

HOW TO GROW YOUR BUSINESS FOR MAXIMUM RETURNS

The Rules Have Changed

ZERO LIMITS VENTURES – STEVE LITTLE

- Entrepreneur – 45 years
- Sold 1st business age 15 for \$200K, 2nd age 19 for \$750k
- Raised \$1B+ for 11 different startups
- Led sales / acquisition of 6 businesses; avg. \$140M+
- Led M&A teams for 9 additional tech acquisitions
- Founding Partner, Zero Limits Ventures 2010
- Specialize in accelerating value growth & creating high-value exits for Small to Medium Businesses

SOME REVEALING QUESTIONS

- “What’s your exit strategy?”
 - “Don’t have one, really”
 - “We’re going to grow it and someone will buy us”
 - These are not strategies
- “What drives the value of your business?”
 - “Revenue? Profits? Customers?”
 - “I don’t really know”
- Without these, what is the basis for decisions?

CHALLENGE

- Can't make 'value-based' decisions for growth
 - Markets Products Partners Employees
- Can't structure the business for maximum returns
- Can't create meaningful incentives for owners & employees
- Don't know how, when or where to position for exit
- No mechanism for controlling/maximizing \$\$ returns
- Never realize the success results really possible

VALUATION GROWTH / EXIT STRATEGIES

- What are they (and what they aren't)
- Why every business owner needs one right now
 - Actually from the start
- How to generate 100% to 500% larger returns both short and longer term using this approach
- How the rules have changed
- How to maximize financial returns for your business, yourself, your employees, your partners

VALUATION GROWTH STRATEGY

- Identify and remove internal valuation constraints (55)
- Identify external opportunities for value acceleration
 - Market position
 - Documentation
 - Trademarks / IP
 - Product Roadmap
 - Supportable Financial Projections
 - Distribution Channels & Partnerships
- Understand acquisition market dynamics
- Align with high value growth preferences of specific buyers

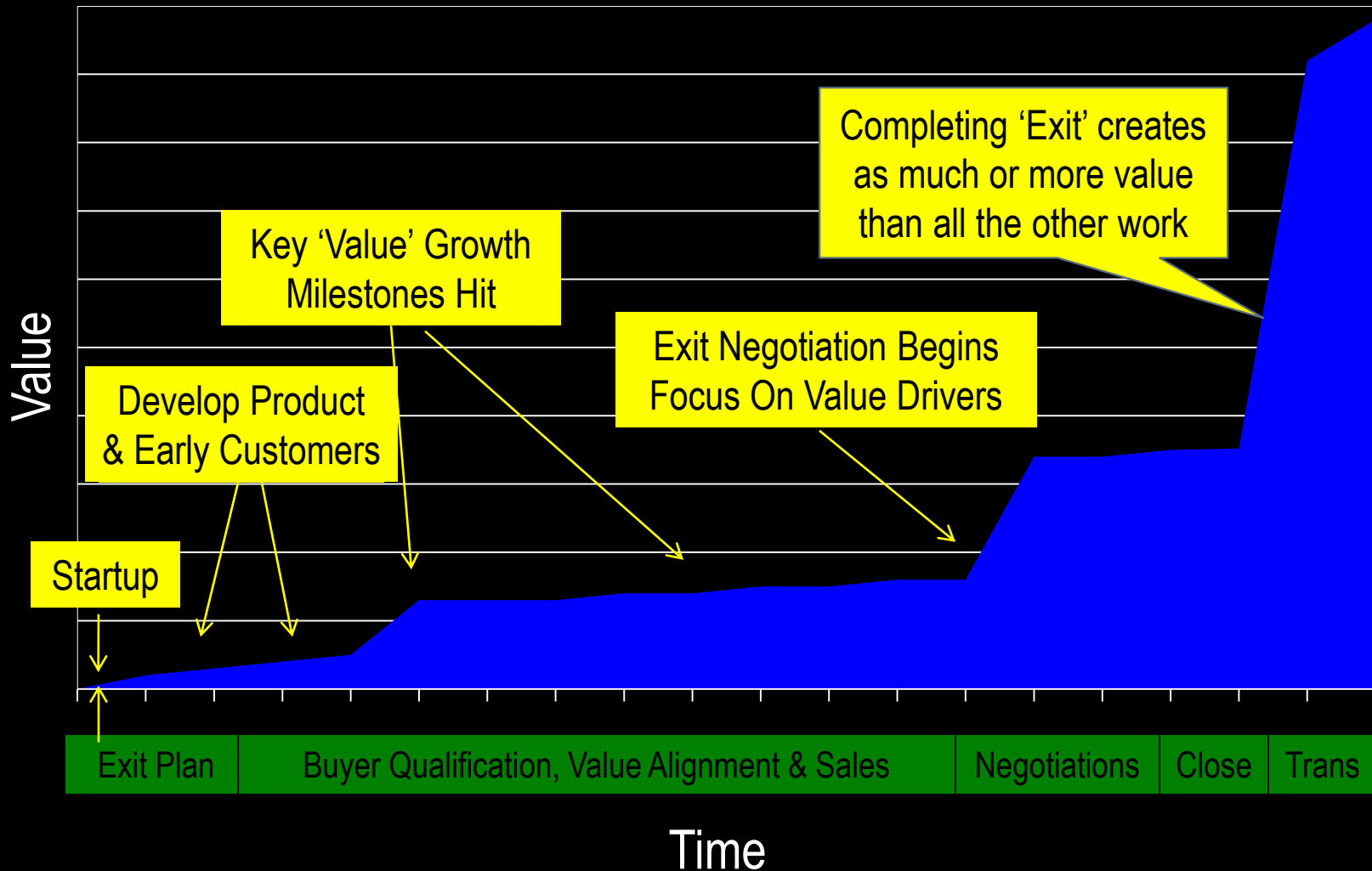
EXIT STRATEGIES

- An “EXIT” is an event that alters control of the company for example:
 - Liquidation
 - Legacy Transfer
 - Employee Purchase
 - Management Buyout
 - Merger & Acquisition
 - IPO
- M&A is the most typical exit event for most
- Management buyout / restructuring are increasingly popular
- Deal structure vs amount

WHAT'S A VALUE GROWTH / EXIT STRATEGY?

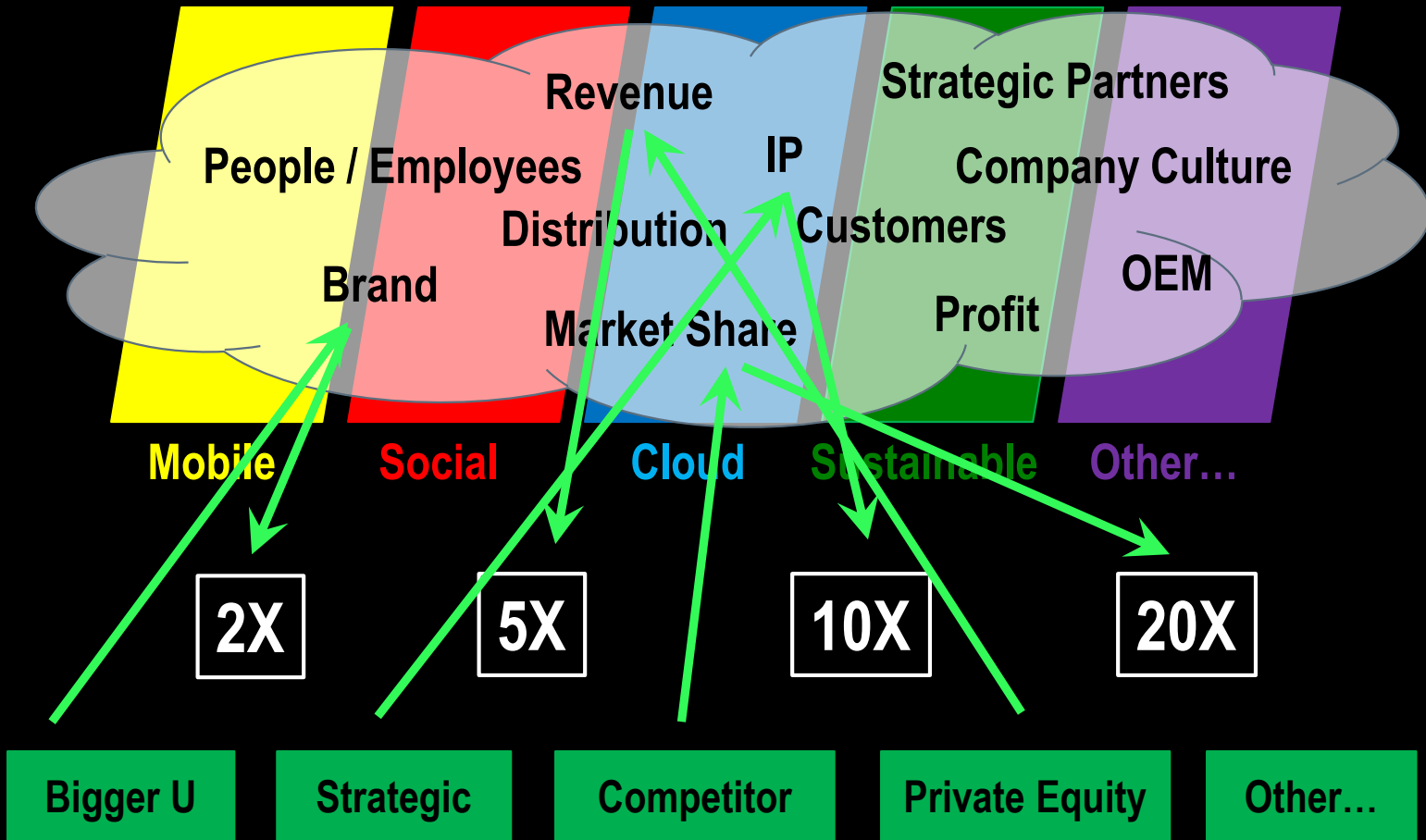
- An intentional and carefully planned process of:
 - Identifying, characterizing & qualifying potential suitors
 - Aligning the company properly in the right high-value markets to achieve maximum valuation
 - Leveraging specific high-return value drivers or each prospective “buyer”
 - Preparing the company internally and externally to garner the maximum value growth or price at acquisition
- Not something that just happens some day in the future

VALUE GROWTH & EXIT STRATEGIES AT WORK



VALUE GROWTH / STRATEGIC EXIT BASICS

- Companies are “sold” not “bought”
- An Value Growth / Exit Strategy builds a better business, even if you’re not planning to sell
- 4 typical reasons big companies buy small ones
 - To sell your products to their customers (more product)
 - To sell their products to your customers (more markets)
 - To leverage something of yours to make theirs better
 - To get smart employees who make them more competitive
- Each prospective buyer “values” your company differently

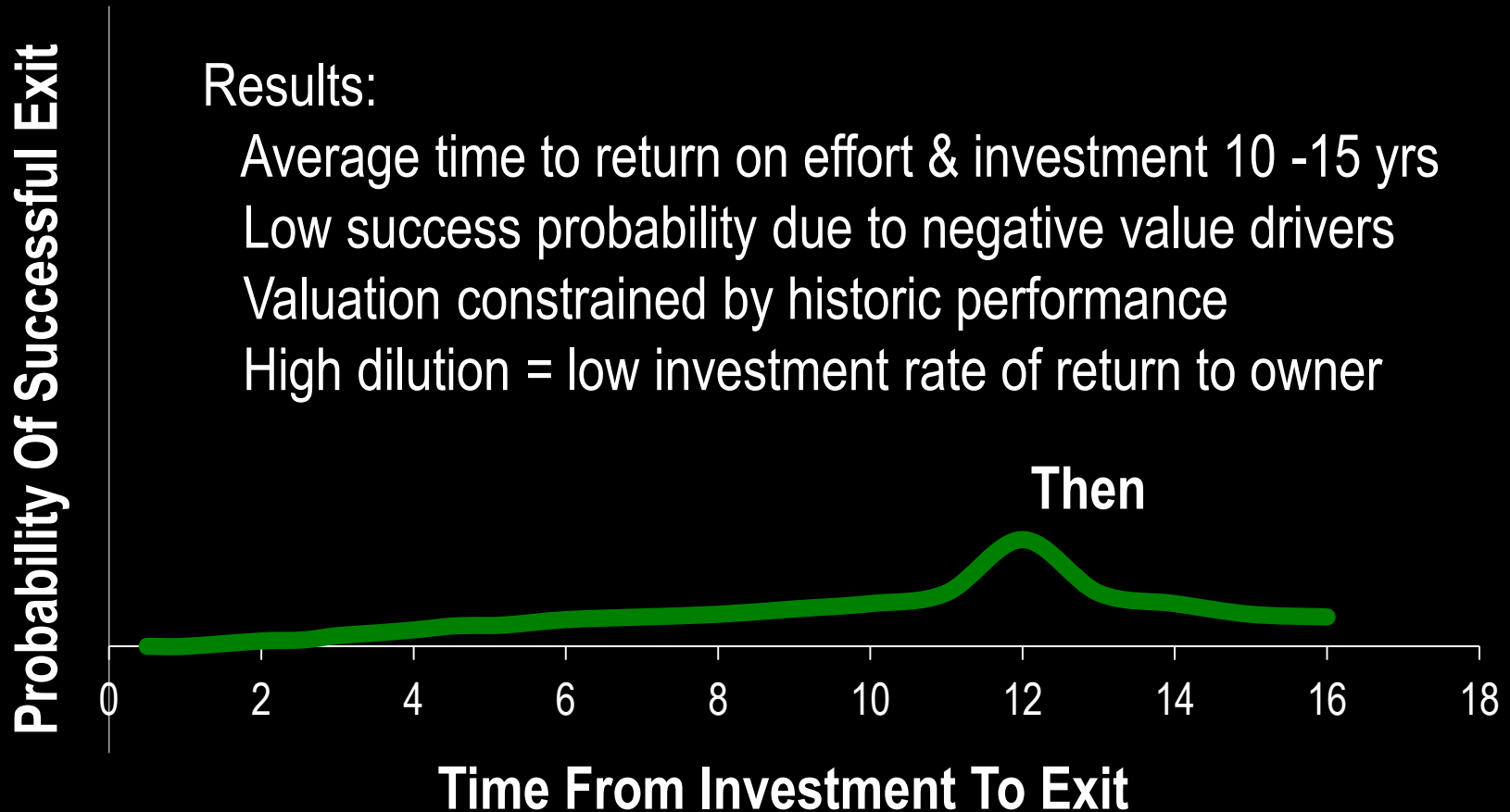


THE RULES HAVE CHANGED

5 AGENTS OF CHANGE

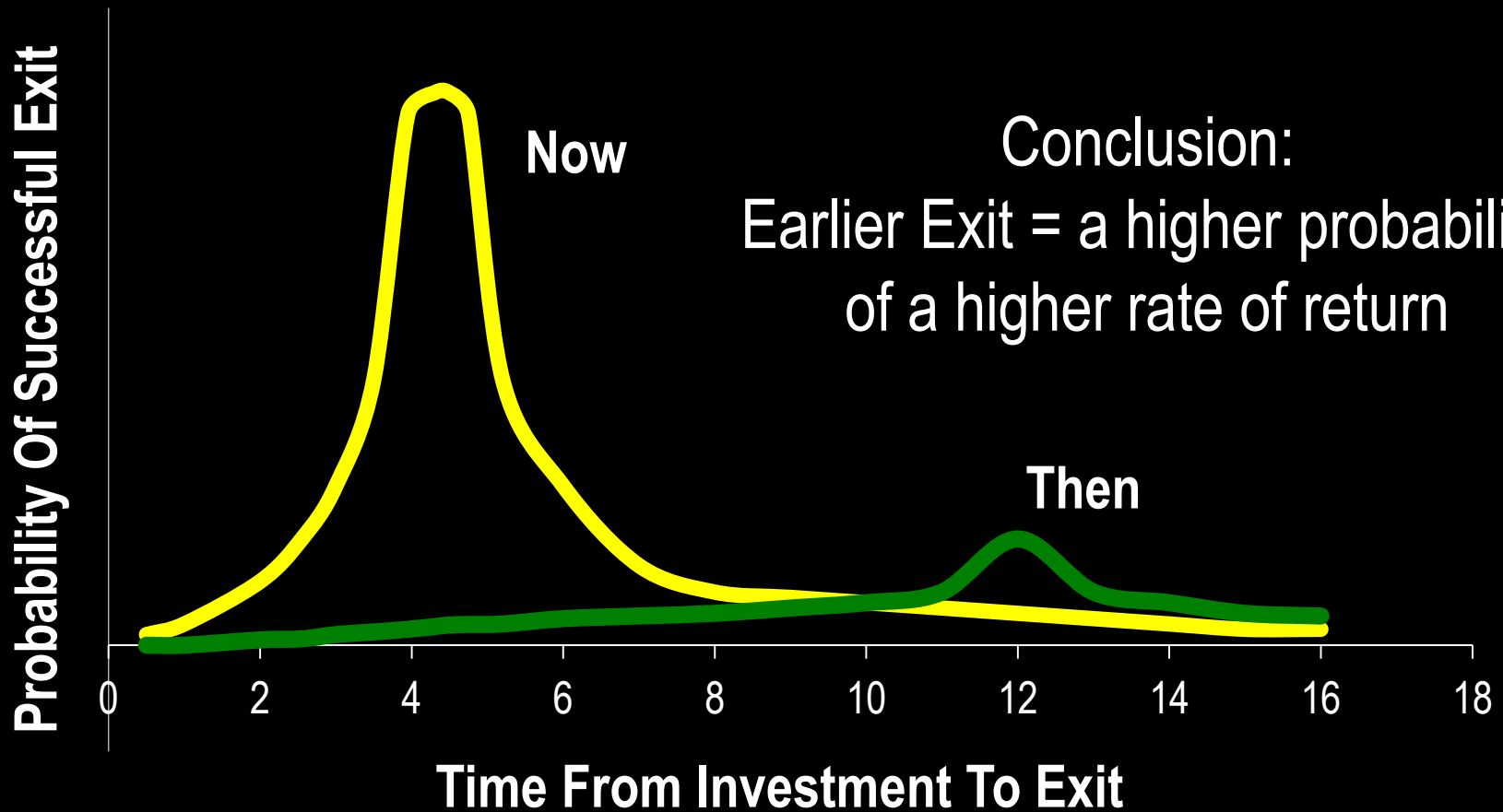
- Product innovation cycles are MUCH shorter (6-18 mo VS 2-5 yrs)
- Internet, mobile, social media, cloud, SAAS, wiki based and other platforms have leveled the playing field for small VS big businesses
- Large to medium sized companies have LOTS of cash and are under a lot of shareholder pressure to invest it
- PE firms have access to lots of leverage-able capital and are gobbling up business in every industry for the cash flow
- Large & growing multi-generational population of entrepreneurs emerging with loads of new innovation
- So the climate for acquisition could not be better (earlier is better)

THE RULES HAVE CHANGED WHAT USED TO “WORK”



THE RULES HAVE CHANGED

WHAT "WORKS" NOW



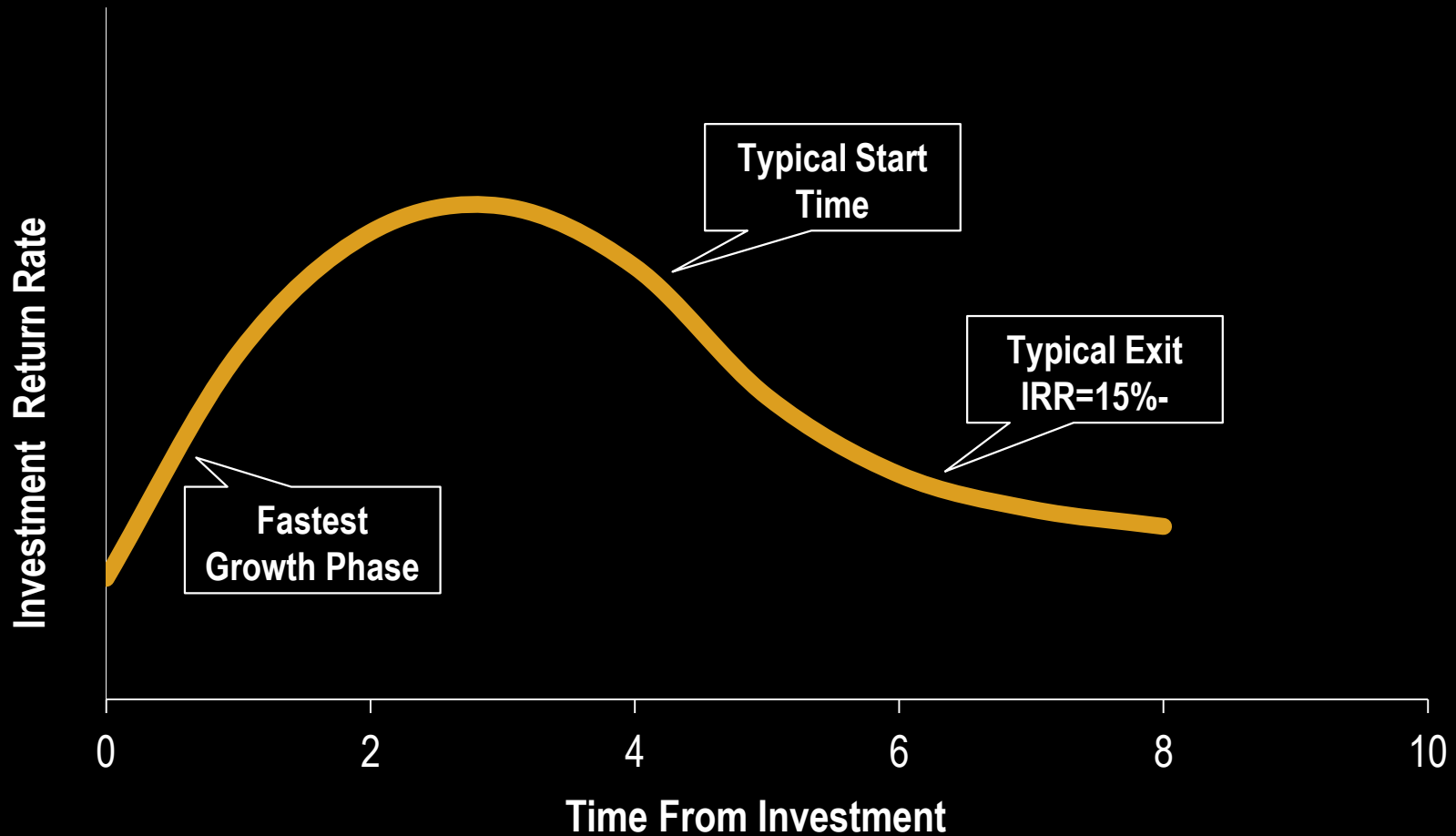
PROBLEM: MOST ENTREPRENEURS WAIT TOO LONG TO START THE EXIT

“Most entrepreneurs don’t think about selling their businesses until it’s too late...

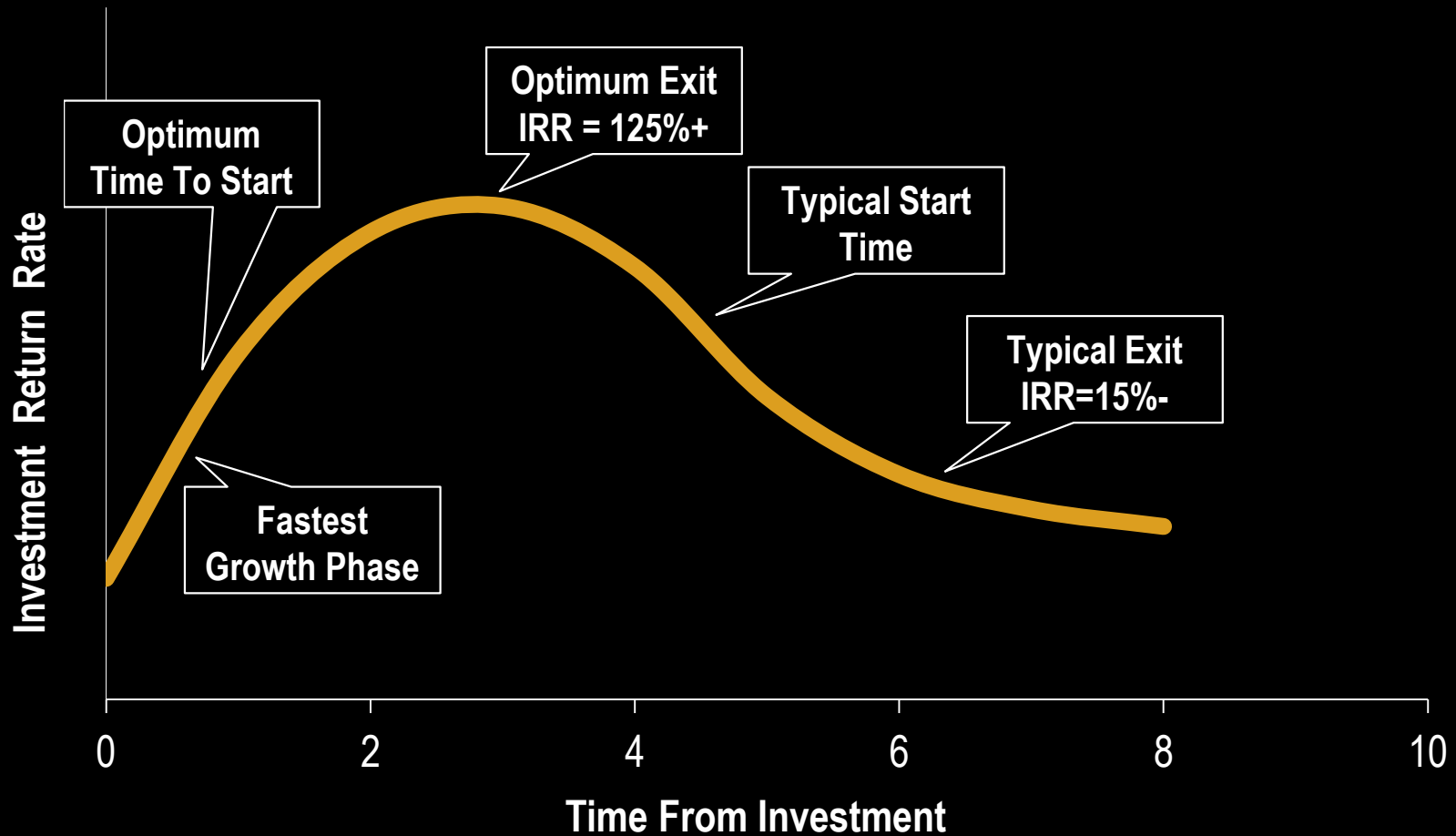
I got lucky, for one and only one reason: I built my company to sell.” Norm Brodsky – Inc. June 2013



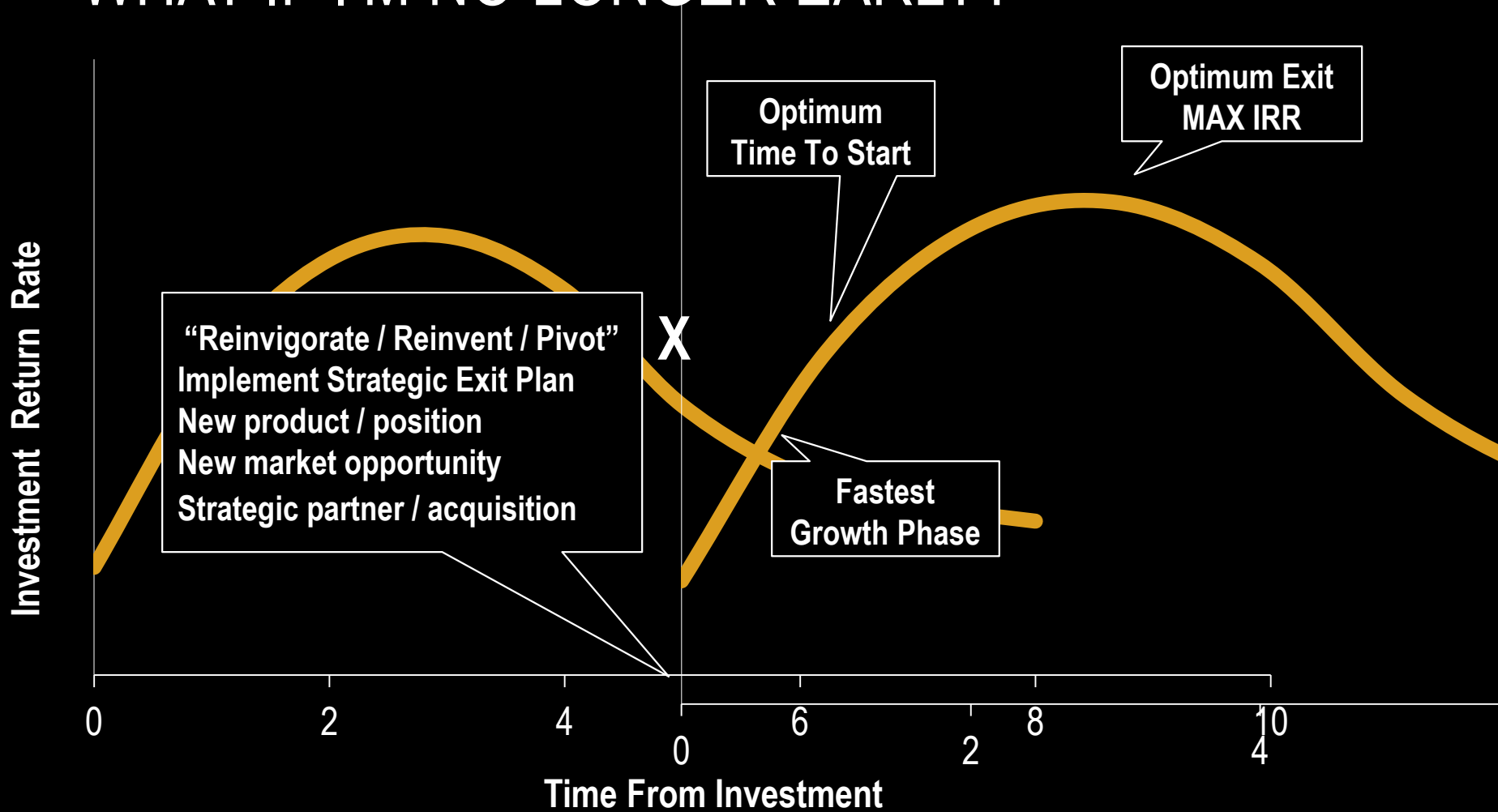
A MOST HEARTBREAKING MISTAKE



WHAT IS THE OPTIMUM TIME?



“WHAT IF I’M NO LONGER EARLY?”



HOW TO MAXIMIZE PRICE (VS VALUATION)

- Remove / Address Valuation Constraints
- Employ a Valuation Growth / Strategic Exit Plan
 - Monetized (5 Yr) Product Roadmap
 - Target high-valuation markets & value focused buyers
- Align & pace the business model for maximum valuation
 - Hit your numbers!
- Targeted-fit funding strategy (if necessary)
 - The right amount
 - The right terms
 - The right source
 - The right time

HOW TO MAXIMIZE PRICE (VS VALUATION)

- Hire experts to help build and execute a Strategic Exit Plan
 - Keeps CEO/Founders focused on primary business objectives
 - External team brings a more robust perspective opportunity
 - Leverages existing business model / plan to accelerate result
 - Expert resources to produce and manage the sales process
 - Maximizes returns realized by founders / owners

HOW TO MAXIMIZE VALUATION / PRICE

Assemble due-diligence online library

- Executive summary

- Pitch presentation

- Complete financials & cap table

- Forecasts & projections

- + approx. 400+/- other items

Structural updates within your company

- Clean / audited financials restructure debt

- Successor clauses in contracts

Create 'alignment'

- With exec leadership & employees

- With advisory or directors

Organize your business for high-value Exit

Implement a scalable business model

- Automation

- Predictability

Know & hit your KPIs

- #1 reason business becomes unsellable

Prepare 10-15 reference customers

Excellent sales & negotiating skills

Secure multiple qualified buyers

- 40 to 100 suspects

- 15 to 20 prospects

- 5 to 8 qualify for due diligence

- Advance 3 to negotiations & bidding

Disclose any hidden problems

Principals of the business **MUST** remain focused on running the business while the Exit Team maximize value

CONCLUSIONS

- Value Growth Strategic Exit Plans produce 200% to 500% greater returns
- Implement a Value Growth Exit Strategy with Experts
- Know and understand your acquisition market
 - What builds value in your business
 - Who the prospective buyers are
 - What does each buyer value
- Align your goals and objectives to max value drivers

RESOURCES EXCLUSIVELY FOR YOU

“Valuation Growth Playbook”

<http://www.zerolimitsventures.com/value-growth/>

Free Valuation Growth Strategic Exit Plan Consultation
(\$2000 value)

<http://www.zerolimitsventures.com/mtalks>

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QUESTIONS