

How To Increase Your Reseller Business Value ASAP

By Jim Kahrs, President



Today's Agenda

- Importance of an exit strategy?
- The most important consideration.
- How is value determined?
- What is your business worth today?
- How can you build additional value ASAP?
- Your plan going forward.



Introduction – Jim Kahrs

29 years of office systems experience

- Sales, operational & executive management experience
- Dealership, manufacturer & consulting levels
- Work with RSPA & POS resellers

Prosperity Plus: Founded in 2001

- Real-world tools for improving profit, cash flow & growth.
- Marketing & promotion programs
 - Focus on creating professional presentations
- Mergers, Acquisitions, Succession Planning
 - Involved in over 125 sales/purchases/valuations
 - Value Builder System™
- Consulting programs based on industry experience combined with the highly successful Hubbard® Management System

Why do you need an exit strategy?

why?

- Continuation of the business
- How will employees be cared for?
- How will customers be cared for?
- Keep the legacy you've built alive
- Fund retirement or next phase of life

The Most Important Consideration...

What is **YOUR** next game?



So What's Your Business Worth?

- In most cases it is your single largest asset.
- The business returns you income & profits annually.
- It often provides other perks & benefits
 - Expenses paid through business
 - Tax benefits
 - Family employment
 - Flexibility & free time
 - Sense of purpose



Common Misconceptions?

- The biggest consideration in a business sale is the price paid.
- My business has little value if I'm not making a large profit.
- Selling a business is like selling a house.
- All buyers pay about the same price.
- My business is worth more today than it will be in the future.

How is Value Determined?



- Adjusted EBITDA over last few years
- Recurring revenues
- Customers/Installed base
- Employees
- Markets covered
- Vendors supported
- Future business potential

How is Value Determined?



- Valuation Formulas
 - Multiples of EBITDA
 - Multiples of revenue
 - Multiples of systems in field
 - Multiples of recurring revenue
 - Various other models
- The final determination
 - The business is worth what someone is willing to pay you for it.

How Do You Build Value?

8 Key Drivers of Value

1. Financial Performance
 - Profitability is critical
2. Growth Potential
 - Geographic scalability
 - Horizontal scalability
 - Vertical scalability
3. Switzerland Structure
 - Don't be too dependent on any suppliers, employees or customers



How Do You Build Value?

4. Valuation Teeter-Totter
 - Create strong cash flow
5. Recurring Revenues
 - This is the promise of future revenue
6. Create Monopoly Control
 - Avoid commoditization, create a differentiator
7. Customer Satisfaction
 - Can you prove how satisfied your customers are?
8. Hub & Spoke Structure
 - “You proof” the business

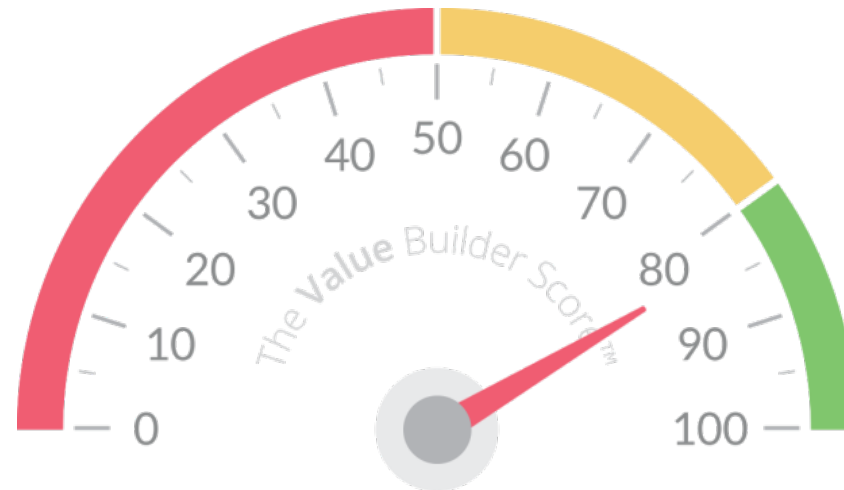


What Does a Plan Look Like?

- Begin the process early
- Start with the end in mind
- Focus on the 8 key drivers of value
 - You must have a plan for each
- Avoid the “pay no taxes game”
- Consider corporate entity change



Not sure what to do next?



Take the Value Builder Quiz,

See **your** score in each of the 8 Value Drivers.

Available free of charge at our website,

www.prosperityplus.com

Questions?



Thank You!!

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