markets with larger average margins or better business climates than other areas. Acquisitions in these areas demand higher values.

6. Diversity: Acquirers pay a premium for companies that naturally hedge the loss of a single customer. Ensure no customer amounts to more than 10 percent of your revenue and your company will be more valuable than an industry peer with just a few big customers.

7. Predictability: If you've mastered a way to win customers and documented your sales funnel with a predictable set of conversion rates, your secret customer-acquiring formula will make your business more valuable to an acquirer than an Industry peer who doesn't have a clue where their next customer will come from.

8. Clean Books: Companies that invest in audited statements have financials that are generally viewed by acquirers as more trustworthy and therefore worth more. You may want to get your books reviewed professionally each year even if audited statements are not the norm in your industry.

9. A 2iC: Companies with a second-in-command who has agreed to stay on post sale are more valuable than businesses where all the power and knowledge are in the hands of the owner.

10. Happy Customers: Being able to objectively demonstrate that your customers are happy and intend to re-purchase in the future will make your business more valuable than an industry peer that does not have a means of tracking customer satisfaction.

Like a rising tide that lifts all boats, our industry typically defines a range of multiples within which your business is likely to sell for; but whether you fall at the bottom or the top of the range comes down to factors that have nothing to do with *what you do*, but instead, *how you do it*.

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