

Grow Assessment Report

Roberts Manufacturing

Presented by:

Liam O'Shea

Prepared for:

James Roberts
Roberts Manufacturing
February 06, 2023

This report is not a certified business valuation. The business value shown cannot be used to provide a determinative value for Federal or State tax purposes.

Overview

| Revenue | EBITDA | Enterprise Value | Potential Value | Value Gap | Flags | CoreValue | Diligence |
|--------------|---------------|------------------|-----------------|----------------|----------|-----------|-----------|
| \$10M | \$1.4M | \$5.44M | \$8.94M | \$3.51M | 8 | 45 | A |

Industry
Manufacturing

Objective
Prepare to sell my business

Objective

The purpose of this report is to present a comprehensive summary of the data you have provided us about the business. With this data, and some additional analysis offered in the pages that follow, you can grow the business value and control your future.

This report, and the underlying research and technology that drives it, provides a radical operational transparency you will need to move forward. If you think of the business as an engine, this report measures the potential of components of your "business engine" to provide value to your customers and to generate future revenue and profit.

Behind this report is research-driven intelligent SaaS technology that's standing by 24-7 to help you wherever you decide to go.

Contents

1. Executive Summary
2. Enterprise Value
3. CoreValue Rating
4. Operational Transparency
5. Value Gap Analysis
6. Red Flags
7. Suggested Tasks
8. Detail by Driver

Executive Summary

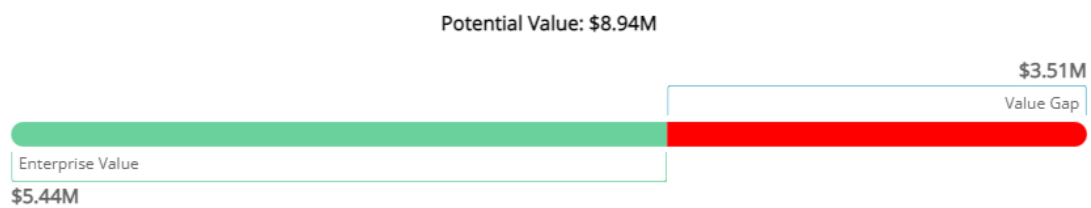
- Roberts Manufacturing is a business in the Manufacturing industry with annual revenues of \$10M and EBITDA of \$1.4M.
- The business currently scores a CoreValue rating of 45.
- We calculate the business has an estimated Enterprise Value of \$5.44M.
- We calculate the business has a Potential Value of \$8.94M.
- We calculate a Value Gap of \$3.51M
- We found 8 Red Flag issues.
- We offer 20 Suggested Tasks to help you close your Value Gap.
- We found the following top 3 Critical Drivers that are contributing to the majority of your Value Gap:
 1. Financial Gap: \$421K
 2. Operations Gap: \$408K
 3. Sales and Marketing Gap: \$357K

Enterprise Value

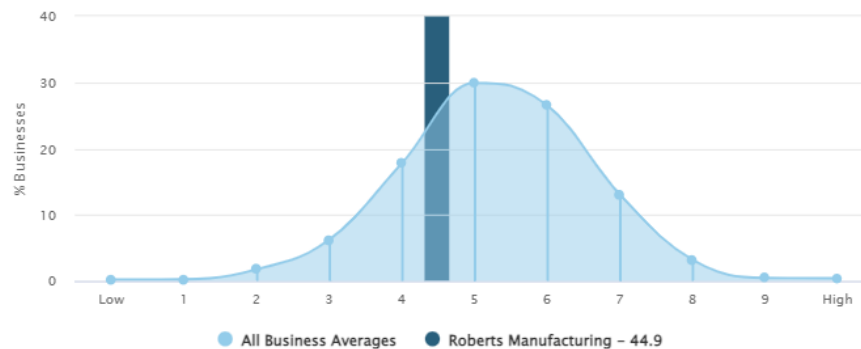
Enterprise Value is a measure of business value based on what a theoretical buyer would pay for a business after conducting a thorough due diligence. It is calculated based on the ability of the business to generate future revenue and profit using an algorithm that includes industry normalized trading ranges, financial performance, and the calculated *CoreValue Rating*.

In some cases, *Strategic Buyers* within specific industries will pay above this financial value and thereby create strategic value. These buyers will purchase a specific asset or capability they believe can be leveraged beyond how the business performs today. It is important to understand that strategic value can change quickly and should not be fully relied on when planning for the future.

Balance sheet adjustments are not included in the value calculation. It assumes a neutral balance sheet.



CoreValue Rating



The CoreValue rating looks at businesses in a given industry to establish best in class characteristics that are indicators if a business will transact at the higher or lower end of a given industry's trading multiple, typically in relation to its EBITDA.

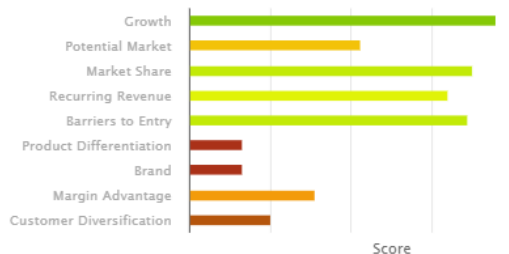
Based on the answers you provided in your assessment of the market and operational areas, the business may be attractive to potential acquirers making it more likely to monetize when the time comes to exit. However, protecting your value and de-risking the business is important if you expect to have a business rich, cash accessible outcome.

Operational Transparency

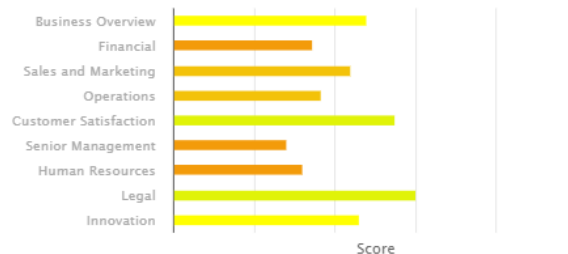
Your *CoreValue Rating* is a measure of how dependably the business can operate and generate future revenue and profit at or above its current rate. The rating is scored from 0-100 and is divided into *Market Drivers* (external in nature) and *Operational Drivers* (internal in nature). Businesses with a rating below 30 are at risk of having little or no value, and businesses above 80 have significant strategic potential in a sale or transfer.

The chart below displays your score broken down between Market Drivers and Operational Drivers. For each category, we display the current scores for the value drivers in that category.

Market Drivers



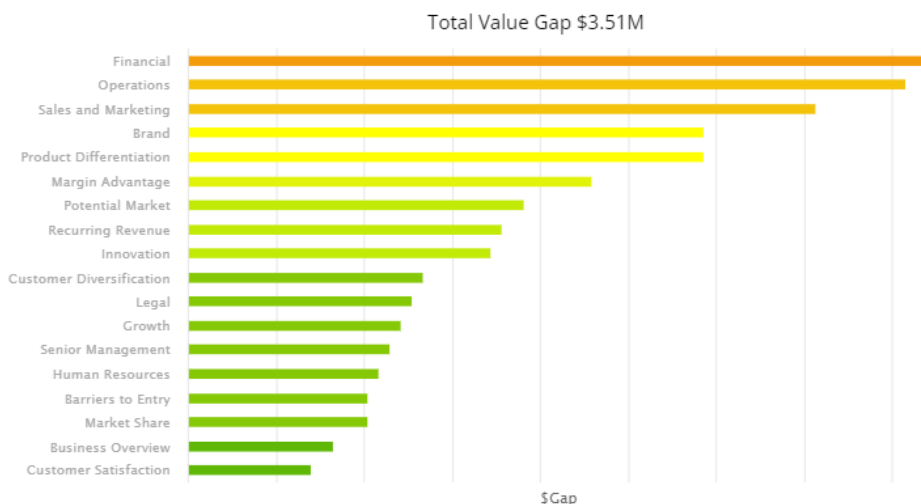
Operational Drivers



Value Gap Analysis

Value Gap is the difference between how much the business is worth today and how much it could be worth. The top most *Critical Drivers* are contributing most directly to your Value Gap and represent the greatest opportunity to improve the value of your company.

Value Gap is measured in real dollars, broken down in the chart below by driver so you can see not only how much money you are leaving on the table, but just as important, the 'Return on Investment' (ROI) for making future investments back into the business. In this chart drivers are sorted from highest value gap to lowest.
















Red Flags

Red Flags are important issues or "watch outs" that can negate all the value in the business. If you are trying to raise capital or sell the business, these are the types of issues that will bubble up during due diligence. They are the major reason half the businesses never make it through the due diligence process. For those that do make it through due diligence, the majority take a significant hit in price and negotiating terms when these issues are present.

Based on your responses in your assessment, the table below lists specific red flag conditions we believe are harming the business value. Be proactive and work to eliminate all your red flags. The ValuCompass application will recommend tasks you can do to remove each red flag and track your progress.

Here are the red flag conditions we found in your assessment:

| | |
|--|--|
|  Reporting Relationships | A 'do-it-all' business owner means the value of the business is in the business owner versus the actual operating business. This red flag is one of the biggest and most common for private businesses looking to sell or transfer. |
|  Company Culture | A valuable company has a strong, positive culture where employees are proud of their individual jobs and proud of the company they work for. Unhappy employees is usually a sign of a bigger underlying problem in the organization. |
|  Strategic Direction | A business without a strategic plan is like a ship without a compass. The business may float just fine today, but chances are it will eventually get lost. Valuable businesses have a strong sense of direction. |
|  Organizational Roles and Responsibilities | Ambiguous employee roles and responsibilities is a sign of deeper organizational issues. |
|  Senior Management Team Functionality | A dysfunctional senior management team is usually a symptom of deeper issues within a company. |
|  Employee Records | Inadequate employee records can make the business difficult or impossible to sell |
|  Senior Manager Roles | Unclear senior manager roles and responsibilities is usually a sign of deeper issues within an organization. |
|  Risk and Insurance | If you're not sure that you're protected from big exposures, such as environmental liability, others will be reluctant to invest in your company's future. |
|  Operating Reports | Valuable businesses use operating reports in addition to financial statements to track performance. The absence of operating reports is a signal that your company doesn't understand and value the key drivers of your company's performance. |
|  Litigation | Nothing can kill the value of a company faster than legal issues. |
|  Suppliers and Contracts | Contracts with key suppliers will give others confidence that you can continue to deliver your products/services without interruption |
|  Financial Statements | If you don't have the standard set of financial statements, you'll have a hard time convincing anyone that your operating business has value |
|  Delivery Process | A formalized delivery process is the foundation of a valuable company. |

Suggested Tasks for Recapturing Value Gap

Suggested Tasks are identified actions you can take to grow and improve the value of the business. Suggested tasks is a complete list of suggestions we offer to improve your Value Gap. We list them below in descending order sorted by value gap. Some tasks will be quick to accomplish, inexpensive, less disruptive, and have a high ROI -- we believe you should do those first. They get you moving quickly, drive momentum, and provide you and your team real measurable improvements.

| Suggestion | Value Gap | |
|---|-----------|------|
| 1. Improve your gross margins Demonstrate that you have quantitative proof of differentiation, by product or service, and make sure that you can show a pricing and/or cost advantage over its competition. | \$153K | 4.4% |
| 2. Differentiate! Create a meaningful point of difference, or uniqueness for your product or service, something that will attract new customers and ensure your current customers keep buying from you. | \$82.7K | 2.4% |
| 3. Document your market's future Document where you think the market will be in the next 1, 5, and 10 years. Ideally, you are in a growing market, providing substantial opportunity for your company to grow and make tons of money. | \$82.7K | 2.4% |
| 4. Project your future gross/net margins Create projections showing improving gross and net margins, and be able to support your assumptions behind these rosy projections. | \$70K | 2.0% |
| 5. Document your margin trend Chart your gross and net margins by quarter for at least the past 3 years (assuming you've been in business that long). Calculate and graph your margin trend. | \$50.9K | 1.5% |
| 6. Document a plan to diversify your customer base Even if you have revenue concentration with just a few customers now, document a plan on how you will add new customers over time and reduce your reliance on just a few customers. | \$50.9K | 1.5% |
| 7. Quantify the size of your market Determine how big your market is (\$). If you don't have the data on hand, there are many on-line resources you can tap. You can even extrapolate the market size, as long as you document your assumptions. | \$44.5K | 1.3% |
| 8. Document how you monitor competition Take the time to document how your company monitors competition. | \$44.5K | 1.3% |
| 9. Quantify your innovations Quantify the benefits of innovations through various means such as patents, copyrights, revenue growth, work flow efficiencies, and financial improvements. | \$44.5K | 1.3% |
| 10. Document your process to improve margins Document your process for improving margins. Make sure your process includes a way to continually track and measure progress. | \$31.8K | 0.9% |
| 11. Document and diversify your customer base Diversify your customer base, and make sure to document your progress over time. Showing growing diversification, even if you still have significant customer concentration now, will at least show you're moving in the right direction. | \$31.8K | 0.9% |
| 12. Create a process to tap and protect innovations Create and document a process to encourage, capture, and protect innovation among your employees. | \$31.8K | 0.9% |
| 13. Identify your Intellectual Property Intellectual property can be the most valuable asset in your company, but the one most overlooked, unprotected, and difficult to value. First, determine what IP your company has, and then determine how to best protect it. Examples of legal protection include copyrights, trademarks, and patents. | \$31.8K | 0.9% |
| 14. Document market barriers Document and organize your market barriers to entry. Make sure to include how you created these market barriers and how you will protect them. Examples include brands, licenses, trade secrets, exclusive agreements, location, etc. | \$19.1K | 0.5% |
| 15. Document legal barriers Document and organize your legal barriers to entry: licenses, and/or contracts, plus patents, trademarks and/or copyrights that clearly define the protection and the extent of the protection (this protection may include regulatory protection). | \$19.1K | 0.5% |
| 16. Document and organize all capital agreements Organize and document agreements with all investors/parties (both internal and external) who provided capital to the company in any form. It's a good idea to have a Cap Table for your company which shows on one chart how your company is capitalized. | \$19.1K | 0.5% |

| | | |
|---|---------|------|
| 17. Identify a trusted advisor for your company | \$19.1K | 0.5% |
| Identify a trusted, C-level advisor, who reviews, advises, and provides feedback to the owner/CEO. A trusted advisor (versus a business expert) typically helps build the business as a whole and is a confidant to the owner. This advisor should have broad business experience, be able to share both good and bad news, have access to all financial and operating information, and show up regularly to play an active role as part of the fabric of the business. | | |
| 18. Create a strategic plan for your company | \$12.7K | 0.4% |
| Create a strategic plan that supports the owner's personal goals. This plan should include a vision and mission, business model, business goals, objectives, and an executable plan (tactics). | | |
| 19. Communicate your company's story | \$12.7K | 0.4% |
| First, make sure you can succinctly give an 'elevator pitch' or a 1 minute topline summary on your company (what it does, the history, why it is successful, etc). Then, make sure everyone in your company understands your company's story and can communicate it clearly (both written and orally) as well. Having everyone aligned around the basic information about your company is essential; it's the glue that holds a company together and ensures that there is a consistent message to the outside world. | | |
| 20. Delegate responsibilities | \$0 | 0.0% |
| A 'do-it-all' business owner means the value of the business is in your business owner versus the actual operating business. Transfer responsibilities so that the business is less dependent on your constant presence. If you can't take a vacation, then you probably can't sell your company. | | |

Detail by Driver

Value Driver Detail Reports

These 18 reports show your workbook answers and scores for the components of each single driver. Higher scores are better. The drivers are listed in descending order by largest value gap to smallest. We recommend you tackle the biggest gaps first.

1. Financial

Driver Gap: \$420K

Operating Reports

We create operating reports only if a problem arises.

Operating Reports: 3

Audits

We have someone review our finances annually.

Audits: 7

Tangible Assets

We have documentation, but it's either out of date, or missing some important stuff.

Tangible Assets: 3

Financial Statements

We could be better, but there are probably companies a lot worse than us.

Financial Statements: 3

Intellectual Property

IP isn't that important in our company.

Intellectual Property: 0

Tax

We have some idea, but tend to get behind on taxes.

Tax: 3

Risk and Insurance

We're not sure of the risks, and probably have holes in our coverage.

Risk and Insurance: 1

Banking and Capital

Our banking relationship is solid.

Banking and Capital: 5

2. Operations

Driver Gap: \$407K

Delivery Objectives

We could use some help with our objectives.

Delivery Objectives: 3

Delivery Process

We would have to spend some time teaching someone new.

Delivery Process: 3

Suppliers and Contracts

We have a few contracts.

Suppliers and Contracts: 3

Performance Metrics

We have a few metrics that we sometimes use.

Performance Metrics: 4

Industry Standards

We do an OK job.

Industry Standards: 5

3. Sales and Marketing

Driver Gap: \$356K

Sales and Marketing Metrics

We sometimes check progress.

Sales and Marketing Metrics: 3

Sales and Marketing Objectives

We have objectives for the important stuff.

Sales and Marketing Objectives: 7

Sales Plan and Process

We don't have a formal sales plan or process.

Sales Plan and Process: 3

Customer Contracts

We have signed contracts or purchase orders (with payment and delivery terms) with about half our customers.

Customer Contracts: 5

Marketing Plan and Process

We have some marketing ideas that we pursue.

Marketing Plan and Process: 5

Market Research

We rarely use data.

Market Research: 3

4. Brand

Driver Gap: \$293K

Brand Protection

We could do a better job of protecting/managing our brand.

Brand Protection: 3

Brand Awareness

Our brand isn't a big deal for our company.

Brand Awareness: 1

Brand Advantage

We don't have a pricing model or financial measures of our brand advantage.

Brand Advantage: 0

5. Product Differentiation

Driver Gap: \$293K

Product/Service Lifecycle

Not sure where our products/services are, but we seem to muddle along just fine.

Product/Service Lifecycle: 1

Proof of Differentiation

We're not really sure if our products or services are unique, but people seem to buy them anyway.

Proof of Differentiation: 2

Financial Differentiation

Our gross margins are below the industry's average.

Financial Differentiation: 1

6. Margin Advantage

Driver Gap: \$229K

Margin Improvement Process

We have a process, but it's not well documented.

Margin Improvement Process: 4

Margin Trends

No, we don't have such documentation.

Margin Trends: 0

Margin Advantage

No, we do not have projections.

Margin Advantage: 0

Quantifiable Advantage

Both net and gross margins are solid.

Quantifiable Advantage: 5

7. Potential Market

Driver Gap: \$191K

Competitive Monitoring

Yes, we have a process but it's not well documented.

Competitive Monitoring: 5

Niche Clarity

We have some documentation but it's not complete or not specific to our niche.

Niche Clarity: 5

Market Size

Our market is on the big side and we have some documentation.

Market Size: 7

Future Market Growth

No, we don't have such documentation.

Future Market Growth: 0

8. Recurring Revenue

Driver Gap: \$178K

Customer Retention

Yes, but only for 2 reasons.

Customer Retention: 8

Customer Mix

We have some mix of customer types.

Customer Mix: 5

Contracts

Yes, we have customer contracts or assurances of future revenue that represents roughly half (50%) of our annual revenue.

Contracts: 6

9. Innovation

Driver Gap: \$172K

Collaboration

We use our network when needed.

Collaboration: 5



Culture and Rewards

We will recognize and reward good ideas when we see them.

Culture and Rewards: 5



Metrics

We probably can quantify some, but haven't done so yet.

Metrics: 3



Process

We have some processes.

Process: 5



10. Customer Diversification

Driver Gap: \$134K

Trend Analysis

No, we don't have such documentation.

Trend Analysis: 0



Future Customer Diversification

No, we don't have such documentation.

Future Customer Diversification: 0



Customer Concentration

Yes, we have documentation that clearly shows some customer diversification with no one customer representing more than 40% of the company's revenue.

Customer Concentration: 4



11. Legal

Driver Gap: \$127K

Contracts

Most of our legal contracts are well organized and easily accessible.

Contracts: 7



Process

We have some guidelines on how to deal with issues.

Process: 5



Litigation

We have a claim that may result in formal proceedings.

Litigation: 5



Capital

We have documented agreements with most investors.

Capital: 7



12. Growth

Driver Gap: \$121K

Company Growth

Pretty sure we can, but we may be missing some documentation.

Company Growth: 7



Industry Growth

Yes.

Industry Growth: 10



Customer Advantage

We have a few compelling reasons.

Customer Advantage: 7



13. Senior Management

Driver Gap: \$115K

Compensation

Not sure if our compensation is competitive or it's probably lower than what others are offering.

Compensation: 1



Roles and Responsibilities

Our senior managers tend to just do their own thing.

Roles and Responsibilities: 3



Team Functionality

Our senior management team could do a better job working together.

Team Functionality: 3



Reporting Relationships

No, the business needs me on a daily basis..

Reporting Relationships: 0



Succession Plan

We have a plan for some senior managers.

Succession Plan: 5



14. Human Resources

Driver Gap: \$108K

Roles and Responsibilities

Some employees understand their roles.

Policies and Process

We don't have processes or documentation.

Compensation and Benefits

We probably follow some best practices.

Employee Contracts

We only have a few employee contracts.

Recruitment

We sometimes use different methods to staff our company.

Roles and Responsibilities: 3

Policies and Process: 0

Compensation and Benefits: 5

Employee Contracts: 3

Recruitment: 5

15. Barriers to Entry

Driver Gap: \$102K

Legal Barriers Documentation

Yes, we have some legal documentation but it's not complete.

Barriers to Entry Types

We have notable barriers that would deter competitors.

Capital Barriers Documentation

Yes, we have documentation.

Market Barriers Documentation

We have some documentation, but it's not complete.

Legal Barriers Documentation: 5

Barriers to Entry Types: 7

Capital Barriers Documentation: 10

Market Barriers Documentation: 5

16. Market Share

Driver Gap: \$102K

Market Definition

Yes, we can define our market, but don't have the data to quantify it.

Dominant Market Position

We are one of the top players and have access to market share data.

Market Communication

Yes, but only for 2 reasons.

Market Definition: 3

Dominant Market Position: 8

Market Communication: 8

17. Business Overview

Driver Gap: \$82.7K

Company Culture

We have a pretty positive culture and employees are overall happy.

Web Presence

We have a fairly good web presence, better than average.

Defined Market

We have a solid understanding, but we could be better informed.

Competitive Information

We have a solid understanding, but we could be better informed.

Company Story

The company story is defined, but it's unclear how many people in my company understand it or could communicate it effectively.

Strategic Direction

We have at least some components of a strategic plan but are not sure if they mesh with the owner's goals.

Business Profile

Yes, we have a company binder with most of the information, but it's not complete.

Trusted Advisor

No, we don't have a trusted advisor.

Company Culture: 7

Web Presence: 7

Defined Market: 5

Competitive Information: 5

Company Story: 5

Strategic Direction: 3

Business Profile: 7

Trusted Advisor: 0

18. Customer Satisfaction

Driver Gap: \$70K

Customer Satisfaction Metrics

We often measure customer satisfaction.

Satisfaction Objectives

We have some goals and objectives, but we really don't communicate them.

Satisfaction Plan and Process

Our plan is pretty informal.

Customer Satisfaction Metrics: 7



Satisfaction Objectives: 5



Satisfaction Plan and Process: 3

