

Increase Enterprise Value: Assess and Enhance Value Drivers Before Selling

By Roy Page

For business owners considering a sale—as well as those wanting to grow and recognize more profit—understanding the Value Drivers that impact your enterprise’s actual worth is essential. At TobinLeff, we recognize that these value drivers not only influence your company’s scalability and transferability, but they also significantly impact the multiple of EBITDA a company might sell for. This means more money in your pocket for all the hard work you’ve put into building your company.

By identifying and evaluating these key areas, owners and leadership teams can gain insights into their company’s strengths and address areas that may need improvement before entering the M&A marketplace. This is just as important when carrying out the desire to build a sustainable business that consistently operates efficiently, producing profits for the owner(s) and the team. Truly successful owners understand this “secret”: Always operate your business as if you are going to sell it, and you’ll have a solid company when the time comes to monetize it.

What Are Value Drivers?

Value drivers are specific factors or metrics that enhance—or detract from—a company’s appeal to potential buyers. They represent both qualitative and quantitative attributes that influence a firm’s overall valuation. When strong, these value drivers can increase enterprise value and EBITDA multiples; when value drivers are weak, they can lower the company’s perceived value and selling price.

TobinLeff developed a Value Drivers Assessment Tool and Process to help companies systematically evaluate their specific drivers and prioritize areas of improvement. Based on 15 years of speaking with buyers, we identified and prioritized 29 value drivers that are most often assessed by buyers. Below is a summation of the categories. If you email any of the partners at TobinLeff, we will gladly send you our Value Drivers Assessment Tool that evaluates 29 drivers.

Key Categories of Value Drivers

Using TobinLeff's comprehensive tool and process, we categorize value drivers into several critical areas. Each of these has a unique impact on enterprise value, providing a roadmap for companies to refine their operations strategically:

1. Financial Performance

- **Size and Profit Margin:** Buyers often seek companies that demonstrate consistent profitability and healthy margins, as these indicate operational efficiency and financial stability. Larger firms with higher profit margins generally attract higher valuations due to reduced risk and greater scalability.

2. Client Diversity and Retention

- **Client Concentration and Loyalty:** Businesses reliant on a small number of clients face greater risk. This not only can reduce enterprise value, but it often leads to buyers immediately dismissing a firm as too risky or structuring a deal that is weighted with an earnout formula. By diversifying your client base and maintaining high client retention rates, your firm can present a more attractive risk profile to potential buyers.

3. Scalability and Operational Efficiency

- **Systems and Processes:** Strong internal processes that support scalability without significantly increasing costs are invaluable when trying to sell your business. Streamlined, documented systems appeal to buyers because they indicate that a company can handle growth efficiently without needing additional staffing investments.

4. Leadership and Talent Retention

- **Leadership Depth and Employee Loyalty:** Buyers assess the strength and commitment of a company's leadership team and workforce, particularly for service-oriented firms like marketing agencies. Retaining top talent and having a succession plan in place demonstrates organizational stability and continuity, which can greatly enhance a firm's transferability to new ownership. Buyers are always curious and supportive of the types of retention plans you have in place for senior leaders and key employees.

5. Unique Value Proposition

- **Brand Equity and Competitive Advantages:** Businesses with a well-recognized brand, unique value proposition, and defensible competitive advantages command higher valuations. These attributes suggest a company's readiness for market expansion and competitive positioning, appealing to buyers looking to capitalize on industry growth trends.

6. **Growth**

- **Historic Progress and a Vision for Continued Growth:** Buyers pay premiums for growing companies. Your ability to demonstrate consistent historic progress combined with a vision for continued growth will help you command a higher selling price from multiple types of buyers.

Strategic Planning: Using Value Drivers to Turn Weaknesses into Strengths

For owners identifying weak areas through their value driver assessment, the good news is that these issues are addressable with strategic planning and execution. Developing a roadmap can greatly enhance value and include initiatives like:

- Expanding service offerings
- Diversifying the client base
- Implementing scalable systems
- Refining the firm's brand identity

It's not uncommon to address multiple weaknesses with one strategic move, so never shy away from acknowledging weaknesses. They create clarity on where to focus the firm's energy.

Action item: [Learn how to double your business revenue.](#)

Value Drivers Help You Move Forward with Confidence

Assessing your company's value drivers is a proactive approach that enables owners and leadership teams to make informed, strategic decisions before going to market to sell a business. TobinLeff's Value Drivers Assessment Tool offers a structured way to evaluate current performance in key areas, prioritize improvements, and build a strong foundation for a successful transaction. With an objective understanding of strengths and weaknesses, businesses can position themselves as attractive, growth-ready acquisitions and maximize their sale outcomes.

Action items:

1. Understand the value drivers that impact [your company's actual worth](#).
2. Assess the 5 Key Categories of Value Drivers for your business:
 - Financial Performance
 - Client Diversity and Retention
 - Scalability and Operational Efficiency
 - Leadership and Talent Retention
 - Market Position and Growth Potential
3. Develop a roadmap to make the necessary adjustments to maximize the value of your business.
4. Put the plan into action.



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About TobinLeff, LLC

TobinLeff is a leading M&A advisory and exit planning consulting firm, helping owners sell to strategic buyers and private equity groups. With 15 years of service, TobinLeff's team of senior advisors brings a wealth of Mergers & Acquisitions experience as former business owners, accountants, attorneys, and bankers dedicated to the mission of helping their clients maximize and monetize their life's work. TobinLeff is the go-to resource for business owners looking for true partners in their exit planning journey. TobinLeff.com