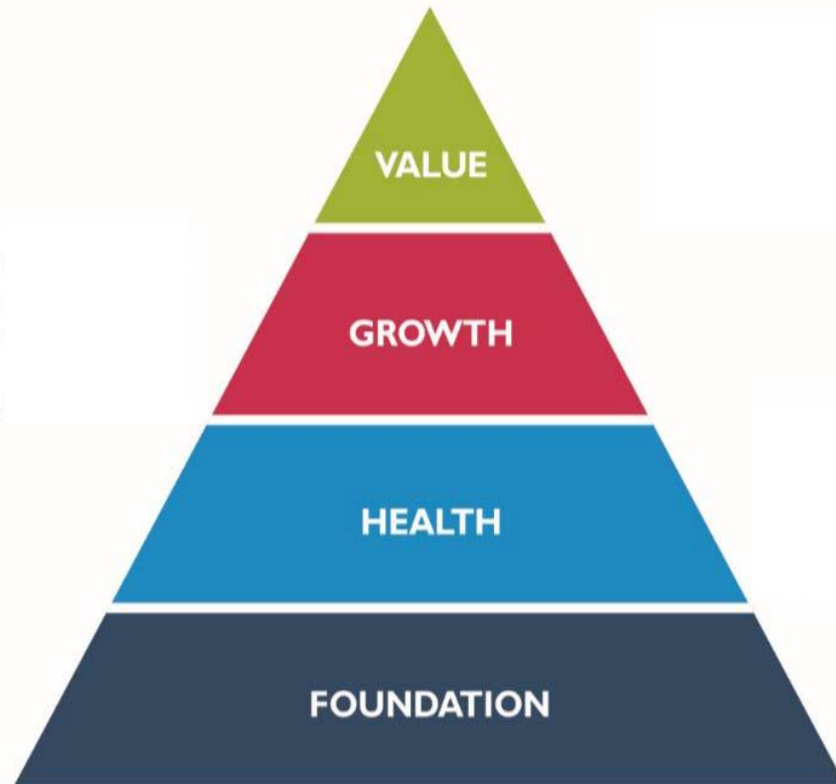


Maximizing the Value of Your Business

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Business Owners Journey



Foundation

- Accounting and Administration
 - A Cleaned Up Accounting System
 - Internal Processes That Work
 - Timely Close of the Accounting Systems and Monthly Internal Financial Reports
 - Insurance Policies, Employee Benefits, HR Policies and Contracts
 - Strong CPA and Banking Relationship

Health

- Cash Flow, Operations and Banking
 - Forward looking cash flow projections with cash flow breakeven analysis
 - Meaningful weekly metrics and Key Performance Indicators/KPIs
 - A strong banking relationship and access to capital for short term funding needs
 - Understanding of operating costs/profit margins
 - Short term operating forecast and budgets
 - Reducing Risk

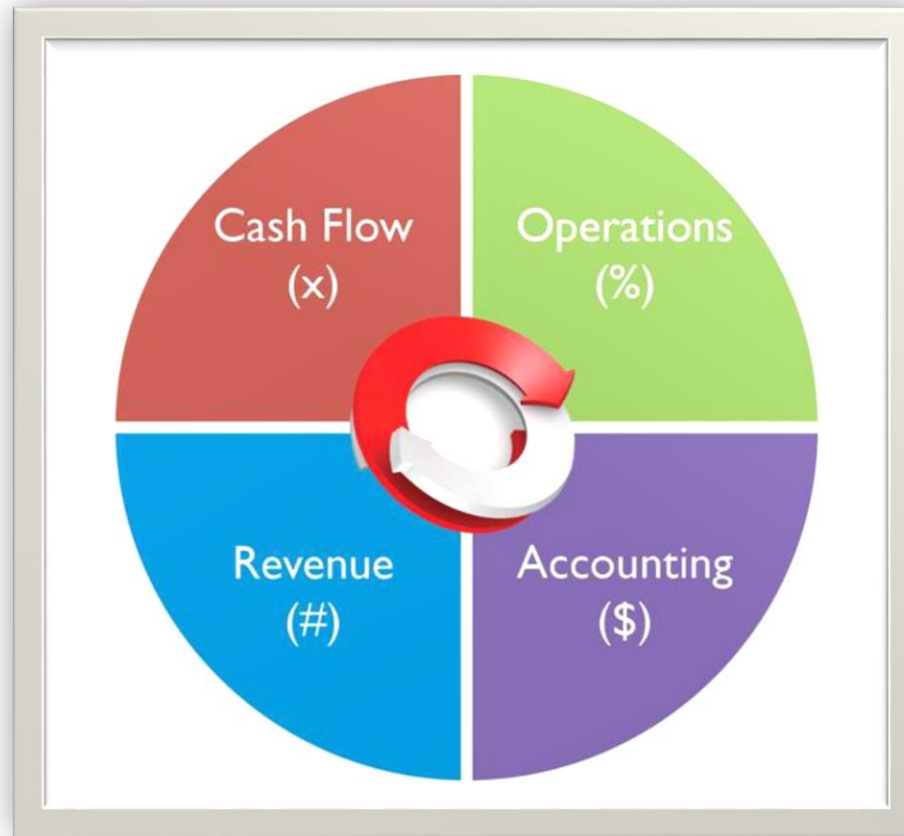
Growth

- Profitability by Customer and Product Line
- Healthy Sales Criteria-recurring revenue
- Sales Growth Strategy and Pipeline Forecast
- A Well Documented Vision-Mission and Company Goals Statement
- Budget and Projections
- Written Strategic Plan
- Management Depth

Value

- Sale, Succession or CTR/Continue to Run
- Defined owner goals and path forward
- Options clarified
- Healthy, growing company with real value
- Strong Internal Management Team
- Team of Advisors to help with goals
- High valuation/multiple with managed debt

The Key To Creating Value Is A Strong COAR of Business Systems



Cash Flow



Increasing Sustainable Cash Flow

- Increase your revenues
 - Does not always mean increased value
- Improve your gross margin
 - Your most important number
 - Selective Price Increases
 - Lower Cost of Sales (Materials and Labor)
 - Lean Processes
 - Rebidding Suppliers
- Lower your operating expenses

Focus on Cash Flow from Operations

- C-F-O is the Key Driver
 - Cash flow from Operations (CFO) primarily measures the cash-generating abilities of the company's core operations rather than from its ability to raise capital or purchase assets.
- Cash Flow from Operations is used to:
 - Purchase capital equipment
 - Service debt principal
 - Returns to shareholders
 - Remaining cash stays in business for future needs

-
- Healthy businesses have consistent sources of cash, ideally generated internally, to fuel the growth of the business

Cash Flow

Question To Consider

- How good are you at estimating the amount of cash that you will have on hand at any one time, project trends in cash inflow and outflow, and evaluate whether a shortfall or surplus in cash could potentially occur?

Operations



Operational Efficiency

- **Efficiency** – “A measure of whether the right amount of resources have been used to deliver a process, service or activity. An efficient process achieves its objectives with the minimum amount of time, money, people or other resources.”
- **Effectiveness** – “A measure of whether the objectives of a process, service or activity have been achieved. An effective process or activity is one that achieves its agreed objectives.”

Operational Efficiency

- Improve the speed of the tasks
- Remove human error and manual activity
- Improve quality as well as reducing cost

Operational Efficiency

- Simplification and Standardization are often the keys to increasing operational efficiency;
- Create repeatable standard processes and remove duplication and bottlenecks
- If you deliver services or products which meet your customer's needs at an acceptable cost your business value will increase

Operating System

Questions to consider

- Are you maximizing the value of your resources?
- What could you improve?
- Have you established specific, measurable goals for the operational team?
- Do you know what investments to make to improve your operational efficiency?

Accounting



What is Important to You?

- What happened last month?
- What is happening yesterday, today and tomorrow?
- What is happening 3 months from now?
- What will your cash look like today and as you push forward?

Plan: Budget and Forecast

- Develop a financial plan for what you *WANT* to happen
 - If you can't make it work on paper, you don't have much chance of making it in real life
- Forecast Operating Results and Cash Flow from Operations
 - How do you get healthy?
 - How do you fund growth?

Financial Systems and Controls

- Basic record-keeping is an essential requirement
- You must have an up-to-date picture of your cash position
- Effective cash management is a key ingredient in demonstrating your financial control to lenders and investors.
- Your financial controls help you to comply with tax requirements. For example, you need accurate information to complete tax returns and pay any tax required.

Financial Systems and Controls

- Financial management is at the heart of running a successful business. It affects every aspect, from managing cash flow and tracking business performance to developing plans that ensure that business owners can make the most of opportunities.

Accounting System

Questions To Consider

- Are your financial statements current and accurate?
- Do you do any forecasting for future growth and identifying any financial risk from current financial decisions or results?
- Do you utilize any business reports that can be made from the financial data, including accounts-payable aging, accounts-receivable aging and reports about company profitability?

Revenue



Not All Sales Are Healthy

Examples of unhealthy sales

- Too much revenue from one customer
- Not enough revenue from one customer
- Gross margin is too low to cover your overhead costs
- Sales commission exceeds gross margin
- Client pays too slow
- Orders cause too many disruptions

How to know if you have healthy sales

- First, get the data
 - Sales by customer
 - Sales by salesperson
 - Margin by customer
 - Accounts Receivable
- Second, look for trends/problems
 - You might be surprised at what you will find

Improving Growth Strategies

- Growth Strategies
 - Increase Sales Effort
 - Selective Price Increases
 - Develop New Products or Service
 - Expand Your Geographic Reach
 - Strategic Acquisitions

Revenue System

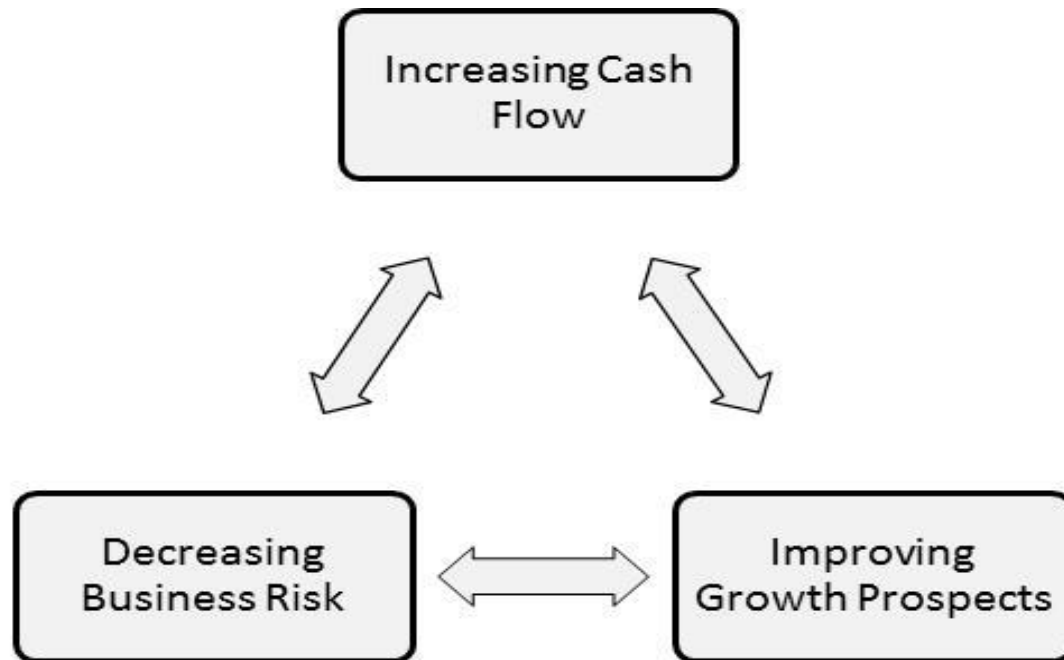
Questions to consider

- Do you have a process in place for building and tracking a sales pipeline?
- Do you track your leads and client conversion rates?
- How is your profitability by customer performing? Are profit margins increasing?
- Does more than 10% of your revenue come from one customer or does more than 25% of your revenue come from your top 5 customers?
- Are you developing new product or service offerings to help your business grow? What financial importance would you place on getting new business in the next 12 months?

Keys To Improve Business Value

1. Increase profitability
2. Establish recurring revenue agreements
3. Create seamless processes and routines
4. Keep key employees on board
5. Differentiate your product or services
6. Increase internal cash flow
7. Reduce business risk
8. Have a strategic plan
9. Utilize Budgeting and Forecasting
10. Have great advisors and over communicate with them

Grow Your Value



ANY FINAL QUESTIONS?

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