

Obtaining Premium Value for Your Company

By Robert Murphy, Senior Managing Director

A strong financial profile is one aspect to achieving premium value for your business. Companies with revenue growth rates and EBITDA margins above 10% for the trailing 12-month period (or one above 12% and the other metric at least 8%) received a **26% higher EBITDA multiple** compared to companies that did not meet these criteria, according to GF Data's August 2022 M&A report.

QUALITY PREMIUM – BUYOUTS ONLY

	2003-2017	2018	2019	2020	2021	YTD 2022	Total
Above Average Financials	6.6	7.8	7.6	7.7	8.0	7.7	7.1
Other Buyouts	6.1	6.4	6.2	6.1	6.1	6.1	6.2
Premium/(Discount)	108%	123%	121%	126%	131%	126%	115%
Incidence	56%	59%	52%	55%	66%	68%	57%

Source: GF DATA an ACG Company

While higher profit margins and revenue growth rates drive valuation multiples, there are also steps you can take to achieve a premium value when selling your company. These include:

- **Future Growth Plans** – Be able to articulate specific growth/expansion opportunities for the business. Growth opportunities impact valuation assessment. Create a growth vision for the buyer with as much supporting detail as possible. For example, if additional salespeople could drive growth from existing products/services, then detail specifics such as: how many to hire, candidate profile, where they would be located, compensation structure, markets to focus on and revenue targets for Years 1 and 2.
- **Risk Mitigation** – Identify and mitigate potential risk/concerns a buyer may have about the business. Be prepared to address issues such as customer or vendor concentration, high employee turnover, a recent spike in sales, or other potential buyer concerns are not a risk to future revenue and earnings.
- **Preparation** – Get the house in order, from financial reporting to business metrics, compliance and legal matters, and all business-related documentation. You'll need to be ready to answer challenging questions and information requests from buyers throughout an extensive due diligence process. You do not want a due diligence concern to re-price the deal or delay the closing. Time delays can kill a deal.
- **Reaching All Buyers** – To ensure you have found the best fit and obtained a premium value, all capable logical buyers should be contacted including, when applicable, those outside the U.S. Competition among buyers will help to drive value.
- **Engage an M&A Firm** – An experienced M&A firm should obtain a higher value for your business and significantly increase the odds of closing a successful transaction than you could accomplish on your own. If you are currently speaking with a potential buyer you think is capable, it's time to bring in an experienced M&A team to keep the buyer honest and push for a premium value.

Many factors contribute to determining a company's value. Company characteristics such as: revenue/profit size, growth history, depth of management, customer base, stickiness of revenue and competitive advantages, along with industry developments and the current M&A landscape influence how buyers will value your company.

By addressing the five points above, you can increase the odds of receiving a premium value for your company.

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