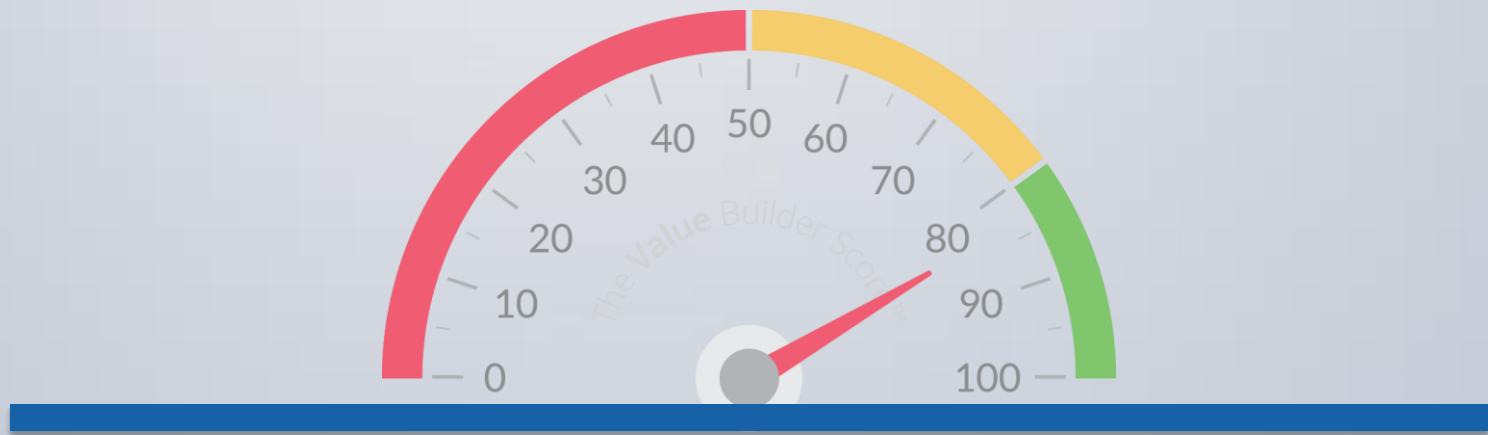


The Sellability Tracker

The **Value** Builder System™



www.ValueBuilderSystem.com

The Value Builder System™ is a statistically proven method for increasing the value of a company by 71%.

Objectives & Methodology

The Sellability Tracker is a quarterly study designed to track worldwide trends in the liquidity of privately held businesses.

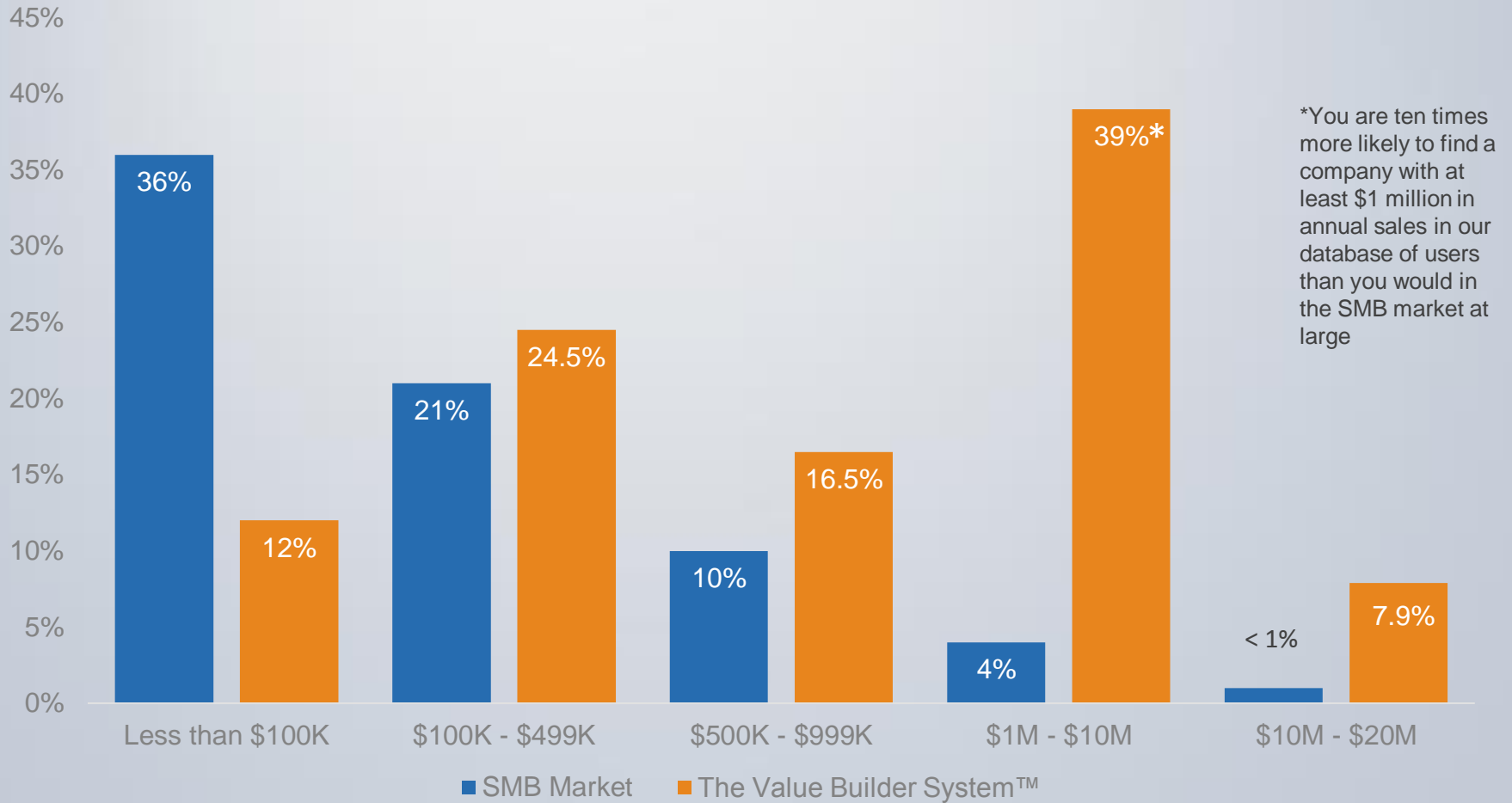
This study was conducted by the team at **The Value Builder System™**— a cloud-based software application that allows business owners to evaluate the “sellability” of their company.

We analyzed data from over 25,000 users of The Value Builder Score from around the world between July 1, 2012 and December 31, 2016. The majority of participants were from the United States, the United Kingdom, Canada, Australia and South Africa.

Findings are considered accurate +/-0.81% 19 times out of 20.

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SMB Market Vs. Value Builder Users

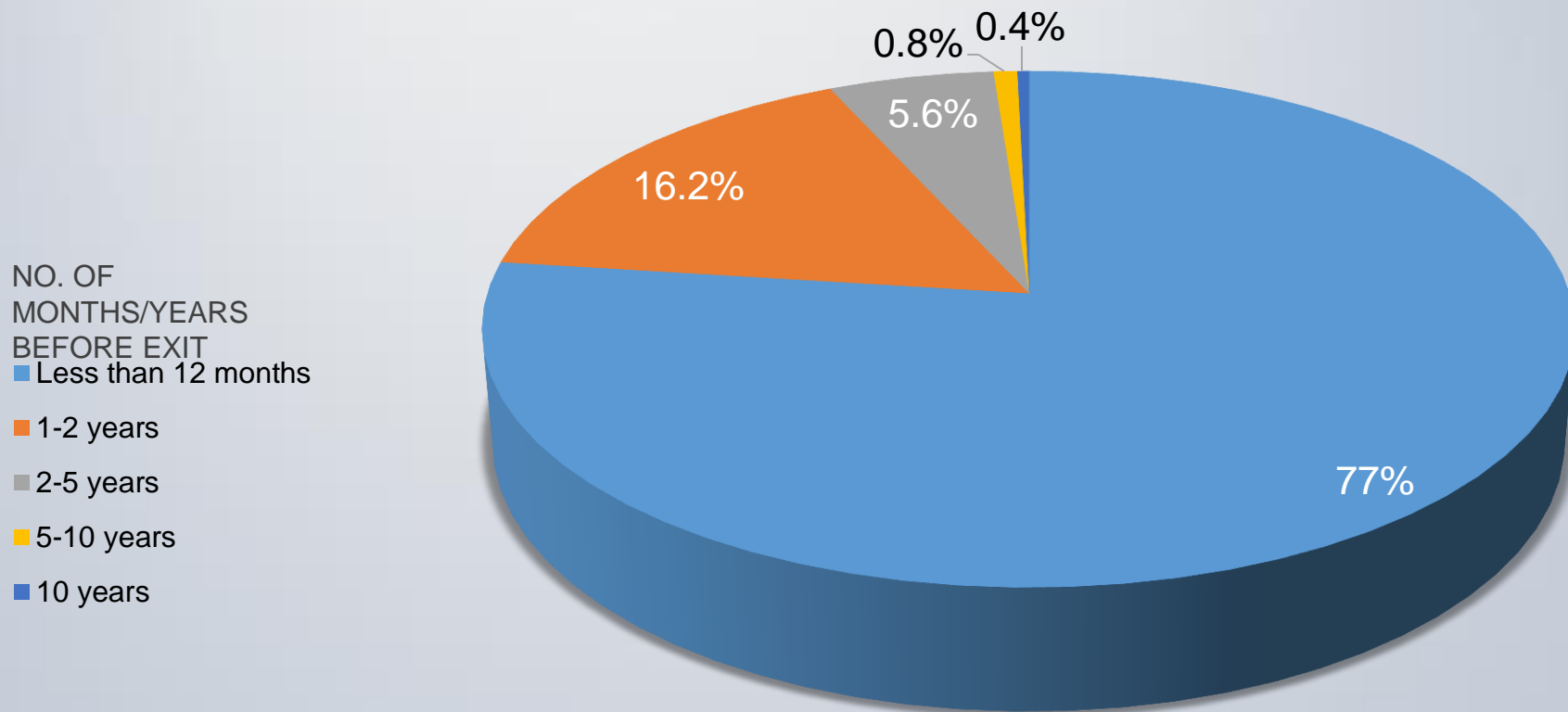


Source: US Census & The Company

n=23,422

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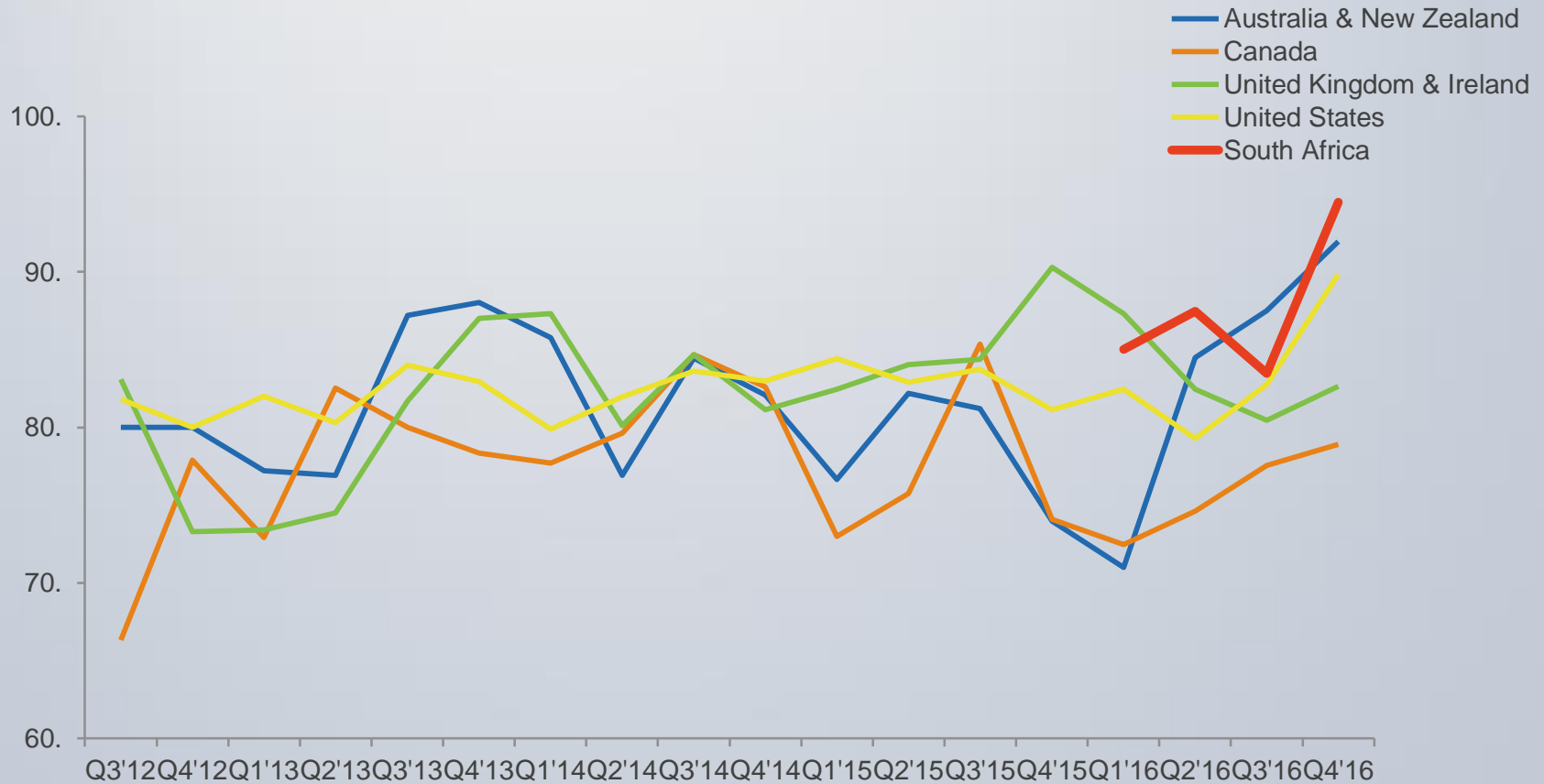
Three Quarters Of Users Are Less Than One Year From Exit



Significant increase in owner optimism

Q *“In the next 12 months, do you expect your revenue to...”*

% who expect their revenue to increase next year



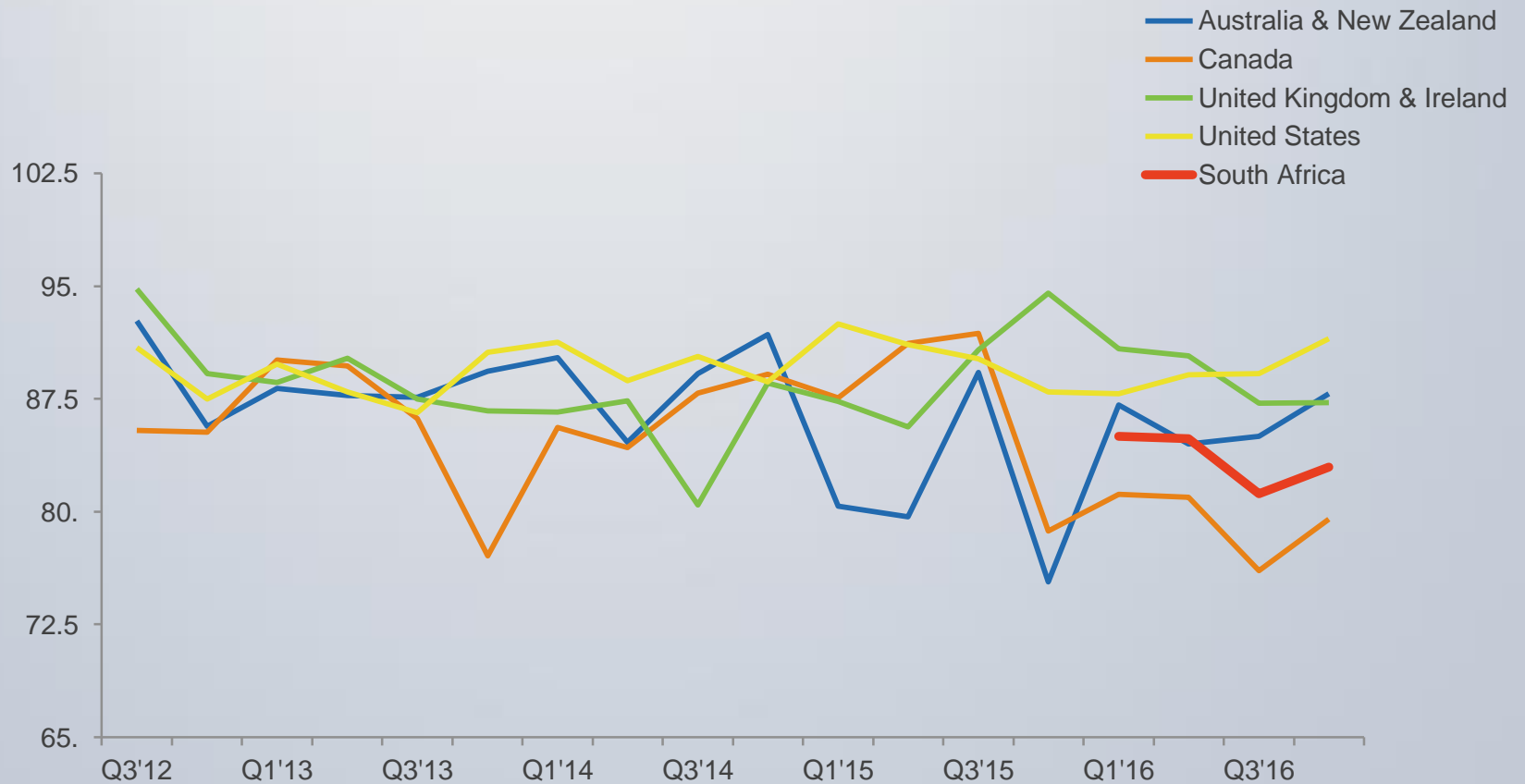
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They Believe Their Industry Is Still Growing



“Would you say your industry is...”

% who say their industry is growing



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Business Liquidity Index (BLI) has Increased slightly

Q “Have you received a written offer to buy your business in the last year?”

BLI =
(%receiving
an offer in
quarter X /
benchmark
%)*100



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Significant increase in multiples after Q3 dip



“What multiple of your earnings did the offer represent? Please estimate the multiple using the money (or other currency like stock) that was being offered at closing. Please do not include any money being offered in the form of an ‘earn out’, or management contract that was contingent on your future performance.”



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TRENDS SINCE INCEPTION: DEMOGRAPHICS

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Age

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Younger owners most likely to receive an offer...



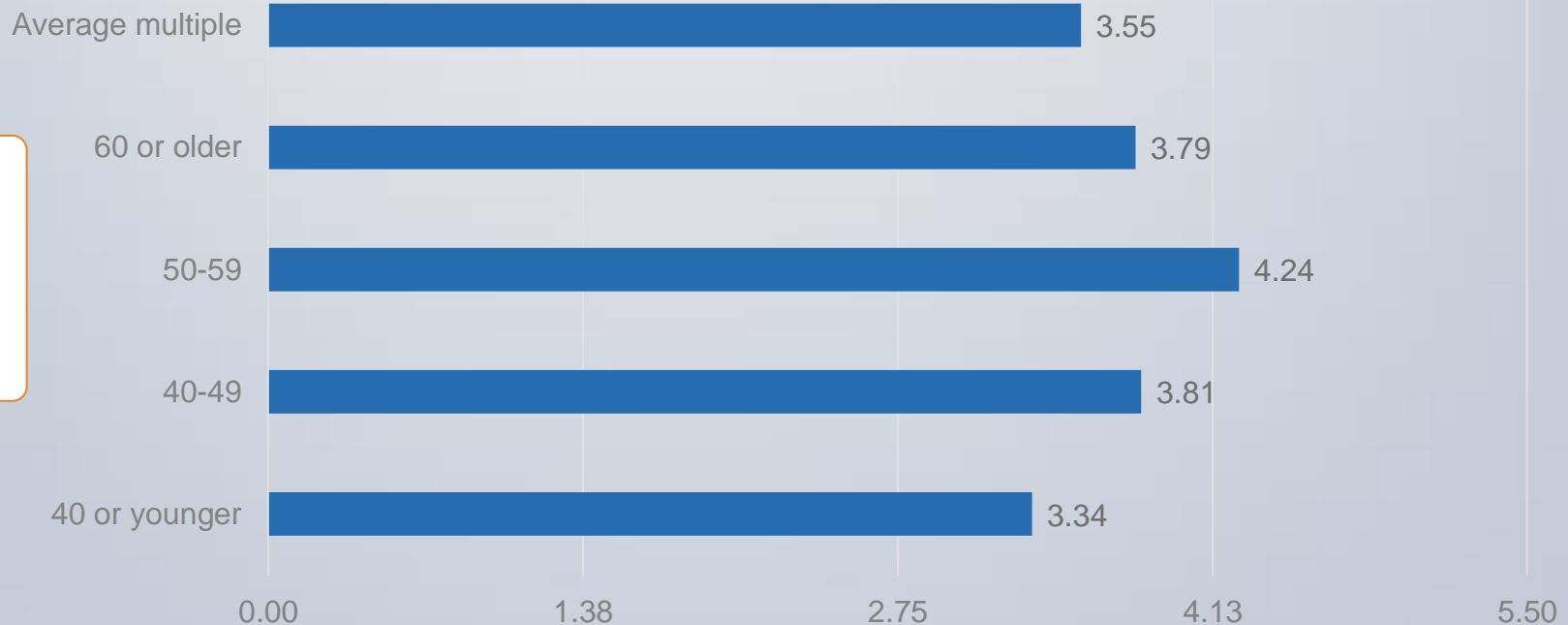
“Have you received a written offer to buy your business in the last year?”



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...but the value offered to younger owners is lower

Q *“What multiple of your earnings did the offer represent?”*



Comparing
average
multiple
offered

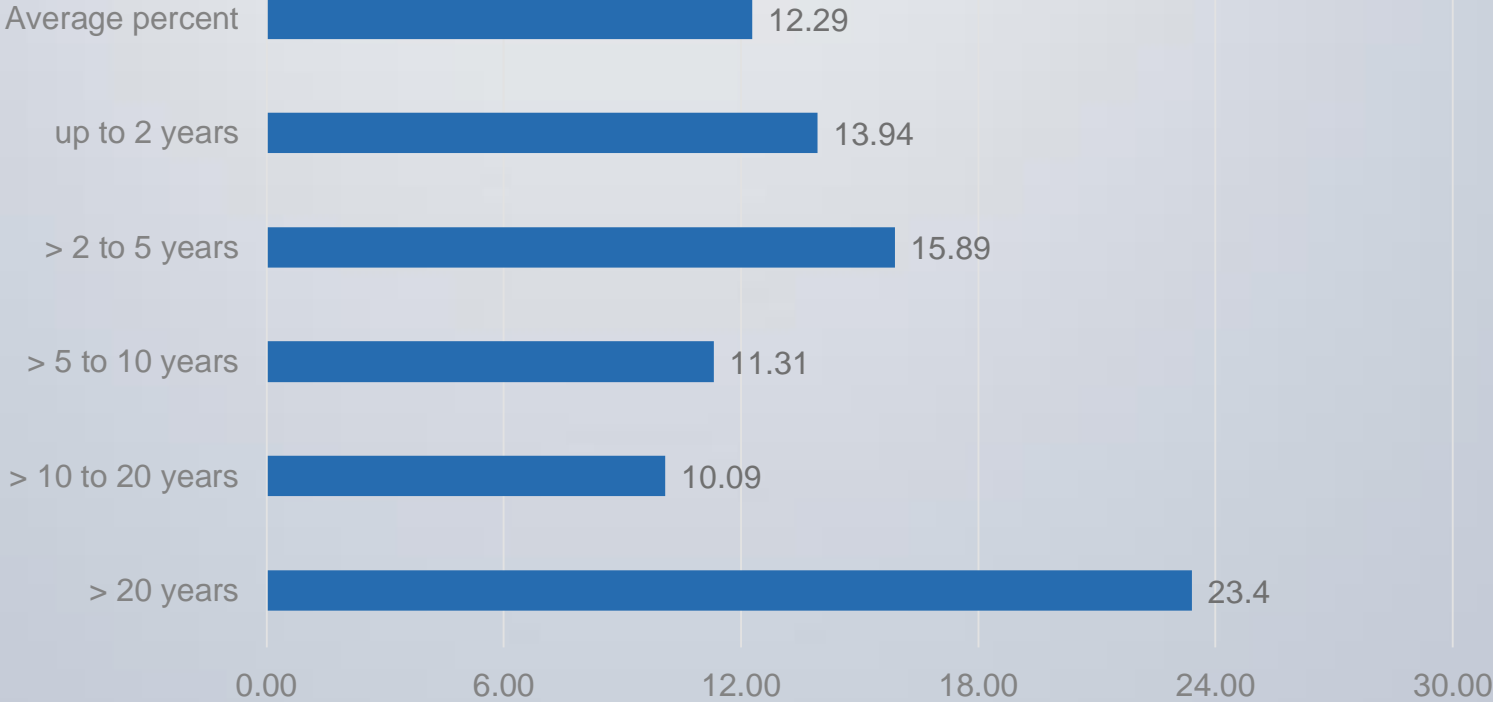
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The Long View

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Owners in it for the long haul twice as likely to receive an offer

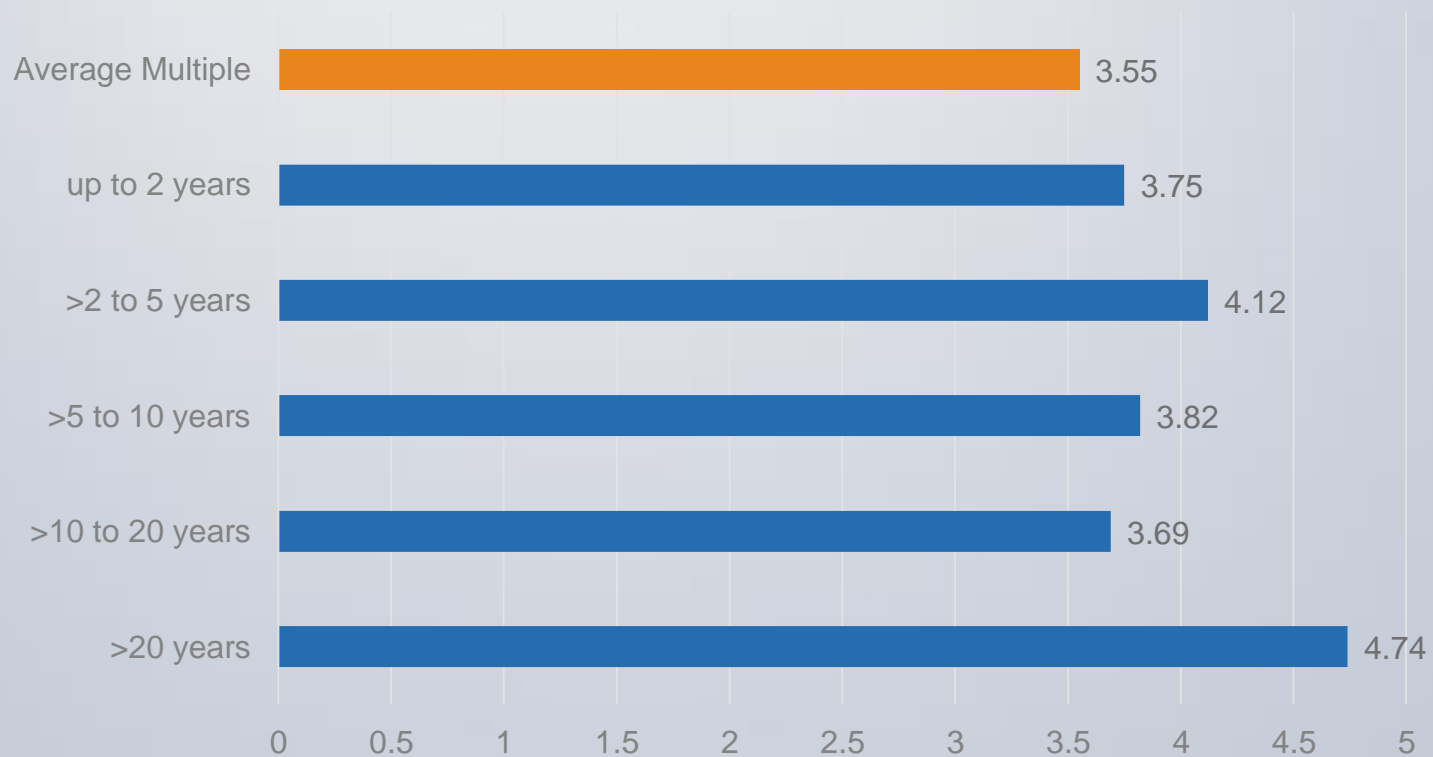
Q *“Have you received a written offer to buy your business in the last year?”*



% of respondents who received an offer in the last year

Long view owners get better offers too

Q *“What multiple of your earnings did the offer represent?”*



Comparing
average
multiple
offered

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TRENDS SINCE INCEPTION: DRIVERS OF VALUE

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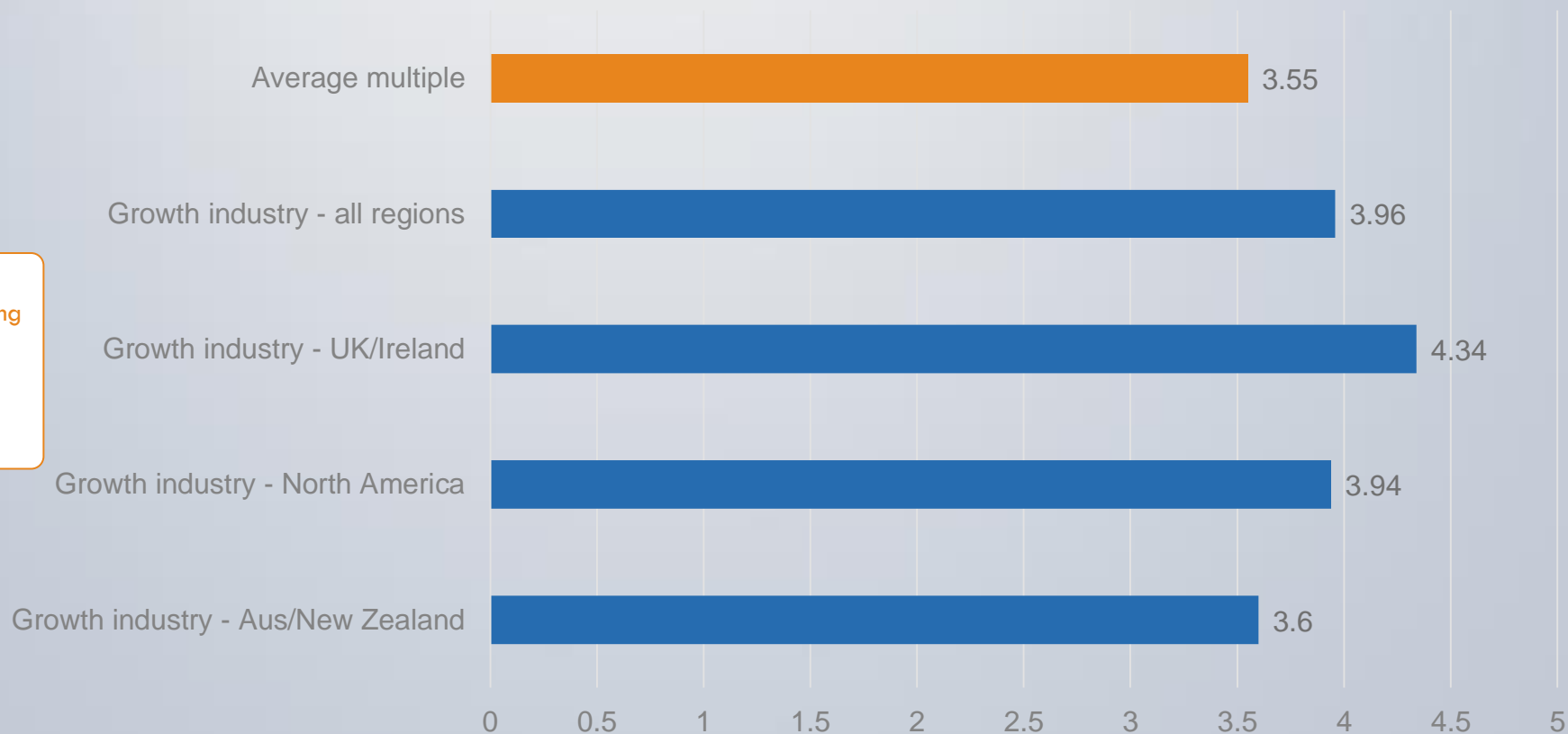
Rising Tide

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Companies in a growing industry typically get slightly higher average offers (especially in the UK)



“What multiple of your earnings did the offer represent?”



Comparing
average
multiple
offered

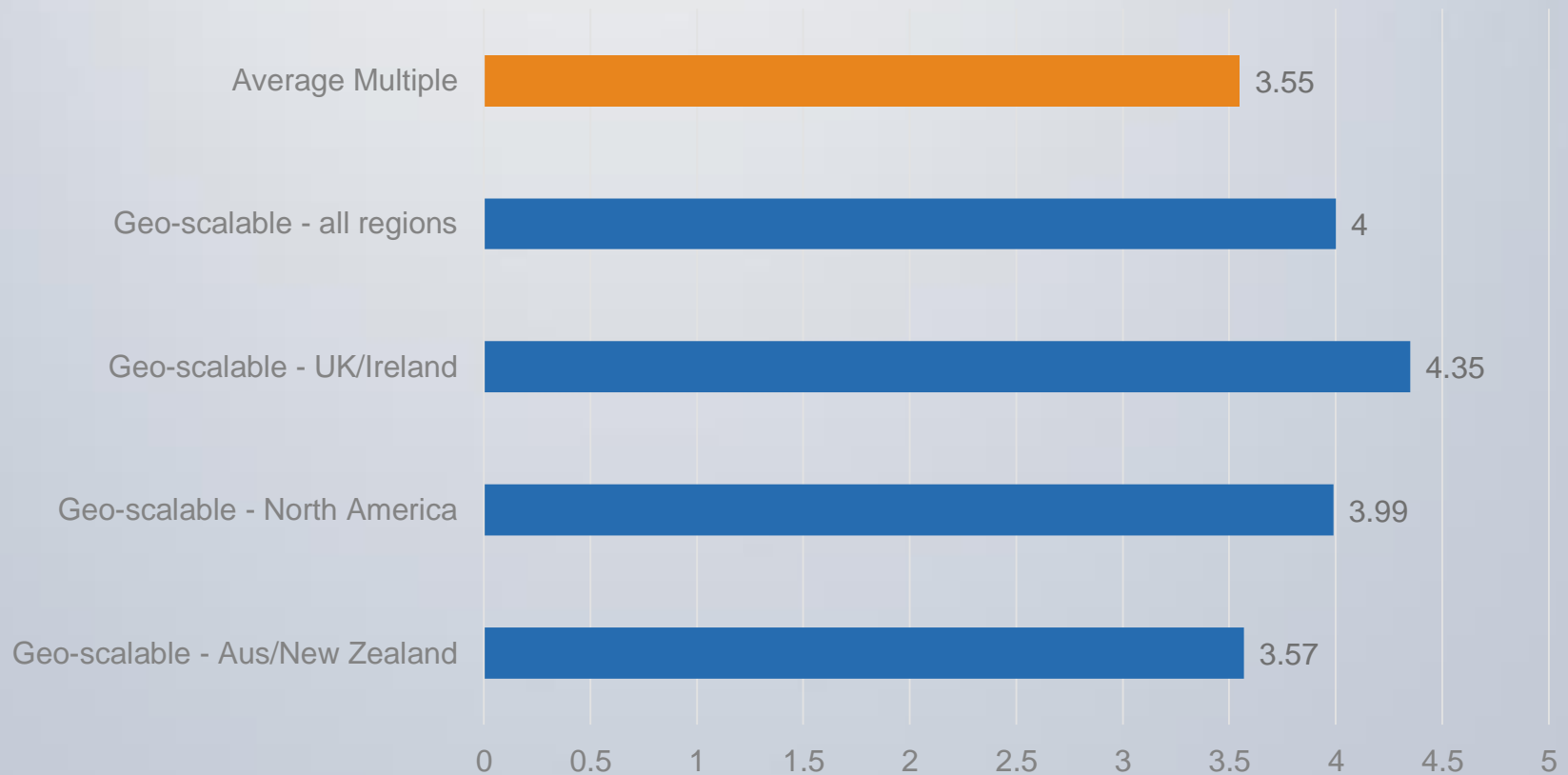
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Geo-scalable

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Companies with the potential to scale geographically typically get slightly higher offers... Less relevant in Down Under

Q *“What multiple of your earnings did the offer represent?”*



Comparing average multiple offered

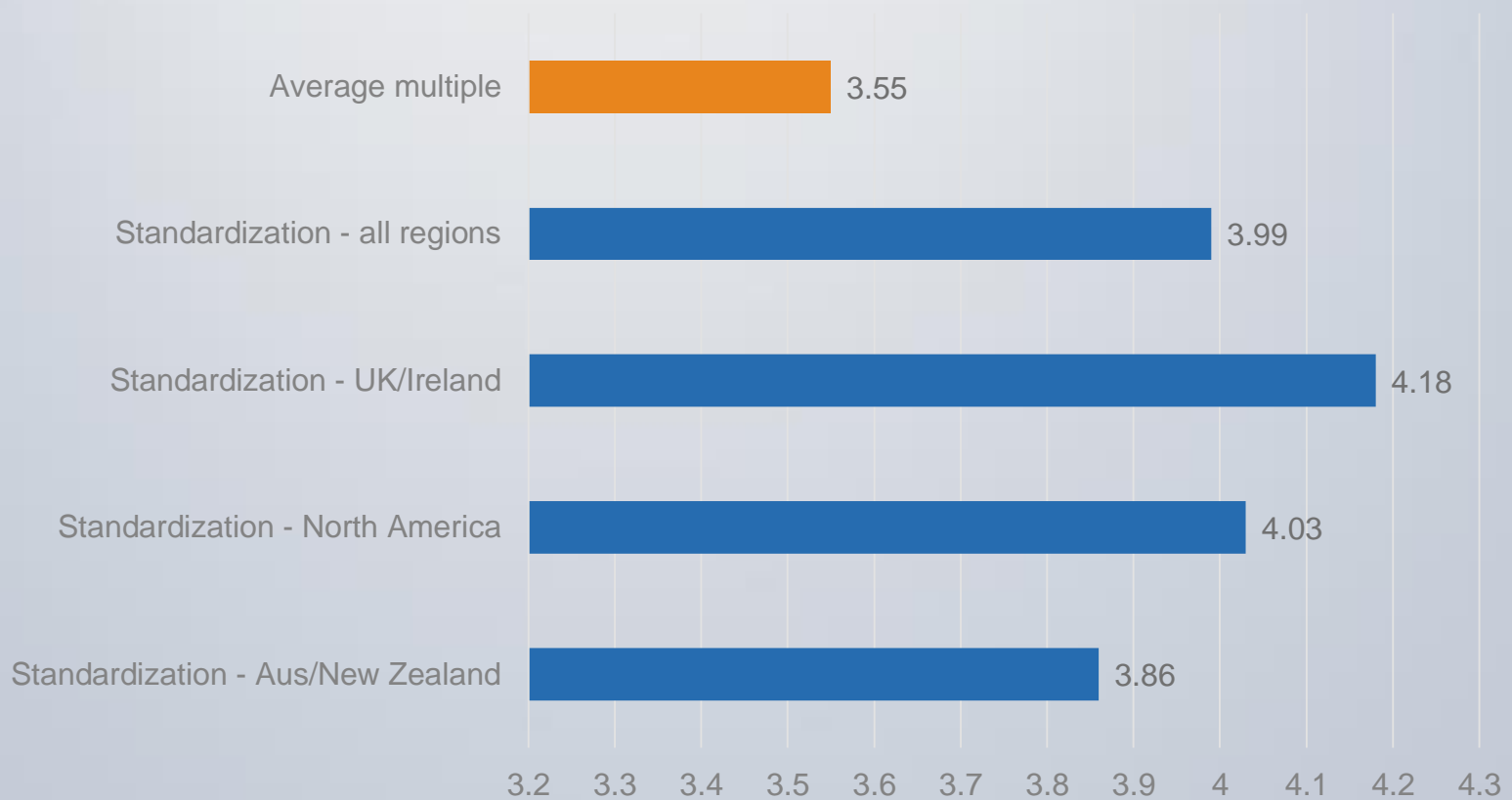
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Custom vs. Standard

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Companies that offer little or no customization to their product or service get somewhat higher offers

Q *“What multiple of your earnings did the offer represent?”*



Comparing average multiple offered

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Customer Relationship

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Owner relationship with customer

Q *“What multiple of your earnings did the offer represent?”*



Comparing average multiple offered

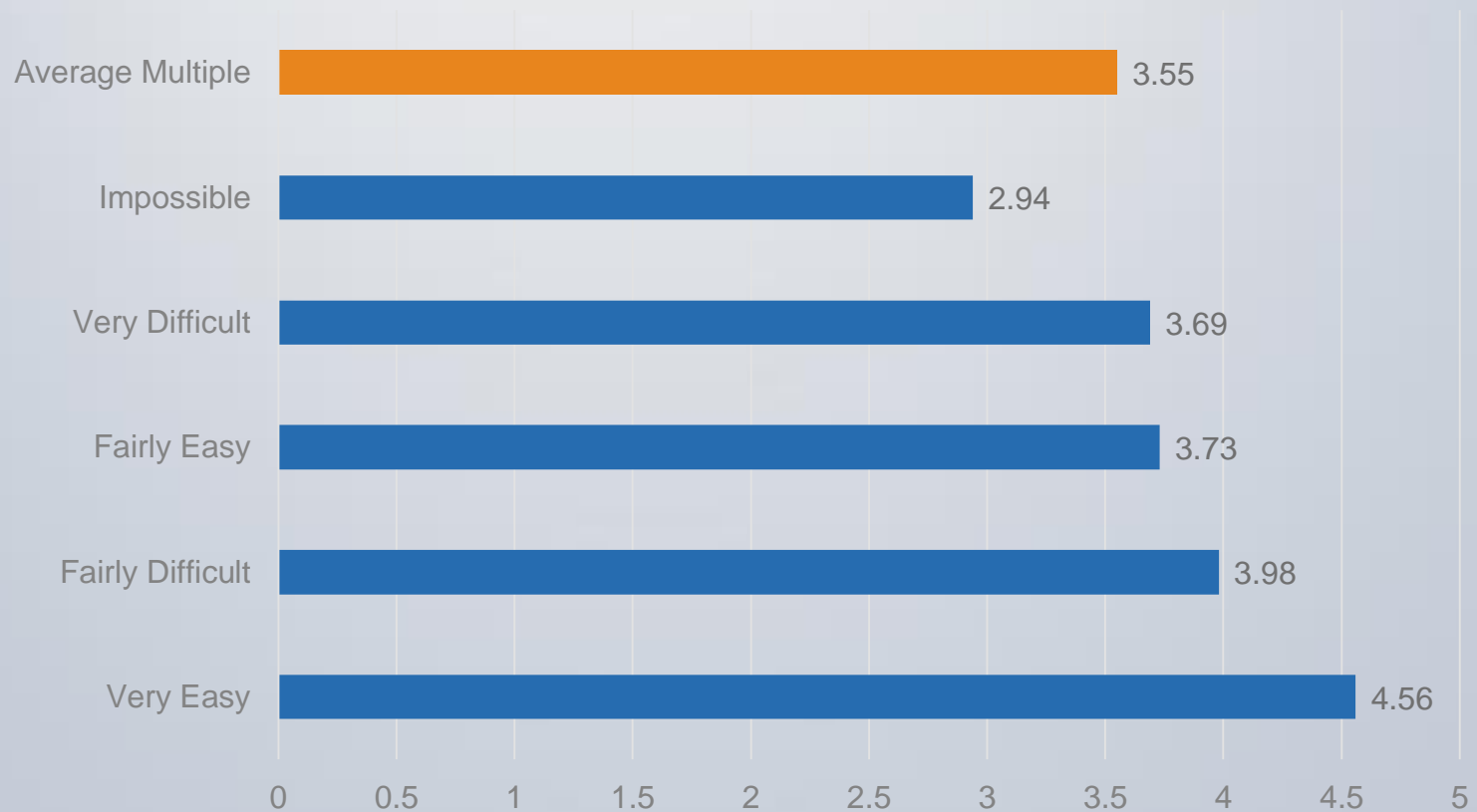
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Scalability

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How Easy Would It Be To Accommodate 5 X Demand?

Q *“What multiple of your earnings did the offer represent?”*



Comparing
average
multiple
offered

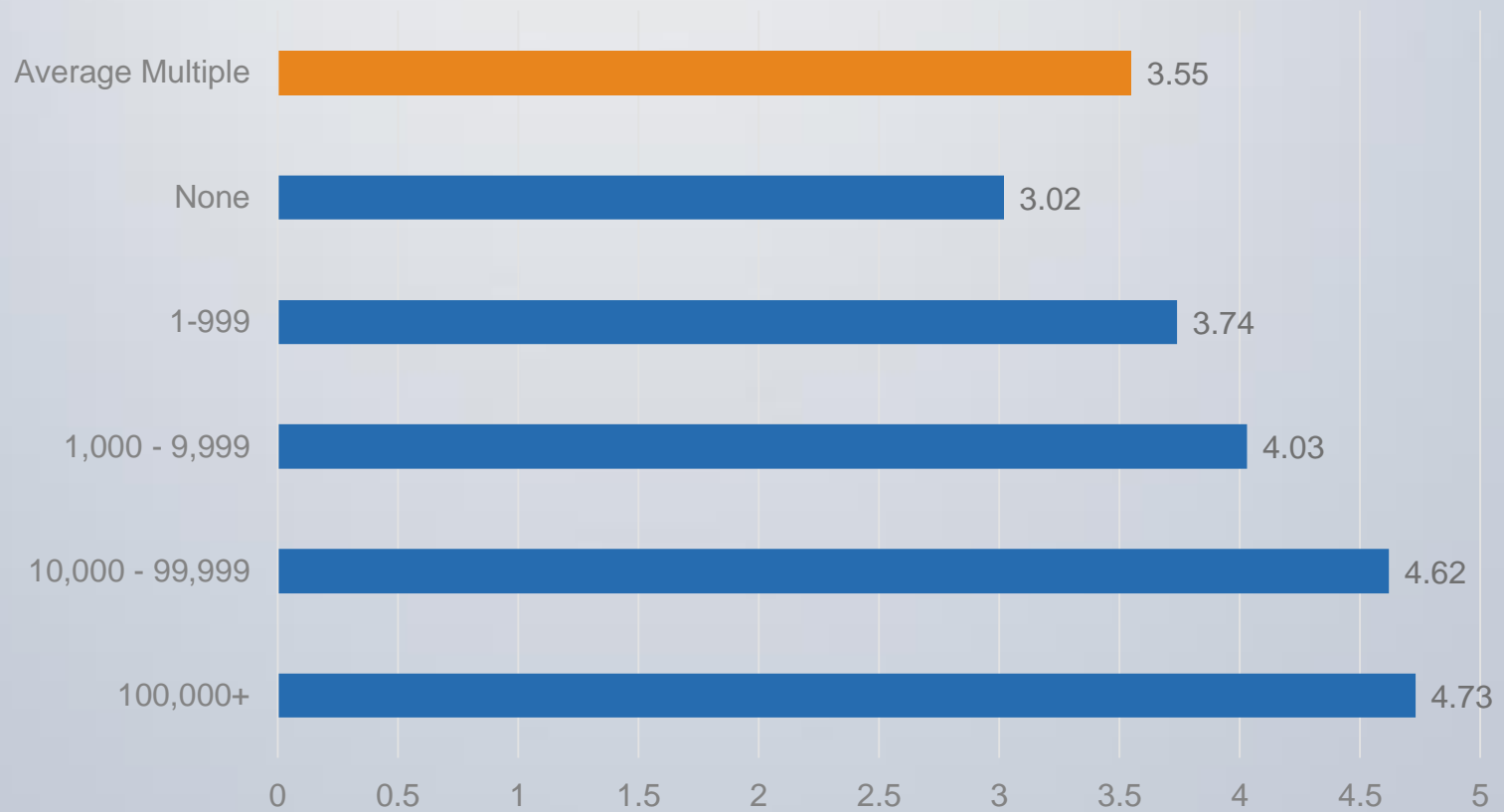
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Opt Ins

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How Easy Would It Be To Accommodate 5 X Demand?

Q *“What multiple of your earnings did the offer represent?”*



Comparing average multiple offered

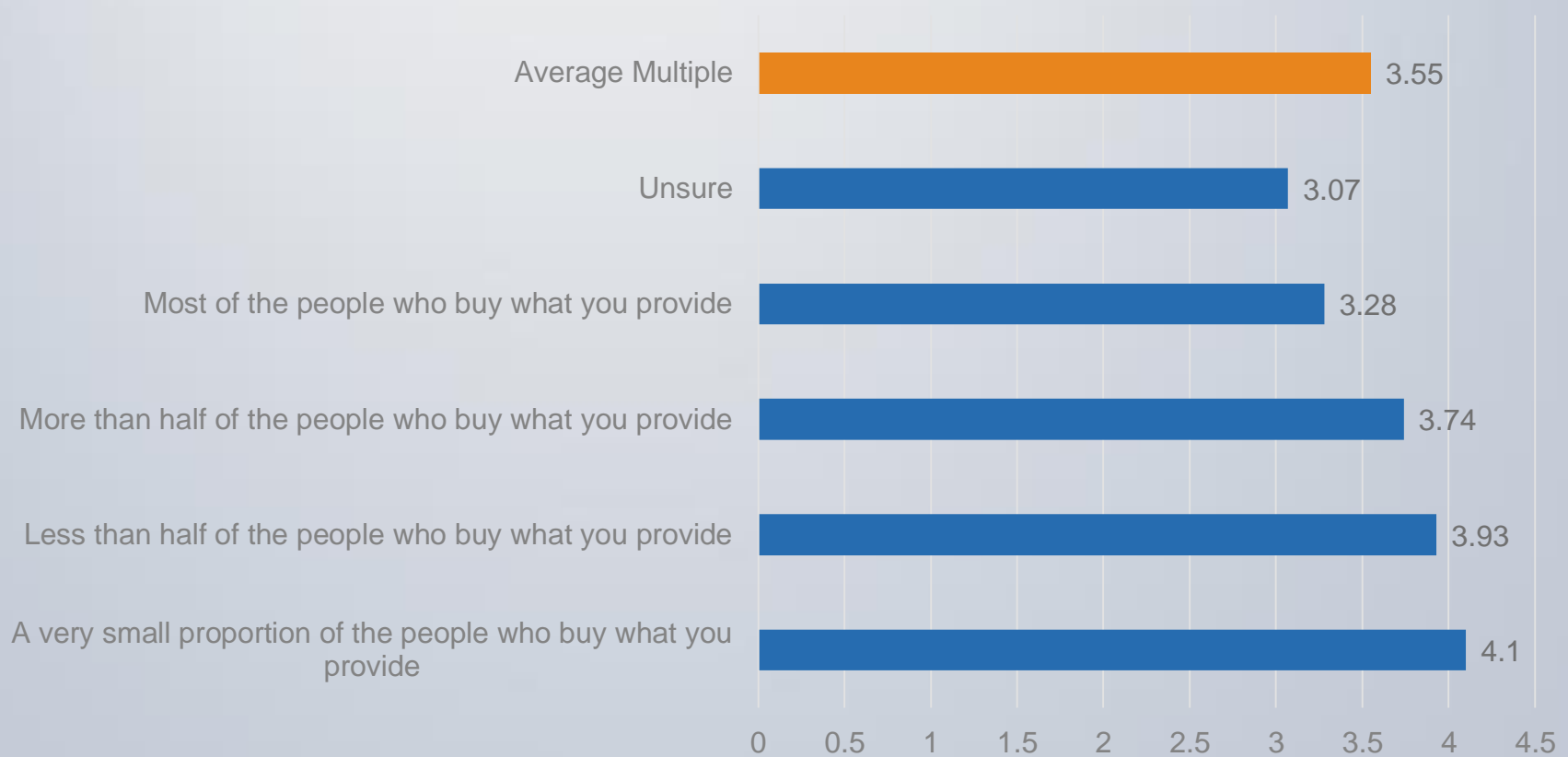
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Market Share

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Market Share

Q *“What multiple of your earnings did the offer represent?”*



Comparing average multiple offered

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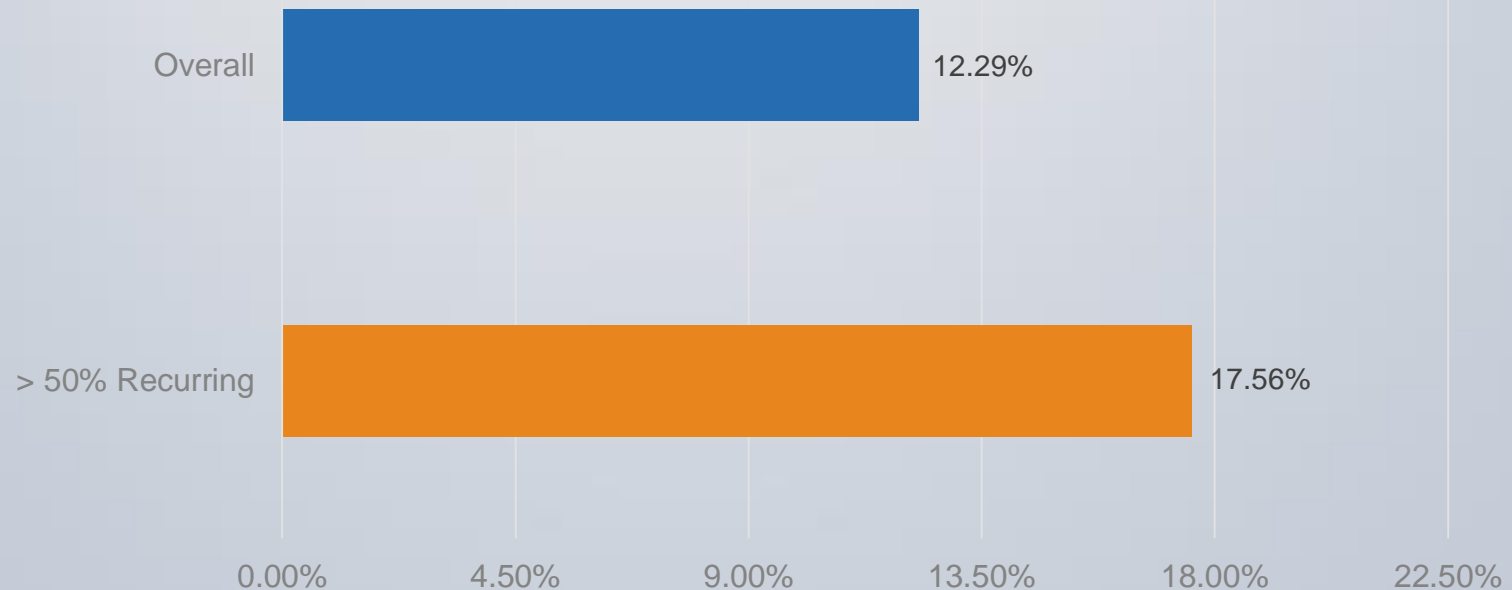
Recurring Revenue

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Businesses with recurring revenue get more offers ...



“Have you received a written offer to buy your business in the last year?”



Comparing average multiple offered

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... And Better Offers

Q *“What multiple of your earnings did the offer represent?”*

Average Multiple

3.55

>50% recurring

4.14

3.2 3.3 3.4 3.5 3.6 3.7 3.8 3.9 4 4.1 4.2

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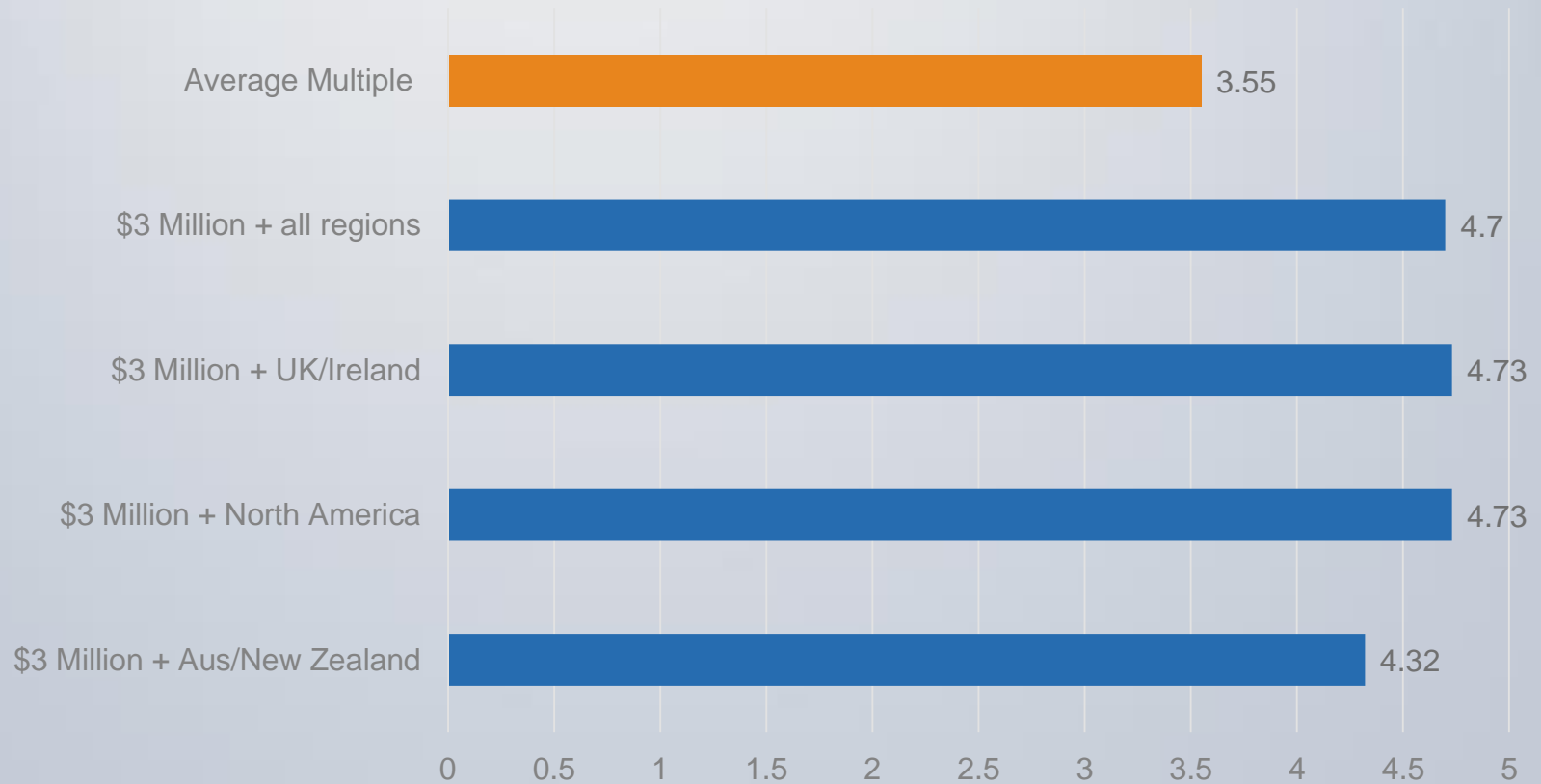
Comparing
average
multiple
offered

Size

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Size matters...

Q *“What multiple of your earnings did the offer represent?”*

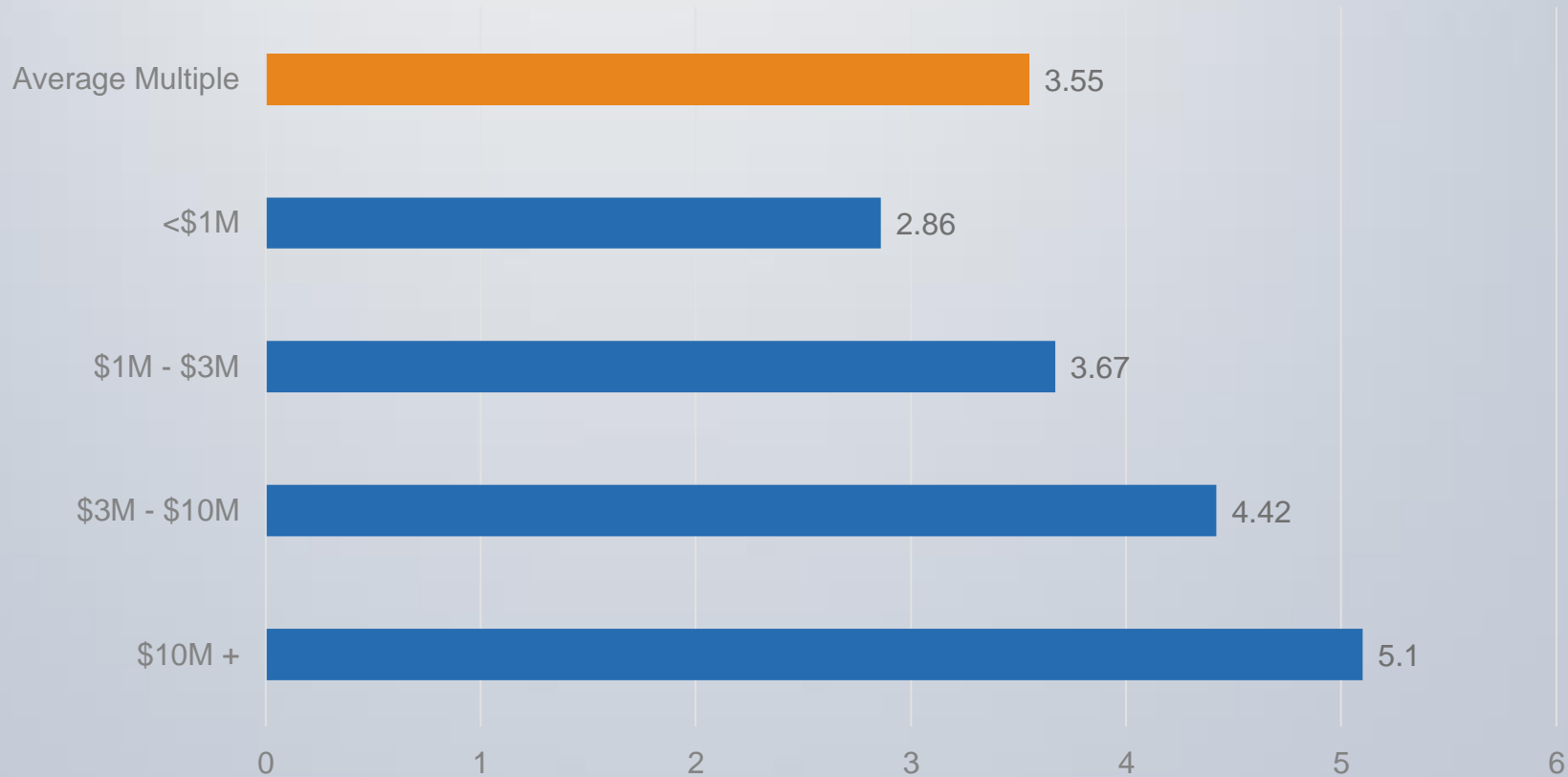


Comparing average multiple offered

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Multiple goes up in lock step with size

Q *“What multiple of your earnings did the offer represent?”*



Comparing average multiple offered

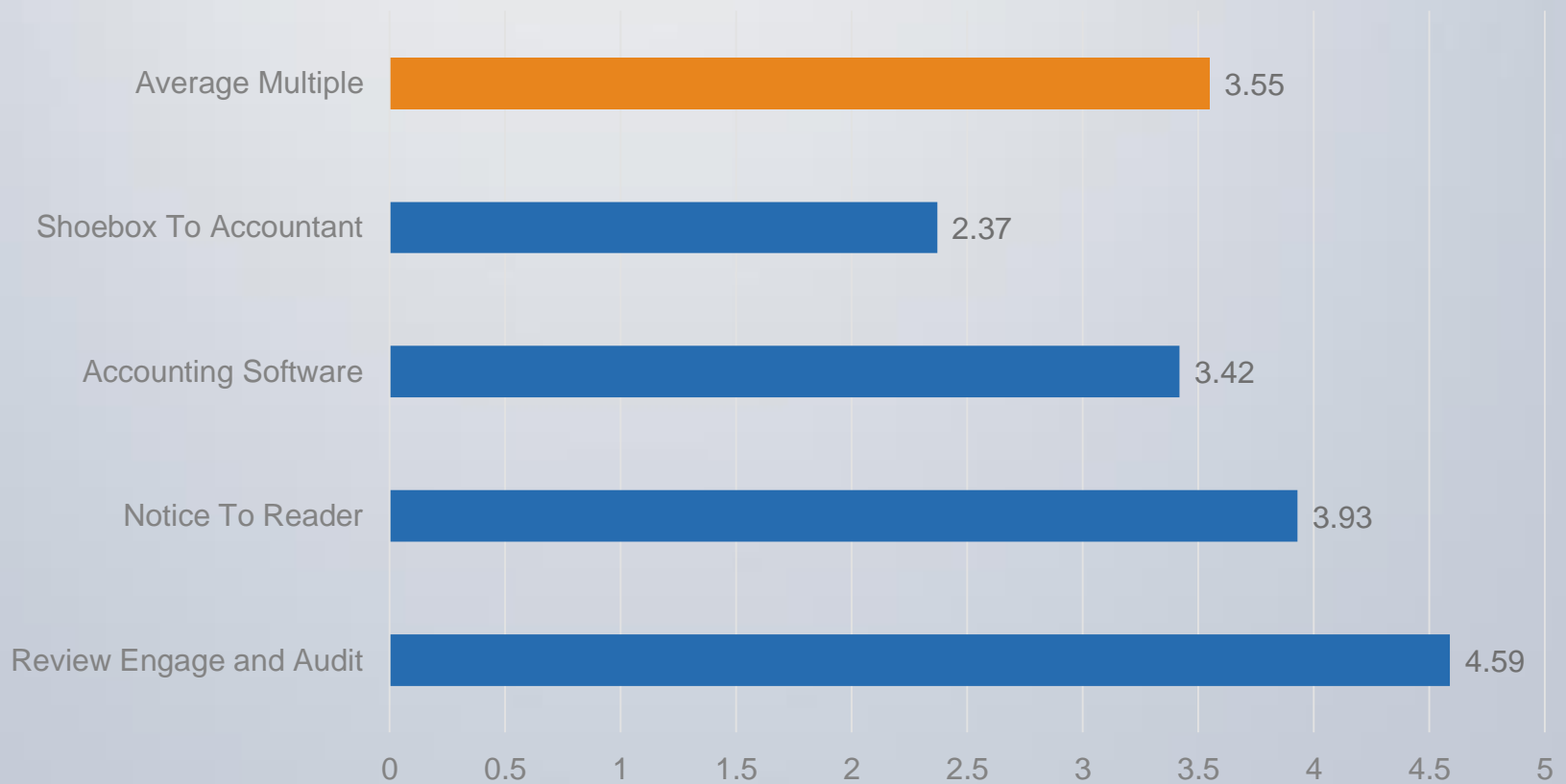
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Record Keeping

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Record keeping approach

Q *“What multiple of your earnings did the offer represent?”*



Comparing average multiple offered

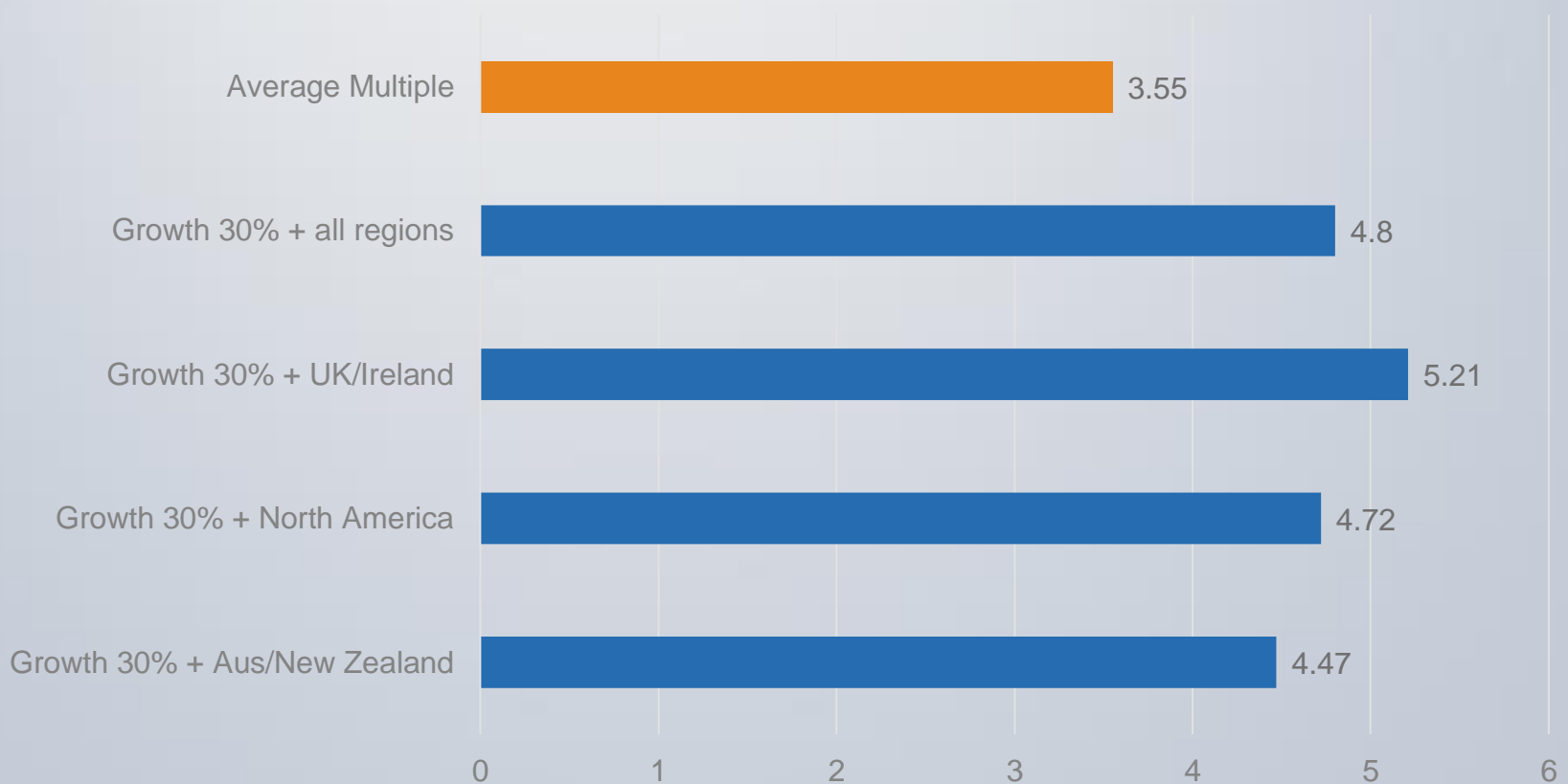
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Growth

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Growing companies get much higher offers

Q *“What multiple of your earnings did the offer represent?”*



Comparing average multiple offered

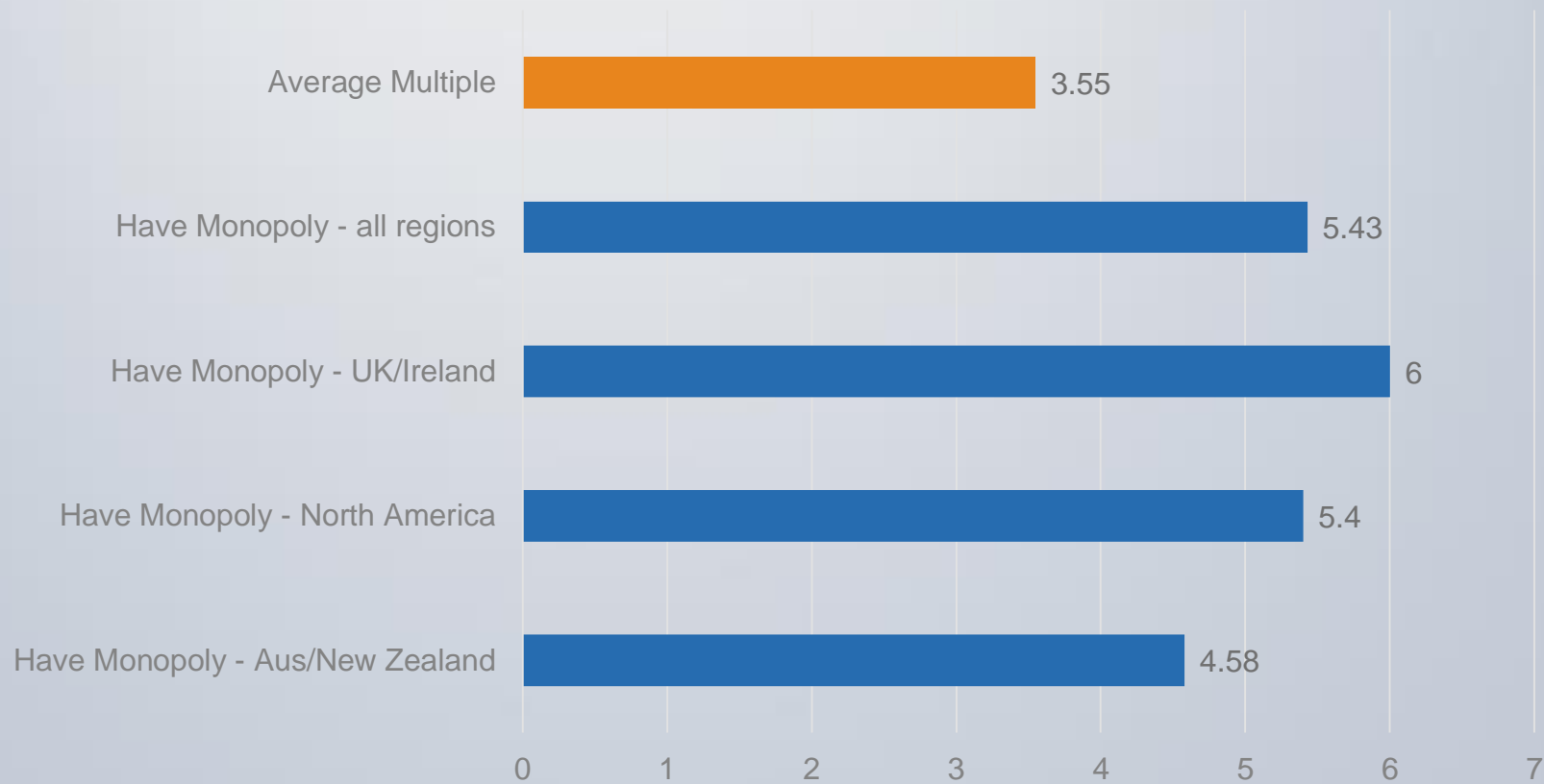
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Differentiation

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Companies with a monopoly in their market get 50% higher offers

Q *“What multiple of your earnings did the offer represent?”*



Comparing average multiple offered

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Industry

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Proportion of owners receiving offers by industry



“Have you received a written offer to buy your business in the last year?”



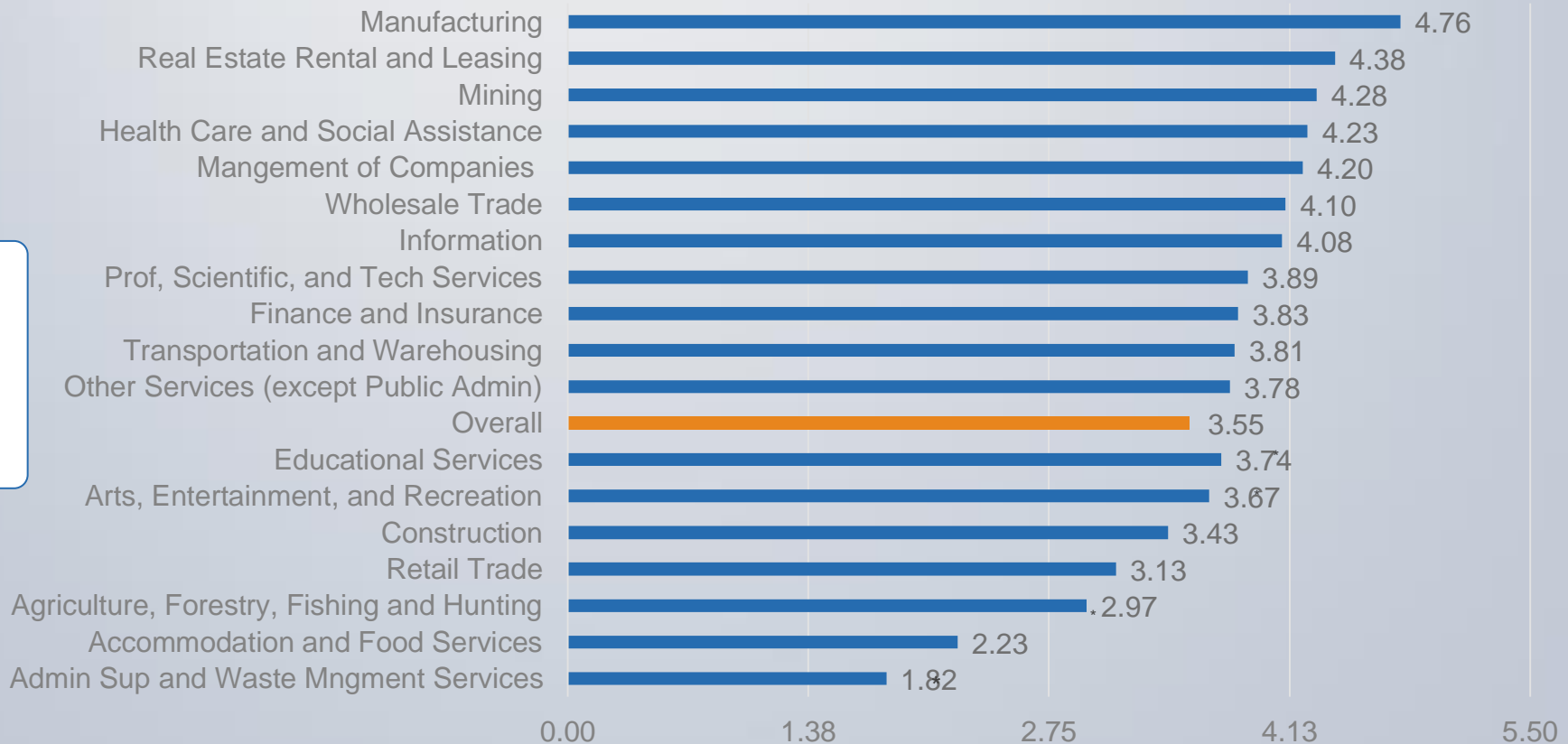
% of respondents who had received an offer in the last year

* Caution: small sample

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Industry average offers

Q | *“What multiple of your earnings did the offer represent?”*

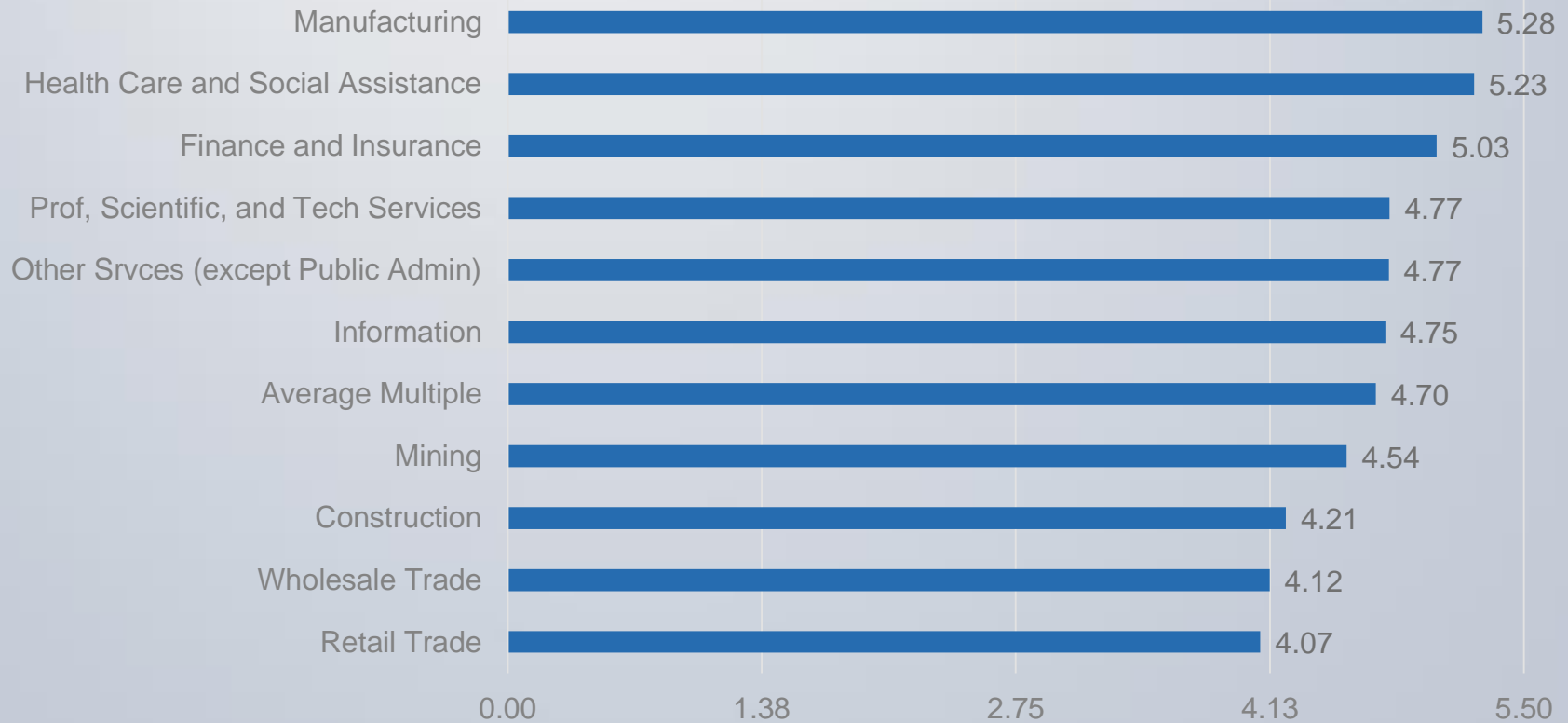


* Caution: small sample

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Industry average offers for businesses with greater than \$3 million annual revenue

Q *“What multiple of your earnings did the offer represent?”*



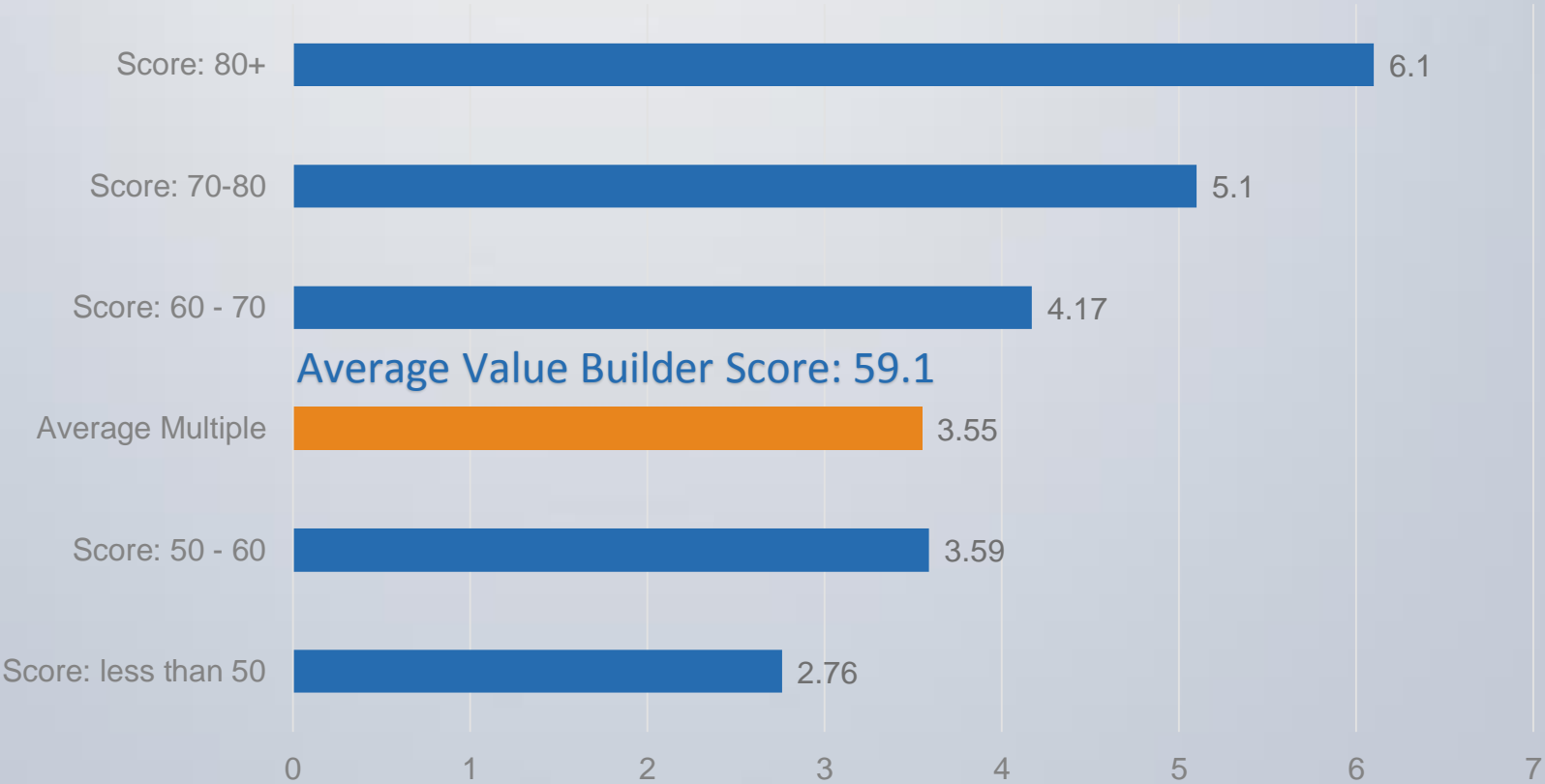
Comparing average multiple offered

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Company Value Builder Score by offer multiple



“What multiple of your earnings did the offer represent?”



Comparing average multiple offered

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