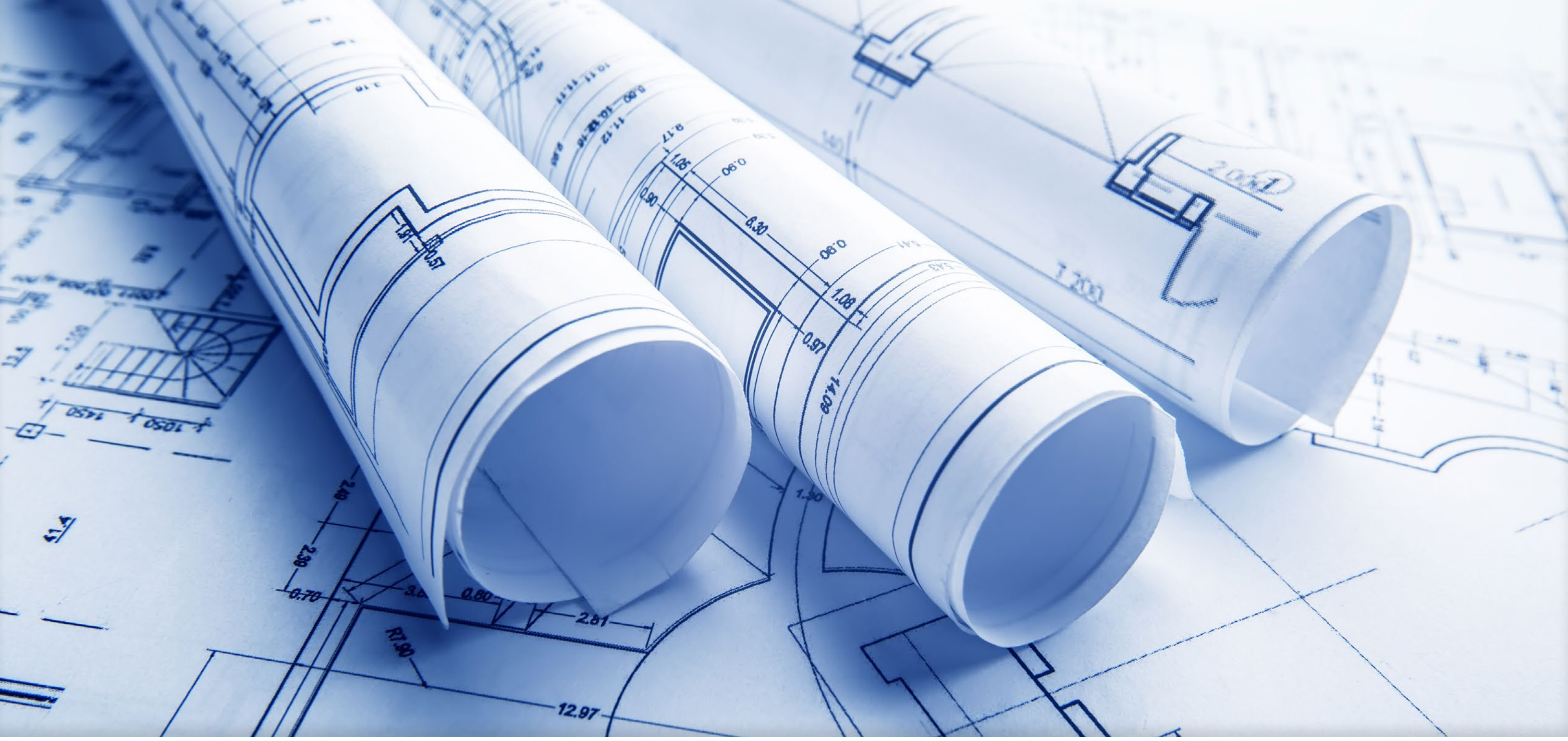
ZERO LIMITS VENTURES

The Valuation Growth Playbook



Companies Are Sold, Not Bought — Building Your Exit Strategy From Day 1

If you've considered what it would be like to start a company and grow it into a thriving operation valued at millions of dollars, you were already planning your exit — whether you realized it or not. Many entrepreneurs have a vision of success, but few effectively plan how to realize that vision with a maximum valuation.

When you started your business, you likely spent months, possibly years, meticulously planning execution before day one of operations. As the business gained momentum, you managed budgets, marketing, staffing, top lines, bottom lines, and myriad other details. This was all done with the end goal of the business prospering.

Focusing on the operational and strategic details brought you success, but there may be undiscovered aspects of your business that could produce exponential and immediate growth.

For many, valuation and exit strategies are the absolute last thing on their minds. It may seem counterintuitive to spend so much time developing an amazing business idea while simultaneously figuring out the best way to get rid of it.

It's important to realize, though, that everyone eventually exits. Nothing lasts forever; this is just a simple fact of life. Incorporating a high-valuation exit strategy into your business plan is sound, realistic, and lucrative entrepreneurship.

After all, the exit event is when you really get paid for all of your hard work, and strategically planning for it will help you build a better, more valuable business.

Exit Strategies Make for Better Businesses

Few business owners actually know what creates and drives the value of their businesses. They assume it's revenue and earnings, but often, that's not the case.

Taking a hands-off approach to valuation growth will not only lead to your business being undervalued, but you'll also miss the peak-hour exit train and the maximum returns available.

Why would you allow this power to be taken from you? Instead, create a valuation growth blueprint on day one — one in which you, not the market, determine the value of your business — and schedule your departure on your own terms when you're at your financial apex.

I believe that businesses are sold, not bought. By this, I mean it's up to you to know exactly what maximizes the value of your business, and it's up to you to focus and invest the appropriate time and resources in those value-boosting aspects so you capture the greatest possible return for yourself and your investors. That's why you need to play an active role in planning the exit at the earliest possible time.

Having a great valuation growth exit strategy in place accelerates big results and creates value, regardless of whether you plan to sell your business. At the end of the day, it's the market value of your business that generates the biggest returns, not the income you're deriving from it. Even though the exit comes last, your exit strategy should come first. Having one in place from the get-go will identify key value drivers for your business, focus your efforts on what makes your business worth the most, and position your business optimally in high-return markets. Plus, exit strategies require you, the leader, to view your business through the lens of a buyer — the person who determines the true value of your business.

Understanding the buyer's perspective will lead to the establishment of key value drivers for your company. When you align every decision you make with this viewpoint, you'll ultimately make better decisions that yield higher returns. You'll know exactly where to invest your time and money both immediately and in the future, and you'll have a reasonably accurate expectation for the rate of return you'll realize as a result of those investments because you'll already have the business poised for maximum valuation.

An early exit strategy will also help define your company's overall mission — a fundamental part of growing a successful business. You can read countless books and take classes that talk about missions and visions, and that's all well and good, but the true mission of your business develops more naturally when you already know where you want to go.

The Game Has Changed

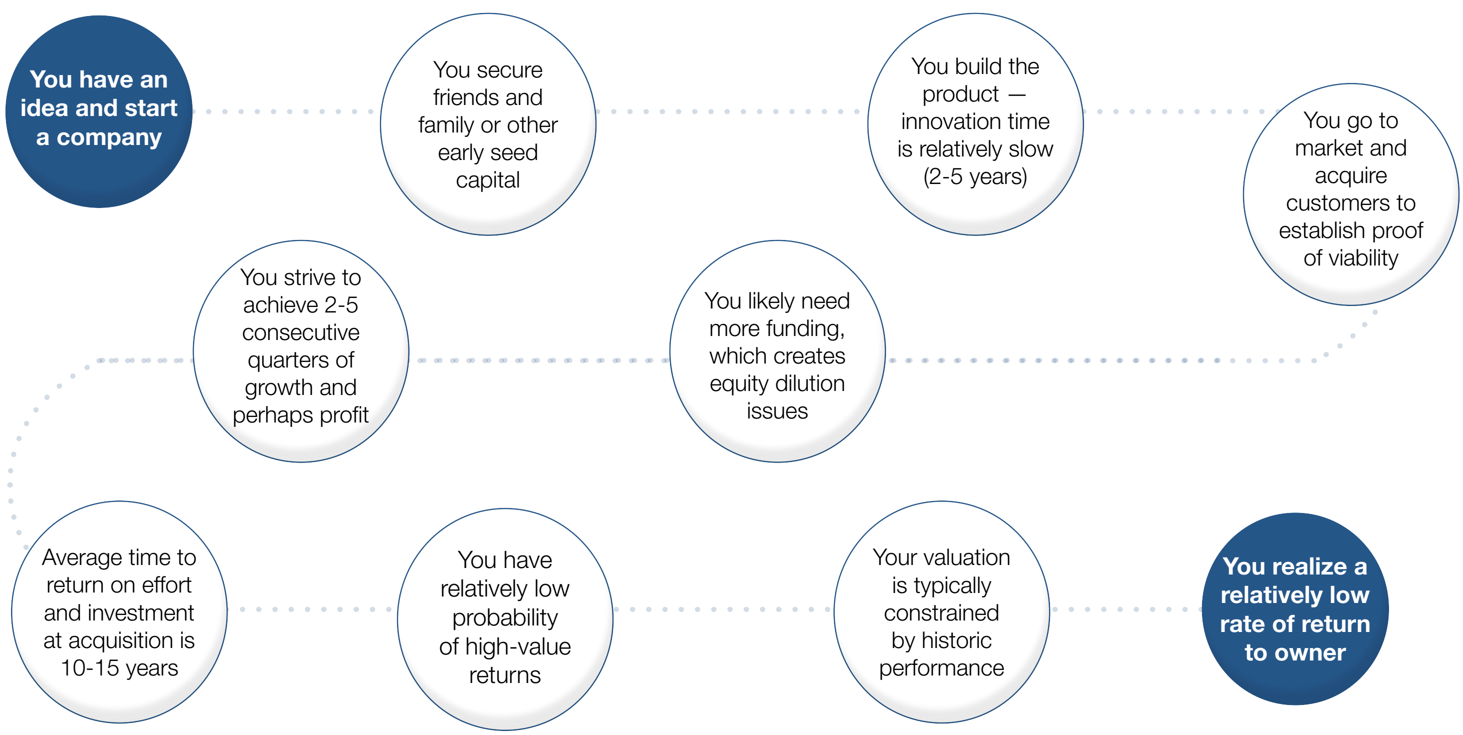
The innovation cycle and time to market were once painstakingly long processes. To succeed in business, you were in it for the long haul, and the probability of a lucrative exit was small.

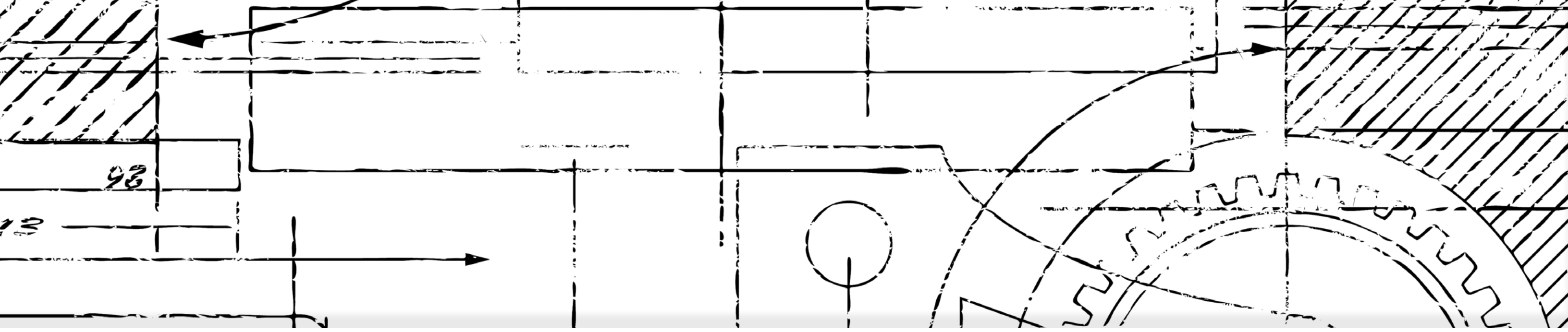
It was difficult to establish any bonafide value without several quarters of financial growth. It used to take roughly two years to get your product done, two years to get to market, and another two years of revenue growth. At that juncture, you'd probably start looking at pathways to exit — by either looking for investors or moving straight to positioning to sell the company.

These were the typical challenges for startups of the past: The time horizon was protracted, there was a lot of risk, there were countless negative value drivers (i.e., things that extract value from your business), and the likelihood of a successful exit was slim.

It was a much more demanding and risky atmosphere. The longer you were out there, the more you were exposed to negative value drivers and the greater the risk that you wouldn't achieve full potential. At that time, the value of your business was largely determined by your historic performance. The value of your business being inseparably curtailed by its historic performance and what you've accomplished (or not) along the way was inescapable.

Here's how it used to work:





Nowadays, things move much more quickly, and the factors that determine the value of a business have changed. Product innovation cycle times are much shorter; they're now measured in months, not years. Internet, mobile, social media, cloud, SaaS, and wiki-based platforms have leveled the playing field for businesses big and small.

You no longer need to achieve protracted periods of revenue and earning growth to establish significant value proof. A business's value is more oriented to future projections and strategic market value than to historic financial performance. This shortens the time horizon for a viable high-valuation exit.

Large- to medium-sized companies have large capital reserves and are highly motivated to invest in technology innovation through corporate acquisition as opposed to the cost of research and development. Private equity firms have access to a lot of leverageable capital and are gobbling up business in every industry for the cash flow. Finally, growing multigenerational populations of entrepreneurs are emerging with loads of new innovation.

As a result, the climate for a high-return acquisition couldn't be better.

Here's how it works now:

You have an idea and start a company

Your innovation time is fast (2-18 months)

You may or may not need funding at all

Your go-to market plan is established with early adopters

Your valuation is largely associated with future projections

A medium- to large-sized company buys the business for relatively high valuation

The buyer grows the business generating high returns

Your exit time to return on effort and investment is 1.5-5 years

The low (or no) dilution for founders and owners creates a high return

This creates the perfect scenario for business owners seeking high returns for their businesses.

To capitalize on the opportunity, however, you must develop a valuation growth exit strategy that exploits the fast-growth phase of your business.

As you enter fast growth, all indicators are oriented toward success and value growth. It's the ideal time to leverage these results as proof and build the high-valuation projection profile for the business. As prospective buyers evaluate the potential of the business, they'll base the value of the business largely on what it could be worth to them in the future as you continue to achieve your growth milestones rather than on the sparse historic record.

But what if you're no longer in the fast-growth startup phase of your business? The vast majority of you reading this report will be beyond that initial fast-growth phase. Does that mean you don't have exactly the same opportunity to maximize valuation? No, not at all. Here's why:

Let's say that as the owner of a 10-year-old business, you want to sell for $30 million, but you discover that, given market conditions at the time, the business is only worth $12 million. By following a more traditional path, there's simply no way you can ramp up performance enough to close the $18 million gap in valuation.

Our solution is simple and proven: Address or remove any existing valuation constraints, and identify opportunities within the current business to reignite rapid value growth. This includes an array of possibilities.

For instance, you may identify a new product innovation or a way to reposition an existing product in a broader market. You may identify new market opportunities you're not currently addressing. You may identify opportunities to reignite fast growth through strategic partnerships or acquisitions.

The point is that there's an opportunity to reignite the value growth of your business. But this time, you'll do it with a high-return exit strategy in hand.

What You Stand to Gain

The majority of business owners I've interviewed answer the question "What's your exit strategy?" with one of two responses: "We don't really have one" or "We're going to grow it, and someone is going to buy it."

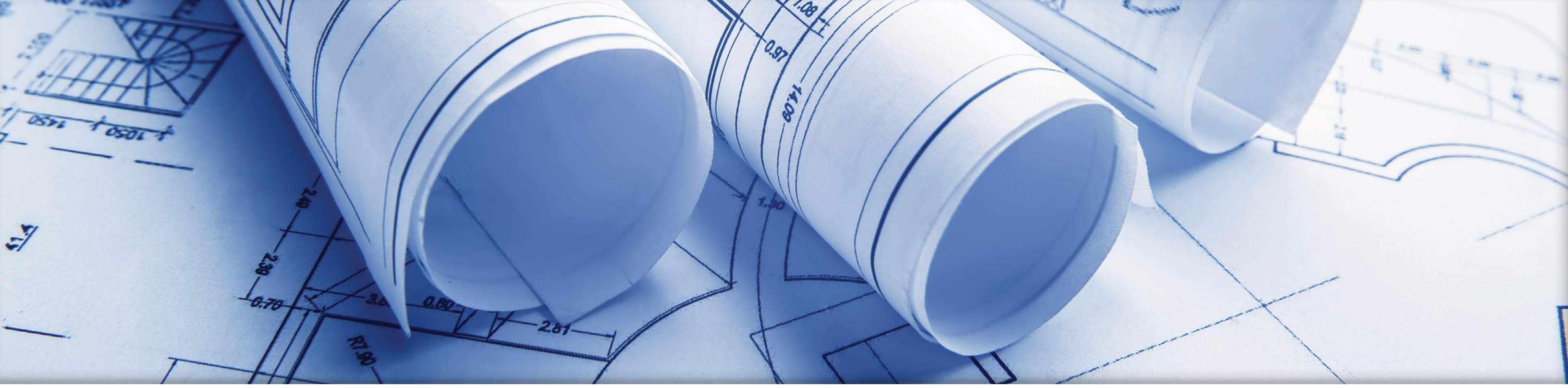
These aren't strategies.

Contrary to what many believe, valuation growth and a high-return exit aren't things that just automatically happen someday in the future with revenue growth and profitability.

Instead, they're carefully planned and calculated step-by-step processes targeting a specific outcome. It's all about identifying, characterizing, and qualifying potential suitors while aligning your company with the right value markets to achieve maximum valuation. From day one, you're constantly preparing your company internally and externally for maximum returns at exit.

There's no one way to exit your business. There are multiple events that will adjust control of the company, including liquidation, IPOs, legacy transfers, employee purchase plans, and mergers and acquisitions.

Liquidation is an unattractive option, and there's currently a somewhat limited IPO market. The most viable (and common) method is via merger or acquisition. There are dozens of different flavors of mergers and acquisitions.



Determining Your Best **Exit Pathway**

Keep in mind: We're recommending you use an exit strategy as the fulcrum to increase the value of your business, whether you plan on selling it or not. Finding the highest-return exit route is a process of in-depth research beginning with one key question: What drives the value of your business?

Most of the time, the typical answer involves a broad, generalized range of factors like "earnings," "profits," and "customers." While these are clearly factors that make measurable contributions to value, they're not necessarily the key value drivers.

Sadly, most business leaders aren't aware of what's truly driving their value and don't really know how to go about determining it.

When you partner with Zero Limits Ventures LLC, we join you in taking a deep dive into the heart and soul of your company. Our quick discovery process explores 55 different factors to develop a thorough profile of your company that lists every single market advantage you possess. During this discovery process, we evaluate the internal constraints as well as the external strategic opportunities that, when optimized, help you accelerate valuation.

Together, we'll uncover the different aspects of your business that can drive value. We'll look for any and all intellectual property opportunities, trademark opportunities, barriers to entry, and competitive advantages.

Once this in-depth profile has been built, we comb through the marketplace and consider the types of buyers that are best-suited for your business. We evaluate what these prospective buyers value most, how much they value it, and what you're going to have to do to capture maximum returns for your business. Then, we tailor your exit strategy to capture your highest-return potential buyers.

Prospective buyers want to buy you for four main reasons: to sell your products to their customers, to sell their products to your customers, to leverage something of yours to make theirs better, or to get smart employees who make them more competitive. Each prospective buyer will value your business differently based on how the acquisition will affect the value of his or her business.

Understanding what each suitor values most about your business and how much he or she values it yields the key to your highest-valuation exit strategy.

Shifting Your **Mindset**

Without a sound valuation growth exit strategy, the returns you can expect from the sale of your business can be a tough pill to swallow. Imagine investing years of personal sacrifice, long hours, and hard work into building your business only to find out that it's not worth as much as you thought it would be. Or worse, that it's not worth enough to secure your financial future.

We see this kind of disappointment all the time.

These entrepreneurs may have built stable businesses generating good revenue, earnings, and growth and securing an excellent reputation in their industry. But because they never developed and implemented a valuation growth exit strategy, they're left with whatever the market will offer for their business, which rarely aligns with their expectations.

How much better would it be for you to retain control of the value of your business? This way, you'll determine what the buyer will pay, ensure it delivers the returns you expect, and provide the security you intend for yourself and your family.

How can you know where to invest the next dollar if you don't know what's truly driving your value? How can you make any value-based growth decisions without this knowledge?

You can't effectively do any of these things without knowing what drives the value of your business. You have no mechanism for controlling your fate, and you may never realize your true potential for success.

You short-change yourself by taking a typical, reactive approach to your valuation and exit strategy.

On the other hand, with a calculated valuation growth exit strategy in place, you know who your prospective buyer is, you proactively align your business model with key market values, and you devote your funding and growth initiatives toward supporting those particular ideas and desires. You don't get caught up in distracting, time-consuming, and money-draining initiatives that don't generate value returns. Instead, you focus only on the specific factors that play an active role in driving the value of your business and maximizing your sale price and the returns generated at exit.

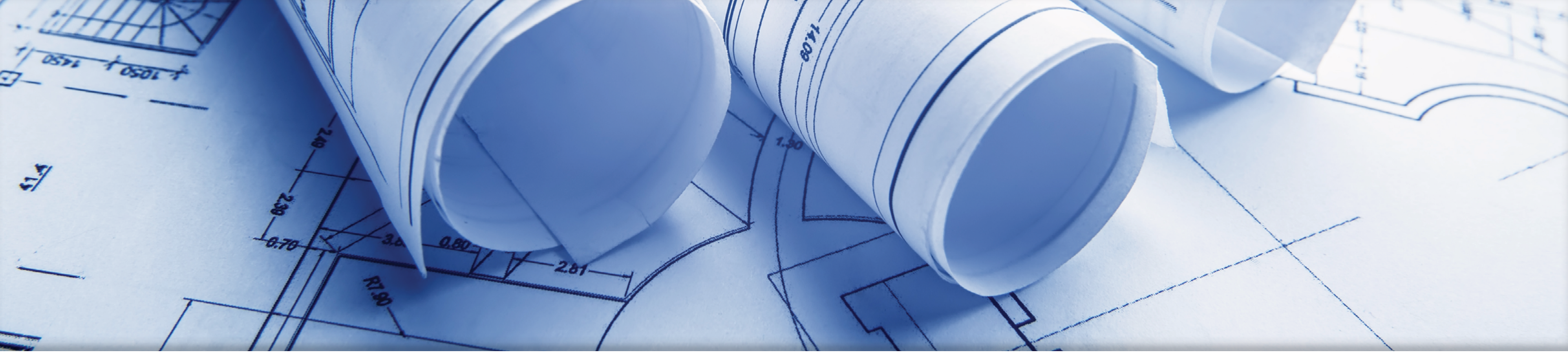
A CASE STUDY OF THESE STRATEGIES IN ACTION

We once worked with one Netbook-equivalent hardware company funded with $15 million by the top venture firm in Utah. However, the growth opportunity for it was preempted by the commercial release of the Netbook.

In response, Zero Limits Ventures repositioned it from a hardware company to a software company to establish a high-value growth opportunity in preparation for acquisition.

After researching the markets with the highest multiples for a potential exit, we determined that not only were mobile applications in demand, but there was also an emerging market on the horizon known as "bring your own device." Under our guidance, the company developed a product and a product roadmap that served this fast-growth emerging market and produced a high-yield valuation.

We identified and engaged a virtual desktop company that was seeking peripheral add-on software and management capabilities aligned with its new product offering. As a result, the company's valuation increased by 400 percent, and it was successfully acquired.



Conclusion

In the end, maximizing the value of your business is really no different from maximizing the value you derive from selling a product — whether that's a stick of gum or a brand-new yacht. The same factors come into play.

- What is the market need?
- Who are the people with the need?
- How much are they willing to pay for it?
- What do they need to see to pay top dollar?

These are questions business owners must ask before launch and should — quite frankly — ask on an ongoing basis as they continue to develop and grow their businesses. Buyers determine the true worth of your business, so stop obsessing over things that don't affect value, and start obsessing over things that do.

Zero Limits Ventures is here to help you determine your best, most lucrative valuation growth exit plan. With 75 years of combined experience in mergers and acquisitions advisory, investment banking, and consulting, we bring an invaluable outsider's perspective to your business. Through our relationships and partnerships across multiple industries and our knowledge of countless investment strategies, we find value drivers that you would have never even imagined.

Within 6-10 weeks, we can provide you with an accurate picture of how your company can increase its worth in today's market. We'll identify everything that's holding you back and show you exactly where you should focus your funding and efforts. Utilizing this knowledge can boost your value by 200, 400, or even 1,000 percent.

Don't miss out on the opportunity to ignite your business's value growth. Click here to set up a free one-hour consultation to discuss your valuation growth and exit strategy.