The ValueBuilder Report

The 8 drivers of your company's value

FEBRUARY 27

YOUR **REPORT** 2025

PREPARED FOR:

ADALI LADD

Veteran Roofing

MERITAGE PARTNERS

YOUR PERSONAL VALUE BUILDER REPORT

Dear Adali:

I think you will find this report will clarify key drivers of value within Veteran Roofing.

Meritage Partners is thrilled to provide you this report. Having worked with other owners like you, we believe this information could have a tremendous impact on unlocking value in your business.

I'm looking forward to discussing this in more detail after your review. Do not hesitate to contact me if you have any questions regarding this report.

Sincerely,

Brian Franco
Meritage Partners

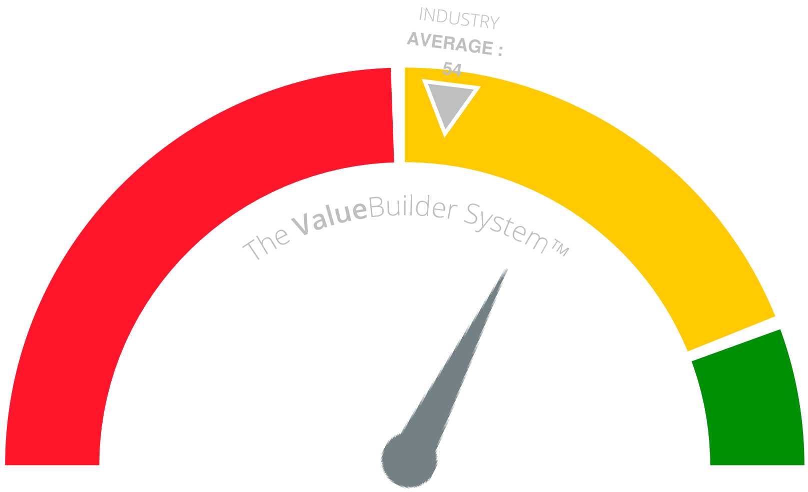
MERITAGE PARTNERS

Phone: 949-522-9121

YOUR ADVISOR:

Brian Franco has gained expertise in helping owners just like you. As a Value Builder Advisor, Brian is an expert on building value and developing a plan for success using a systematic approach to measure and improve the value of a business.

More than that, Brian Franco is a skilled facilitator who can help you enable your business to thrive without you, enabling you to gain control back of your life or exit your business.



OVERALL SCORE

65

8 KEY DRIVERS OF COMPANY VALUE

INDUSTRY AVERAGE: 47

Score: **76**

Financial Performance

Your history of producing revenue and profit combined with the professionalism of your record keeping

INDUSTRY AVERAGE: 59

Score: **73**

Growth Potential

Your likelihood to grow your business in the future and at what rate

INDUSTRY AVERAGE: 65

Score: **100**

The Switzerland Structure

How dependent your business is on any one employee, customer, or supplier

INDUSTRY AVERAGE: 52

Score: **50**

The Valuation Teeter-Totter

Whether your business is a cash suck or a cash spigot

INDUSTRY AVERAGE: 27

Score: **0**

The Hierarchy of Recurring Revenue

The proportion and quality of automatic, annuity-based revenue you collect each month

INDUSTRY AVERAGE: 48

Score: **25**

The Monopoly Control

How differentiated your business is from competitors in your industry

INDUSTRY AVERAGE: 82

Score: **81**

Customer Satisfaction

The likelihood that your customers will repurchase and also refer you

INDUSTRY AVERAGE: 57

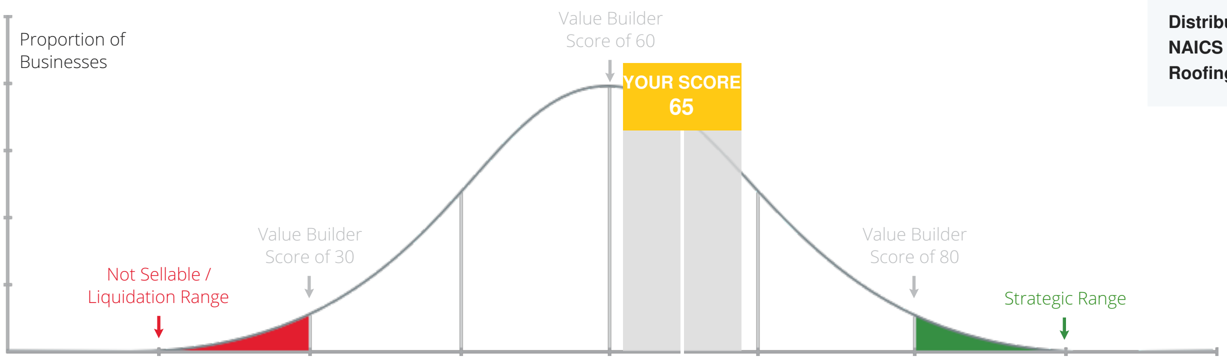
Score: **65**

Hub and Spoke

How your business would perform if you were unexpectedly unable to work for a period of three months

YOUR ESTIMATE OF VALUE

Distribution of Business Value for NAICS Code: 238160 Roofing Contractors



Multiple	-7.55x	-4x	-0.45x	3.1x	6.65x	10.2x	13.75x
Estimate of Value	USD-2,956,323	USD-1,566,264	USD-176,205	USD1,213,855	USD2,603,914	USD3,993,973	USD5,384,033

Current Estimate of Value
RANGE: USD1,767,943 - USD2,357,257
MEAN VALUE: USD1,964,381
MULTIPLE: 5.02X Value Builder Score: 65

Potential Value
ESTIMATE UP TO: USD4,792,768
MULTIPLE: 10.20X Value Builder Score: 80

By increasing your **Value Builder Score to 80**, we estimate you would add up to approximately**USD2,828,387**, or **144%**, to the value of your company.

Your estimate of value is based on a weighted average of the annual Pre Tax Profit of USD391,566 you entered into the Value Builder Questionnaire. To arrive at a more accurate Estimate of Value, there may be certain adjustments required. Please talk to your advisor to learn more.

How Are Companies Valued?

Discounted Cash Flow Method (DCF):
In this method, the acquirer "buys" future income discounted for risk. The discount rate is influenced by internal factors (e.g., dependency on the owner) and external market factors (overall industry stability/growth, interest rates).

Market Comparables ("Comps") & Rules of Thumb:
In this method, the acquirer arrives at a value by comparing a business with companies of a similar size and industry that have sold recently. Rules of thumb have developed over time to provide a close approximation for certain industries.

Liquidation Value:
This is usually a worst-case scenario and involves the hypothetical value of the business if it were to be closed and all assets liquidated.

Our Method

Our Estimate of Value makes use of the first two methods by comparing industry standard data sources of over 50,000 market transactions along with Rules of Thumb for hundreds of NAICS codes to determine an average market price.
Your Value Builder Score is used to measure soft risks and therefore where you will likely land on the range of value typically found among similar businesses in your industry.
While we always show an estimate of value, higher-scoring businesses can command strategic prices that may go significantly higher than estimated, while lower scores may indicate that the business is not sellable beyond its liquidation value.
While a valuation may sometimes include inventory, usually the business is sold on a debt-free, cash-free basis, meaning the seller would assume any cash or debts as well as non-direct assets (i.e., real estate).

Limitations of Model

The estimate of value in this report is based on information derived from your Value Builder Score questionnaire. It assumes the information provided to be accurate and complete. *This Estimate of Value is for information purposes only and should not replace a formal Opinion of Value.*

A business is only worth what someone will pay for it, and therefore the market will ultimately be the most accurate reflection of the value of your company. Your advisor has customized the Estimate of Value used in our algorithm.

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HOW TO USE THIS REPORT

Your Value Builder Score is calculated through an analysis of your business' performance on eight attributes proven to be important to acquiring companies when evaluating a business as a potential acquisition target.

Your Value Builder Score is derived from the sum of these eight scores using our proprietary weighting model designed using a quantitative survey of business owners and the professionals who serve them. This algorithm has been validated and adjusted based on the real-time feedback from tens of thousands of users.

Along with your score, you will receive a result on all eight of the attributes that drive your Value Builder Score. You will also see the average score for each attribute among companies in your industry. To improve your overall Value Builder Score, start by improving the areas you scored the lowest on. At the end of each section, there is a series of questions for you to consider with your advisor.

The higher your Value Builder Score, the more likely your business is to be a candidate for a variety of transitions. Companies with an attractive Value Builder Score maximize their chances at completing a successful family or internal transition and are usually attractive to both financial and strategic acquirers.

The Financial vs. the Strategic Buyer

Financial buyers purchase your company's future stream of profits, so their evaluation of your business' worth focuses on your profitability and the likelihood of those profits flowing in the future. Since buying your company is probably riskier than putting money in government bonds, a financial buyer will demand a higher return on their investment and will therefore usually make an offer that is within the normal range of multiples being paid for businesses like yours (talk to your advisor to find out what multiple businesses like yours are selling for). The higher your Value Builder Score, the less risk an acquirer is likely to perceive, leading to a potentially higher valuation for your company.

By contrast, a strategic buyer develops an offer by estimating the value of your company in the hands of the buyer.

The math a strategic acquirer does starts with imagining what would happen if your company were grafted onto its platform. Companies make strategic acquisitions for many reasons, but there are three key ones.

The difference between a financial and a strategic acquisition is comparable to the difference between buying a new car and investing in a piece of fine art. When you buy a car—similar to a company making a financial acquisition—you go in with a good idea of what it's worth. You've done a search online and have taken a look around and seen what other dealerships are charging for the car, so you go to the negotiation at the dealership armed with enough data that you're going to end up buying the car for plus or minus 5 percent of what most everyone pays.

When buying a piece of fine art at an auction, however, there is no agreed-upon price for what you're buying. The price comes down to what it is worth to the people in the audience. At an auction, beauty is indeed in the eye of the beholder, and each attendee decides what the piece of art is worth to him or her.

In summary, the higher your Value Builder Score, the more likely your business is to be attractive to both financial and strategic acquirers as well as being positioned for a successful family or management transition. Please turn to the next page to see your overall score.

OVERALL SCORE: 65

Your Score: 50-80 points

A score between 50-80 means you have a number of opportunities to significantly improve the value of your company. According to our analysis of thousands of businesses, businesses in this range can improve their value by up to 71% by increasing their scores to 80 or higher.

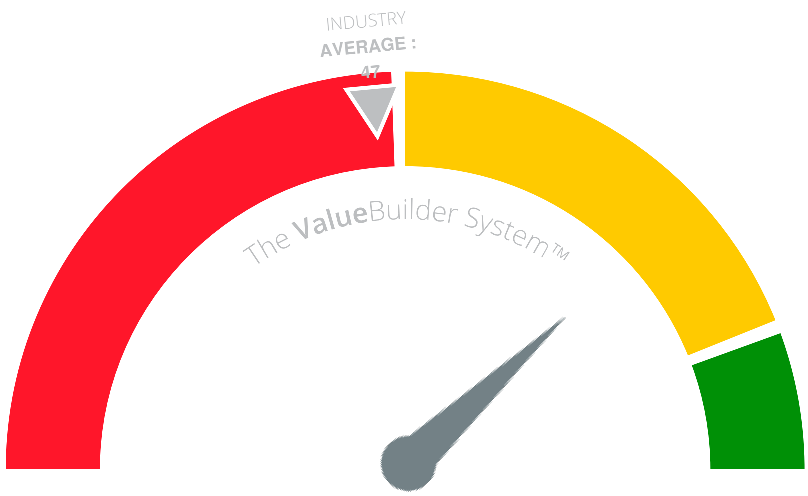
Score: Less than 50 points

A score of less than 50 means you have a number of opportunities to significantly improve the value of your company. According to our analysis of thousands of businesses like yours, you could double the estimated value of your company by increasing your score to 80 or higher.

Score: 80-100 points

A score of more than 80 means your company is much more valuable than the average business we analyze. There are still further opportunities to increase the value of your business by pushing your score as close to 100 as you can.

FINANCIAL PERFORMANCE



OVERALL SCORE: 76

One of the eight factors that contribute to your company's value is your financial performance, specifically, the size of your revenue along with your past and expected profitability.

Your score of 76 out of a possible 100 shows you're performing satisfactorily in this area of your business, yet there may still be improvements you can make to maximize the value of your company.

A financial acquirer sees buying a business as paying today for a stream of profits in the future, which is why companies are generally bought and sold using a multiple of earnings. But focusing on your multiple is a little bit like a hypertensive person focusing on his or her blood pressure report. To really understand the number, and to move it up or down, you have to understand the calculations.

The Math Behind Your Multiple

Buyers acquiring a company will usually do some math to figure out what they are willing to pay today for the rights to that business' future profits. We've all made a similar calculation. For example, you may have decided in the past to invest USD1,000 in a bond that offers 5% interest per year, that is, you decided to spend USD1,000 on something that would be worth USD1,050 a year later.

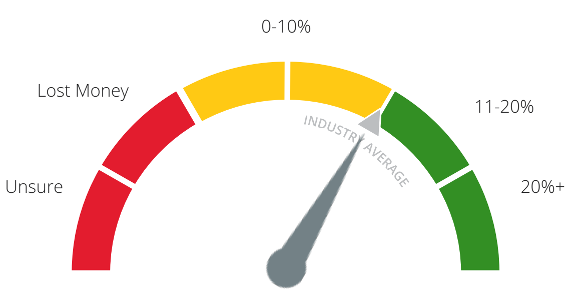
To see how this math affects the value of your business, imagine you have a company that you expect to generate USD1,000,000 in pre-tax profit next year. Buyers looking for a 15% return on their money in one year would pay USD869,565 (USD1,000,000 divided by 1.15) today for USD1,000,000 a year from now.

When valuing a business, financial buyers will typically value not only next year's profit but all expected profits in the foreseeable future. For every year into the future that buyers must wait to get their profits, they will "discount" the future profit you are projecting by the rate of return they expect.

For example, if you project your company will generate USD1,000,000 of profit per year for the next 10 years, financial buyers would “discount” the USD1,000,000 by 15% for each year they have to wait for their money.

Therefore, an investor looking for a 15% return on his or her money would pay USD5,018,770 (in MBA parlance, this is called "present value") today for a business that he or she expects to generate USD1,000,000 a year for the next 10 years.

End of year	Pre-tax profit	15% discount
1	USD1,000,000	USD869,570
2	USD1,000,000	USD756,140
3	USD1,000,000	USD657,520
4	USD1,000,000	USD571,750
5	USD1,000,000	USD497,180
6	USD1,000,000	USD432,330
7	USD1,000,000	USD375,940
8	USD1,000,000	USD326,900
9	USD1,000,000	USD284,260
10	USD1,000,000	USD247,180
	Present Value	***USD5,018,770***



What was your profit margin (before tax) in your most recent completed financial year?

The Relationship Between Risk and Return Affects Your Value Builder Score

The price an investor is willing to pay for an asset relates to how risky he or she perceives the future stream of profits to be: the riskier the investment, the higher the return an investor will demand. Today, investors can put their money into relatively safe bonds and get a few percentage points of return, or they can buy a balanced portfolio of big-company stocks and expect perhaps a seven or eight percent return over time.

But when buying one relatively risky business rather than a balanced portfolio, investors will expect a much higher return on their money. For illustrative purposes, imagine an investor is looking for a 50% return for buying your business because he or she deems your future stream of profits to be very risky given that your revenue has been inconsistent over the last three years. The following table illustrates the effect that a 50% discount rate has on the value of the business projecting USD1,000,000 in profits per year.

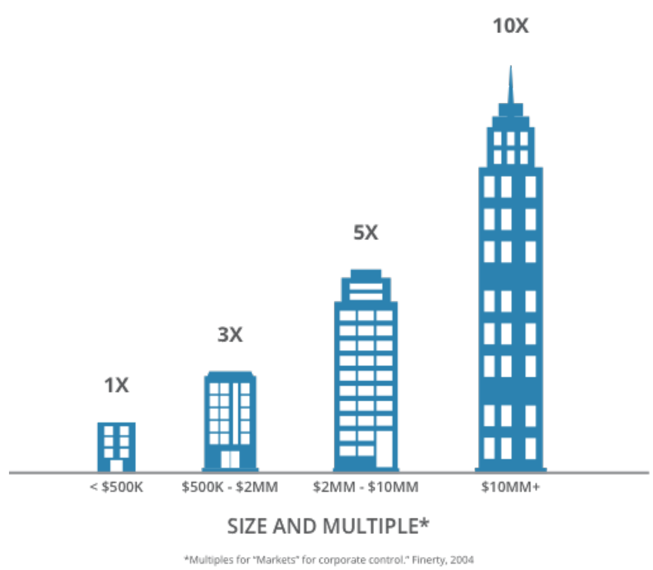
The same business projected to generate USD1,000,000 for the next 10 years is worth less than half as much when, due to perceived risk, the investor demands a return of 50% instead of 15%.

End of year	Pre-tax profit	50% discount
1	USD1,000,000	USD666,670
2	USD1,000,000	USD444,440
3	USD1,000,000	USD296,300
4	USD1,000,000	USD197,530
5	USD1,000,000	USD131,690
6	USD1,000,000	USD87,790
7	USD1,000,000	USD58,530
8	USD1,000,000	USD39,020
9	USD1,000,000	USD26,010
10	USD1,000,000	USD17,340
	Present Value	***USD1,965,320***

The Relationship Between Size and Risk

Mergers and acquisitions professionals refer to a "small company discount," which often applies because of the perception that very small companies are riskier than larger businesses. It is generally understood that larger businesses are more substantial and stable organizations because they have found a way to grow beyond the efforts of the owner(s) and are therefore less reliant on the owner(s). Because of this perception, the size of your business affects your Value Builder Score.

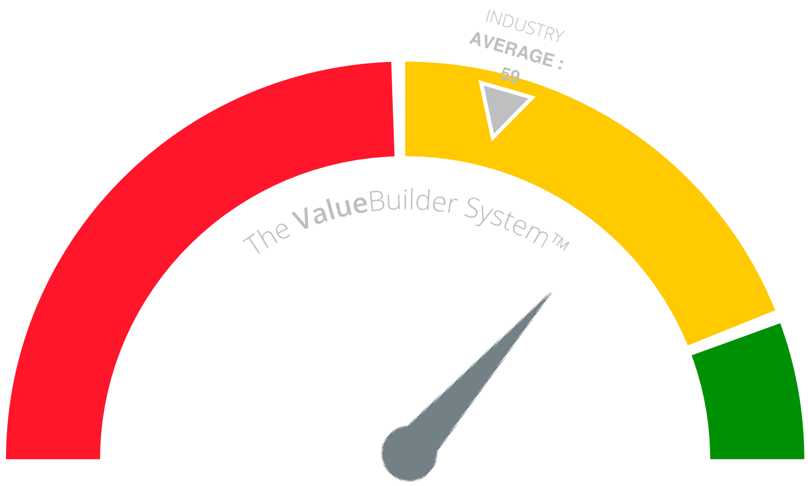
If you want to minimize the small company discount, consider documenting your Standard Operating Procedures to make the case your business can thrive without you. Download the eBook: *The Definitive Guide to Standard Operating Procedures*.



Consider the Following:

- [ ] Are you artificially reducing your profits by expensing anything to your business that benefits you personally?
- [ ] In what ways could you make your bookkeeping more professional?
- [ ] As you look down your list of monthly expenses, is there one thing that could be cut?
- [ ] Are you getting the very best pricing from all of your key suppliers today?
- [ ] Have you created *Standard Operating Procedures* to avoid the small company discount?

GROWTH POTENTIAL



OVERALL SCORE: 73

Acquirers typically pay the most for businesses with the potential to grow. In rare cases, an acquiring company may even buy a business that scores high on Growth Potential but low on other attributes because the acquirer sees a way to leverage some of its own assets to help the business grow much more quickly than it could under its current owner. This type of transaction is known as a strategic sale.

Your score of 73 out of a possible 100 shows you're performing satisfactorily in this area of your business, yet there may still be improvements you can make to maximize the value of your company.

To understand the relationship between growth potential and value, imagine that instead of generating a flat USD1,000,000 in profit for the next 10 years, the hypothetical business owner expects profits to grow by 20% each year in the future (for perspective, according to researcher David Birch, fewer than 2% of American companies grow by 20% per year for 3 consecutive years).

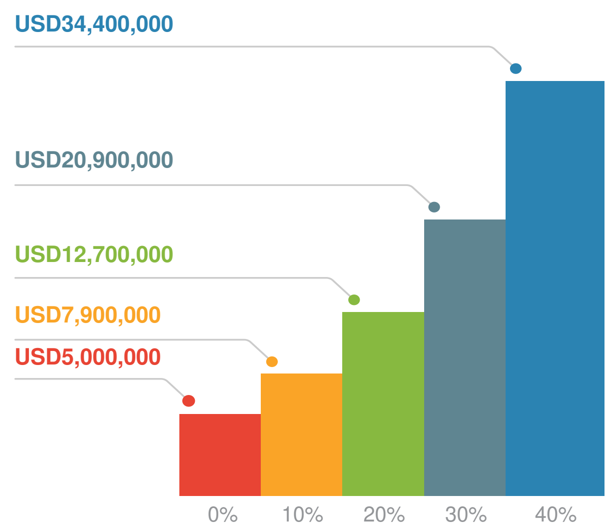
Note that the only change between this example and the one using a 15% return on investment in the Financial Performance section is the projected growth rate. The business expecting a 20% growth rate over the next ten years is worth more than double the business that expects its revenue to remain flat.

Your score on the Growth Potential attribute reflects the extent to which you think your business can grow in the future by selling more products and services to your existing customers or by acquiring new customers quickly.

The table below illustrates how a financial buyer looking for a 15% return on his or her investment might value this company.

End of year	Pre-tax profit	15% discount
1	USD1,200,000	USD1,043,480
2	USD1,440,000	USD1,088,850
3	USD1,728,000	USD1,136,190
4	USD2,073,600	USD1,185,590
5	USD2,488,320	USD1,237,130
6	USD2,985,980	USD1,290,920
7	USD3,583,180	USD1,347,050
8	USD4,299,820	USD1,405,620
9	USD5,159,780	USD1,466,730
10	USD6,191,740	USD1,530,500
	Present Value	***USD12,732,060***

Present Value of Company by Growth Rate



As you contemplate what it would take to scale up your business, consider these basic ways to grow:

Can you grow geographically?

Are there new markets (e.g., cities, regions, countries) you could enter? Consider new locations where your product or service would sell with minimal tailoring.

Can you grow vertically?

If your existing infrastructure (staff, machinery, office space) could handle more customers without adding much to your fixed costs, then you have the ability to grow vertically. For instance, a 200-room hotel that averages just 75 guests per night has the potential to grow more than two-fold before its owners would have to make significant infrastructure investments.

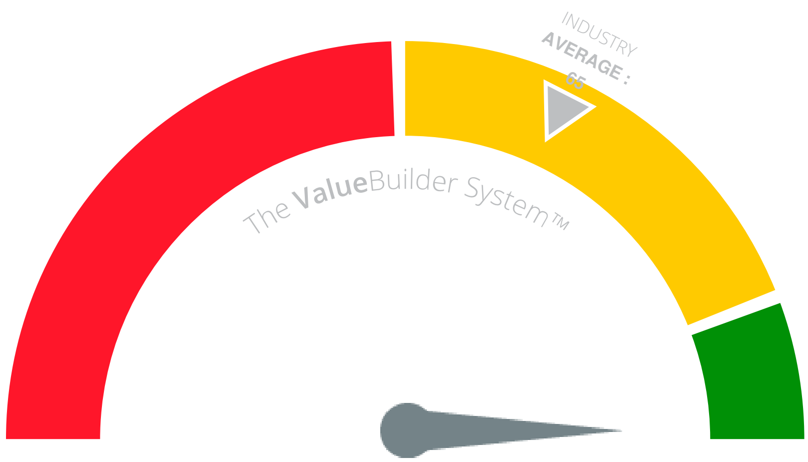
Can you grow horizontally?

Are there other products or services you could add to your offering that would increase your overall value proposition? When considering adding new products or services, ensure they increase your point of differentiation rather than diluting it. (See the Monopoly Control section for more on the power of differentiation.)

Consider the Following:

- [ ] Could you replicate your business in another city or even another culture and have it work just as well?
- [ ] What other products or services would your most loyal customers buy from you?
- [ ] What would have to change in your company for it to handle 10 times the number of customers?
- [ ] Could you reach a new customer group if you opened up a new channel (e.g., telephone sales, e-commerce-enabled website)?
- [ ] Could you more profitably serve smaller customers by making use of a self-serve model?
- [ ] Could you license your product or service for others to use in return for a royalty?
- [ ] If someone handed you a check for $5,000,000, with the only stipulation being you had to use it to grow your company as quickly as possible, what would you invest the money in?

THE SWITZERLAND STRUCTURE

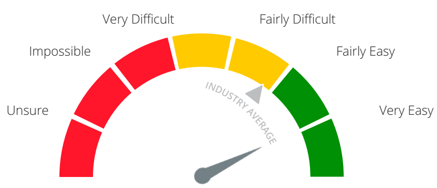


OVERALL SCORE: 100

A business' sellability requires that the business not be overly reliant on any one customer, employee, or supplier. "The Switzerland Structure" was inspired by Switzerland's focus on neutrality. The country has not declared a state of war since 1847 (it never entered the World Wars or the Iraq war), opted out of joining the European Union, and entered the United Nations only after a countrywide referendum.

Your score of 100 out of a possible 100 shows you're performing very well in this area of your business. Given your score, you may want to skim the information below and skip ahead to your performance on the next attribute.

Consider The Switzerland Structure in all areas of your business:

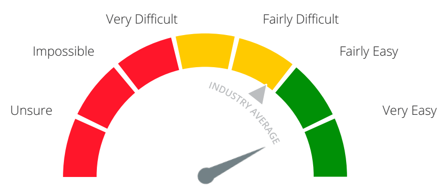


SUPPLIERS

How easy would it be to replace your most important external supplier?

If your business is dependent on one or two key suppliers (companies or independent consultants), you are at their mercy.

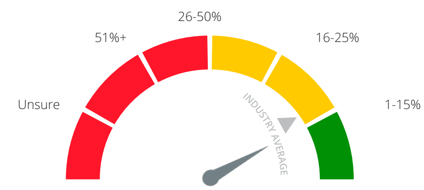
Cultivating a bench of suppliers, on the other hand, means you will never feel beholden to anyone. Spread your business around—even if you lose some special pricing discounts. Neutrality is worth more than a few dollars in savings.



EMPLOYEES

How easy would it be to replace your most important sales & marketing employee?

If you're too reliant on any one employee, you are at significant risk if that employee chooses to leave and at a disadvantage when it comes to negotiating his or her salary.



CUSTOMERS

What percentage of your overall revenue did your largest customer represent last year?

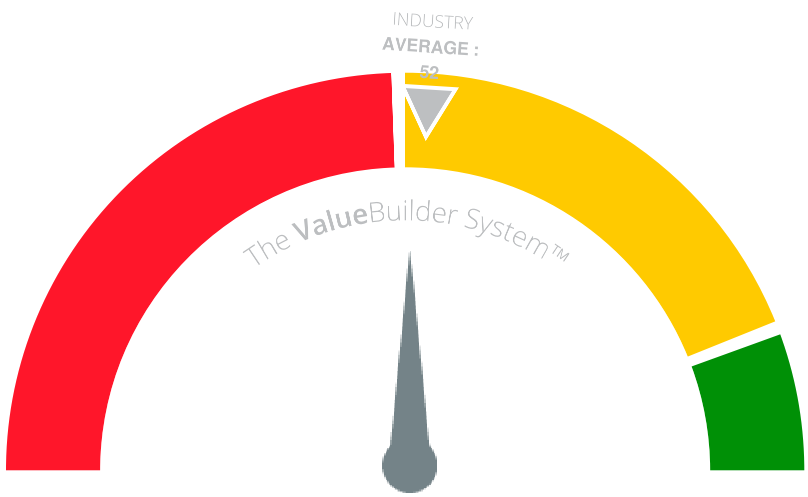
If you're too dependent on any one customer, your business will be highly unstable. Try to work your customer concentration down to a point where your largest customer represents no more than 15% of your revenue.

You'll sleep better at night and have a more valuable company when it comes time to sell.

Consider the Following:

- [ ] Rank your employees from easiest to most difficult to replace. What can you do to become less dependent on those most difficult to replace?
- [ ] Document the Standard Operating Procedures of your most difficult-to-replace employees. (Download the eBook: *The Definitive Guide to Standard Operating Procedures to find out how*)
- [ ] How could you create a bench of potential hires for key roles in the event of an employee defection?
- [ ] Identify your most important raw materials. What other companies could supply them? How could you negotiate the same discounted rates from another supplier?
- [ ] Rank your customers by the percentage of your overall revenue each represents. How can you increase sales to your smaller customers or find new customers so as to lessen your customer concentration without shrinking your revenue?

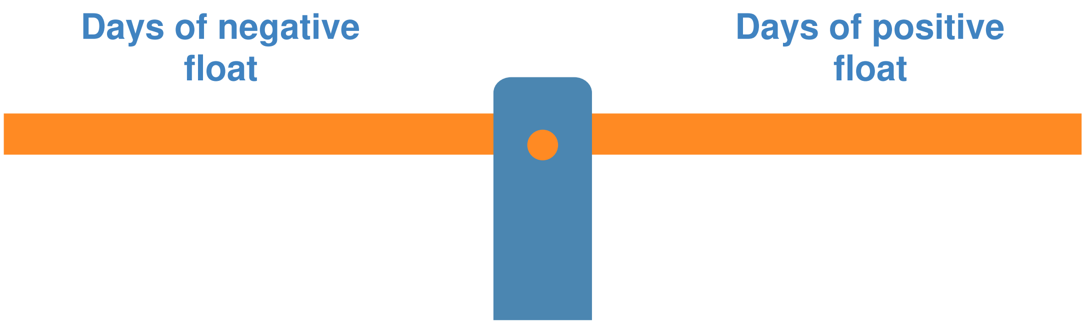
THE VALUATION TEETER-TOTTER



OVERALL SCORE: 50

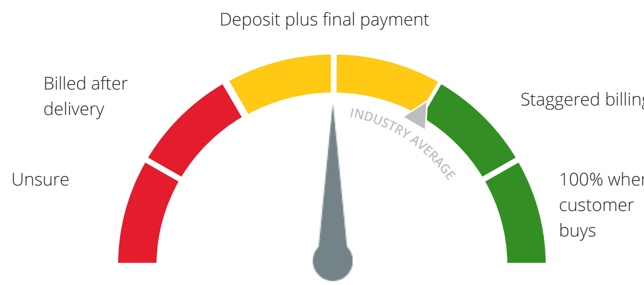
The Valuation Teeter-Totter reflects the impact your cash flow, gross margin, and profitability have on the value of your company. Imagine a playground teeter-totter that can move in only two directions: When one end goes down, the other must go up. The same is true of the value of your company as it relates to your cash flow: The more cash an acquirer must inject into your company when taking it over, the less that acquirer will pay for it. The inverse is also true: The less cash your acquirer must deposit into your business, the higher the price he or she will pay.

Your score of 50 out of a possible 100 shows you're performing satisfactorily in this area of your business, yet there may still be improvements you can make to maximize the value of your company.



Balance Your Teeter-Totter

Your goal should be to create a business that accumulates cash as it grows. One way to do this is to create a positive cash-flow cycle by getting customers to pay you sooner while you lengthen the time it takes you to pay your expenses. In addition to maximizing your overall profitability, having money in the bank makes running your business that much more enjoyable before you sell.

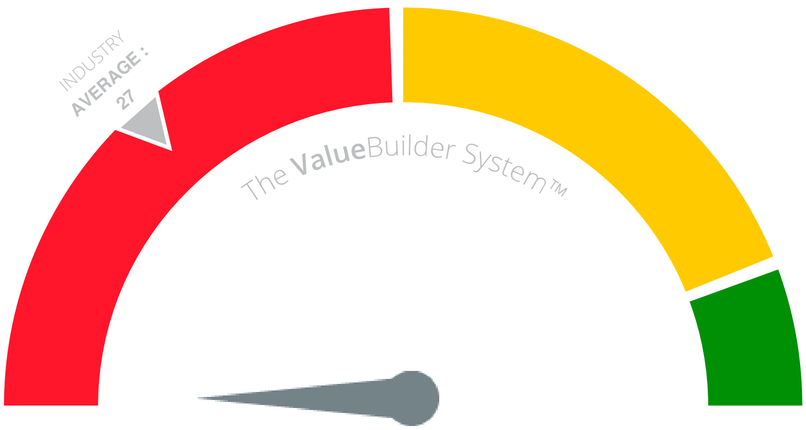


How do you typically get paid by your customers?

Consider the Following:

- ☐ If you bill your customers in installments, could you charge them a greater percentage of the overall price up front?
- ☐ Could you evolve your business into a subscription or membership model in which you bill customers before they receive the benefits of their membership or subscription?
- ☐ If you sell a service, could you do more to "productize" your offer and thereby make it easier to charge up front?
- ☐ Could you reduce the amount of inventory you pay for in advance of needing it?
- ☐ Could you lengthen the time it takes to pay some vendors?

THE HIERARCHY OF RECURRING REVENUE



OVERALL SCORE: 0

One of the biggest factors in determining the value of your company is the extent to which an acquirer can see where your sales will come from in the future. If you're in a business that must start from scratch each month, the value of your company will be lower than if you can pinpoint the source of your future revenue.

Your score of 0 out of a possible 100 reveals an attribute of your business that requires improvement in order to increase the value of your company.

A recurring revenue stream acts like a powerful pair of binoculars for you to see months, even years, into the future, so creating an annuity stream is the best way to increase the value of your business.

Think of the list below like a ladder. For each rung you climb on the way toward number one, the more valuable your business will be.

No. 1: Contracts

e.g., wireless phones

The only thing more valuable than an automatic-renewal subscription is a hard contract for a defined term. As much as we may despise being tied to them, wireless companies have mastered the art of recurring revenue. Many give customers free phones as long as the customer locks into a two- or three-year full-service contract.

No. 2: Automatic-renewal subscriptions

e.g., document storage

When you store documents with Iron Mountain, for example, you are charged a fee each month until you decide to pick up your documents. Unlike a magazine subscription, where you have to make the conscious decision to re-up, Iron Mountain bills until you tell it to stop.

No. 3: Sunk-money renewable subscriptions

e.g., the Bloomberg Terminal

Traders and money managers swear by their Bloomberg Terminal. Bloomberg customers have to first buy or lease the terminal and then subscribe to Bloomberg's financial information. Having sticky customers loyal to a proprietary platform allowed Michael Bloomberg to build a valuable company.

No. 4: Renewable subscriptions

e.g., magazines

Even better than having loyal customers who repurchase is having revenue that is guaranteed into the future in the form of a subscription. Typically, subscriptions are paid for in advance, making them an excellent way to create a positive cash-flow cycle and wean your business off a reliance on bank financing.

No. 5: Sunk-money consumables

e.g., razor blades

More valuable than a straightforward consumables business is one centered around "sunk-money consumables." The customer first makes an investment in a "platform." For example, once you buy a razor, you have sunk money into a platform and have a vested interest in buying the compatible blades going forward.

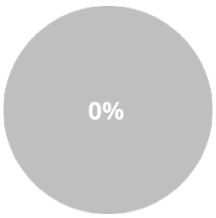
No. 6: Consumables

e.g., toothpaste

Consumables are disposable items like shampoo and toothpaste that customers purchase regularly but have no solid motivation to repurchase or to be brand loyal to.

Whether subscription revenue is your entire business model or adds a small annuity stream adjacent to your main business, a subscription offering can:

- Drive up the value of your company.
- Increase the lifetime value of your customers.
- Smooth out demand.
- Cut the cost of market research.
- Automate the collection of receivables.
- Lock in your most promiscuous customers (those who are always looking for a deal and who will switch for a small price advantage).
- Trigger customers to buy a broader selection of your products and services.
- Inoculate your business from recessions.



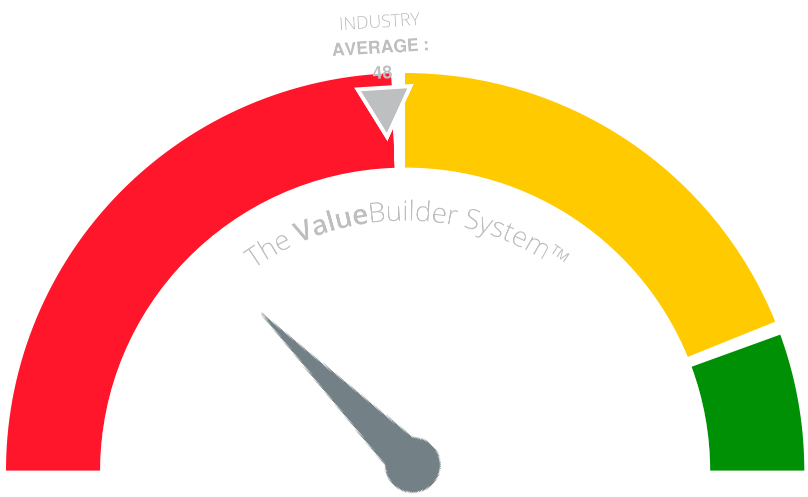
Product Manager Company Proportion of Recurring Revenue

What percentage of your sales/revenue (i.e., turnover) is recurring?

Consider the Following:

- [ ] How could you move up the hierarchy of recurring revenue?
- [ ] Could you add a consumable element to what you sell?
- [ ] What benefits would you have to offer customers to get them to buy from you for a year in advance?
- [ ] How could you get customers to sign a long-term contract with your business?
- [ ] Would some of your customers prefer to be billed automatically over manually submitting a regular payment?
- [ ] Could you offer a maintenance contract to service what you sell?

THE MONOPOLY CONTROL



OVERALL SCORE: 25

Warren Buffett is famous for investing in companies with a protective "moat" around them. The deeper and wider the moat, the harder it is for competitors to compete. In addition, an enduring competitive advantage also gives an owner more control over pricing, which increases both profitability and cash flow.

Your score of 25 out of a possible 100 reveals an attribute of your business that requires improvement in order to increase the value of your company.

Having Monopoly Control makes your business more valuable. In order to maximize your chances of being acquired for a premium, commit to product, service, or bundle that does one thing well. Your aim should be to make that offering so irresistible that an acquirer will stop at nothing to get their hands on it.

Most companies do the opposite. They take their initial success and water it down by cross-selling additional products, leveraging their relationship with their customers to sell them merely good offerings on the back of their great product or service. The problem with wandering too far afield is that while add-on products may increase your revenue, they may decrease your attractiveness to a strategic acquirer. Like being asked to buy a cable package of hundreds of channels when all you want is a few, acquirers don't like buying things they will not use and therefore often walk away from a deal where a great product has been watered down with dozens of less attractive products or service lines.

Which one of the following best describes the exclusivity of your business to your customers?

But what if you don't offer anything unique? Very few companies have a monopoly on what they sell so you may be asking how you can differentiate your company when you sell a commodity. If you find yourself without a unique offering, focus on what makes buying from your company unique.

For you, it may come down to how you sell, not what you sell. In other words, it is the customer experience you offer which becomes your defence layer that inoculates you from competition. But everybody claims to offer great customer service. In fact, offering "great customer service" is such a cliche, it's become like wallpaper — nobody pays attention.

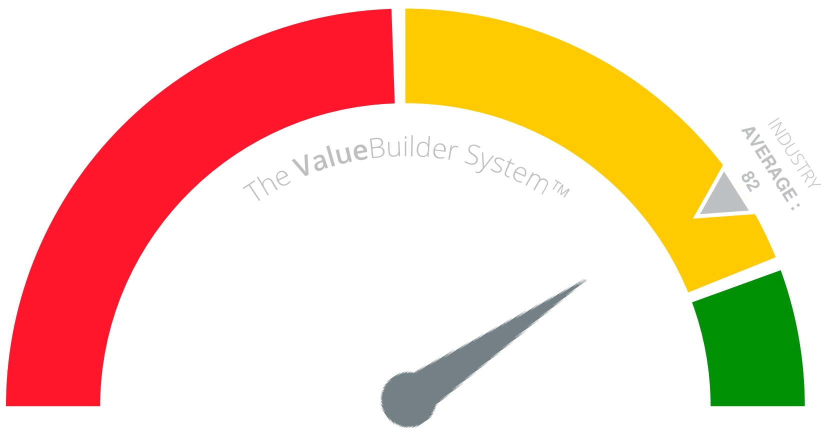
So how do you set yourself apart through customer service when everybody claims to offer it? The key is to "productize" your service. In other words, transform your service from a subjective feeling you want people to get when they buy from you into an objective promise they can point to as a reason they are a customer. We call this creating your Competitive Defence Shield.

To improve your score on Monopoly Control, focus on offering something unique. If you can't make what you sell unique, differentiate yourself by how you sell it.

Consider the Following:

- [ ] Is there a layer of service you could add to differentiate your offering?
- [ ] How can you better brand your products and services?
- [ ] What is the one thing that customers care most about?
- [ ] What is unique about your business? How can you capitalize on that quality? If you can't identify something unique about your offering, examine what your competitors are doing and what consumers aren't yet getting from any source, and weigh the benefits of offering it.
- [ ] Download the eBook *The Definitive Guide to Standard Operating Procedures* so that you can start to document your unique approach to serving customers.

CUSTOMER SATISFACTION

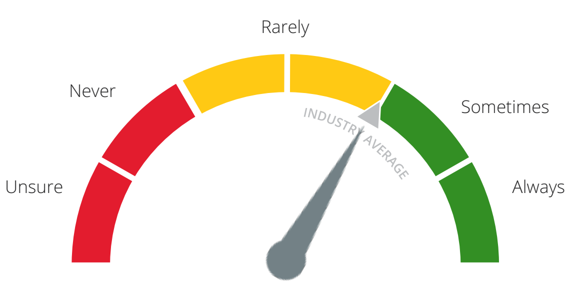


OVERALL SCORE: 81

This attribute measures both the extent to which your customers are satisfied and your ability to assess customer satisfaction in a consistent and rigorous way, which is very important to acquirers.

Most business owners know intuitively how satisfied their customers are, but as their companies grow, some owners lose touch with their customers. Being able to objectively measure the satisfaction level of your customers is essential to maintaining their loyalty.

Your score of 81 out of a possible 100 shows you're performing very well in this area of your business. Given your score, you may want to skim the information below and skip ahead to your performance on the next attribute.



How often, if at all, do your existing customers refer your company to their friends and colleagues?

While many business owners use some sort of customer satisfaction survey, according to Fred Reichheld, author of *The Ultimate Question*, most of these surveys do a poor job of predicting the likelihood of a customer either repurchasing from you or referring your company to a friend.

Determined to find a better way to quantify how well a company is serving its customers, Reichheld and his colleagues at Bain and Satmetrix developed the Net Promoter Score (NPS)[1] methodology, which is based around asking customers a single question that is predictive of both repurchase and referral:*On a scale of 0 to 10, how likely are you to refer our company to a friend or colleague?*

Reichheld discovered that when customers answered this question with a 9 or 10, they were statistically more likely to repurchase from the company, refer it to others, or do both, so much so that the companies that scored well on this measure were more likely to grow than were lower-scoring companies.

Not surprisingly, the news that a researcher had actually discovered a way to predict growth triggered Fortune 500 companies around the globe to latch on to the methodology. Today, companies such as Intuit and Southwest Airlines use the Net Promoter Score as a way to quantify their customer experience. More importantly, many acquirers *both strategic and financial* use the Net Promoter Score methodology as a way to evaluate their business units and potential acquisitions.

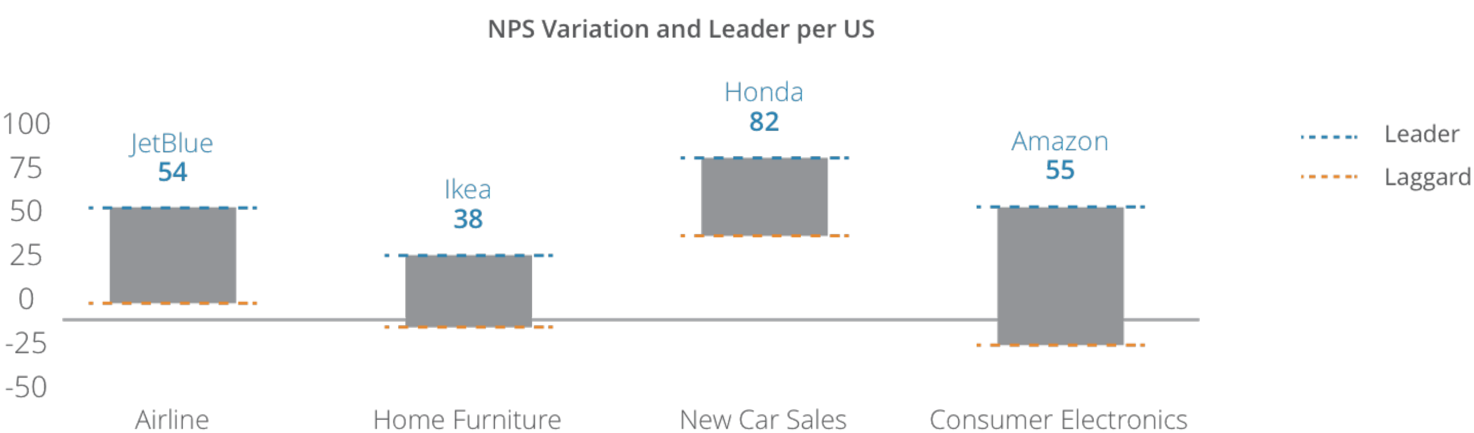
How does your company measure up?

To see how your company measures up, hire an independent consult to survey a group of your customers before going to market by asking Reichheld's question: “On a scale of 0 to 10, how likely are you to refer our company to a friend or colleague?” Those who reward you with a 9 or a 10 are your "Promoters" in Reichheld's lingo. Your "Passives" are the customers who give you a 7 or 8: They are satisfied but not likely to repurchase from you or refer your company anytime soon. Your “Detractors” are the angry customers who score you between 0 and 6.

To calculate your Net Promoter Score, take the percentage of your customers who are Promoters and subtract the percentage of Detractors.

% of Promoters:	**25%**
% of Passives:	**~~70%~~**
% of Detractors:	**5%**
Net Promoter Score:	**20%**

Reichheld found the average Net Promoter Score among the companies he surveyed was 10 to 15%, so by definition, if your score is north of 15%, you're above average, and you can expect your company to grow at a rate faster than the economy. A small handful of companies have achieved a Net Promoter Score of at least 50%, which Reichheld defines as "World Class." Satmetrix, a company that specializes in helping companies integrate the Net Promoter Score methodology, has surveyed a number of companies and found the leading brands to be the following:



1 Net Promoter, Net Promoter Score, and NPS are trademarks of Satmetrix Systems, Inc., Bain & Company, Inc., and Fred Reichheld

As popular as the Net Promoter Score methodology is among the Fortune 500, it is even better suited for use among smaller companies for a number of reasons:

1

It's easy.

A consultant can deploy the questionnaire in five minutes using a survey tool like Survey Monkey and enjoy a very high response rate because answering it is not a burden on respondents.

2

It gives you a common language with investors.

If you're planning to sell all or part of your company in the future, tracking your customer satisfaction using a well-established, recognized tool allows potential acquirers and investors to quickly gauge how satisfied your customers are relative to those of other companies they have invested in. Many private equity firms and venture capitalists will insist on performing a Net Promoter Score survey with your customers before they invest in your business.

3

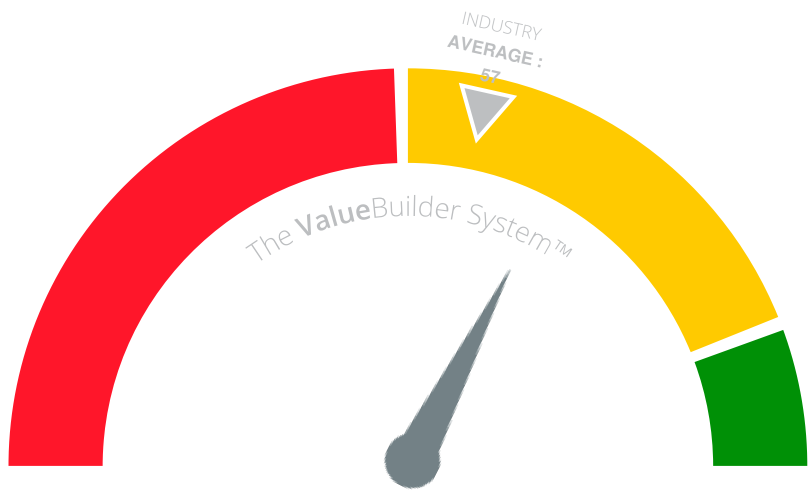
It's predictive.

Unlike most surveys, which ask respondents a litany of time-consuming questions that render interesting but often irrelevant data, the Net Promoter Score methodology asks the only question that has been proven to predict the likelihood a customer will repurchase or refer you — the two things that fuel the growth of any business.

Consider the Following:

- [ ] Do you have an objective way of regularly measuring the satisfaction of your customers?
- [ ] Is the methodology you use to measure customer satisfaction recognizable and reputable? In other words, will it show to a potential acquirer that customers value your products or services?
- [ ] Would shortening your customer satisfaction survey improve the response rate you get?
- [ ] How satisfied are your customers compared to those of companies like Amazon, Costco, and USAA?

HUB & SPOKE

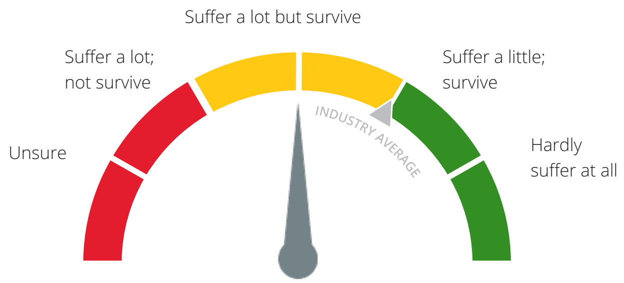


OVERALL SCORE: 65

This factor measures the extent to which your business can thrive without you. To be valuable to an acquirer, your business must be able to succeed and grow without you at the hub of all activities, as your employees are then mere spokes that cannot operate independently of you.

Your score of 65 out of a possible 100 shows you're performing satisfactorily in this area of your business, yet there may still be improvements you can make to maximize the value of your company.

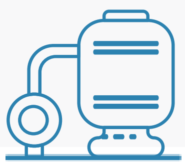
Business owners often score low on this attribute because they remain involved in serving customers directly. It feels good to solve people's problems. Happy customers shower you with praise, you get the satisfaction of feeling needed, and you know your customers are getting the best care in your hands. After all, you know your business better than anybody, and training others to do the equivalent job without your accumulated knowledge takes a lot of time and can cost a lot of money.



How would your business perform if you were out of action for 3 months and unable to work?

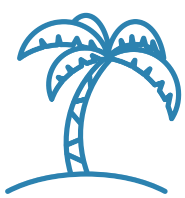
However, the more your customers need you and ask for you personally, the harder it is to grow your business and, in the long run, the less valuable your company will be.

To start letting go, consider taking three steps:



Get out of the "break/fix" business

It's a lot easier to train people how to prevent a problem than it is to show them how to fix something once it's broken. For example, a swimming pool company can teach a summer employee to scoop debris out of a pool each week, but it needs an expert, often the company owner, to replace a pump that overheated due to a clogged drain.

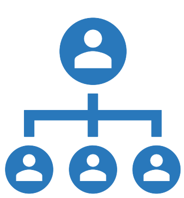


Go on vacation

Start slowly by taking evenings and weekends off completely. Leave your cellphone at the office, and do not reply to any messages. Then take a day off midweek and do the same. Build up to where you can take a week off without checking in. At first, employees won't believe you're serious . . . until they see that you're really not replying to them. Once they realize they're on their own, the best ones will start to make more decisions independently. It's amazing how smart most people are if you give them a chance to show it. You'll also expose your weakest employees and know who you have to train up or move out.

Ask employees what they would do in your shoes

To get employees to start thinking like an owner, encourage them to solve their own problems. When an employee comes to you with a situation, before jumping in with a solution, ask, "If it were your business, what would you do?" This simple question forces employees to think things through for the good of the business and triggers a decision-making habit that, when cultivated, will have them acting like owners.



Delegate

Make a list of the tasks and projects that need your input on a regular basis and commit to delegating as many as possible. For each task or project you want to delegate, create a Standard Operating Procedure so that your employees have instructions to follow when you're not there to help. Download the eBook: *The Definitive Guide to Standard Operating Procedures* for advice on creating your Standard Operating Procedures.

Consider the Following:

- [ ] How do you currently spend your business day? Create a pie chart representing the time you spend at work, and assign a slice for each of the activities you do. What observations can you make about how you spend your time?
- [ ] Is there a current employee who could be promoted to head up either your sales and marketing or your product/service quality and innovation?
- [ ] How does your long-term incentive plan need to evolve to be an asset when potentially selling your company?
- [ ] How does your long-term incentive plan need to evolve in order to increase the value of your company and ultimately make it more sellable?
- [ ] What recurring problems in your company could be fixed with a formal process or instruction manual? The documentation of processes can go a long way toward coaching employees to follow in your footsteps.
- [ ] Why do customers request that you serve them? If you don't have an answer at the ready, ask your best customers the question.
- [ ] Have you identified tasks and projects that still need your input? If so, make sure you create a Standard Operating Procedure for each.

NEXT STEPS

Your Value Builder Score is calculated through an analysis of your business' performance on eight drivers proven to be important to acquiring companies when evaluating a business as a potential acquisition target. Looking through your questionnaire, I believe there are some critical insights in this report that, if applied, could take your business to the next level.

Whether you want to sell your business for a premium now or simply know that you could, we've found that companies that take the time to develop a strategy sell their business for 71% more than businesses that don't plan. We will help you dramatically increase the value of your company by helping prepare it and you for an exit.

I invite you to contact me to discuss the next steps.

The ValueBuilder System™

Double Your Value. Double Your Offers. Control Your Future.

MERITAGE PARTNERS

YOUR VALUE BUILDER REPORT

PREPARED FOR: **Adali Ladd**, Veteran Roofing

PREPARED BY: , Meritage Partners