



## Checklist: 6 Key Value Drivers for Increasing Business Value

Below are the six drivers of valuation. For each driver, there are key questions to consider when gauging current value of your company and how to improve it. These questions are designed to be reviewed with your tax and financial professional to assess best business and tax strategies to improve company value over time.

- 1. Strategic Value** – A strong brand and marketing strategy. An outline that clearly identifies the problem you solve and your unique business solution. Show the differentiation that makes market penetration hard.
  - How strong is your company's leadership position in the market?
  - Are there branded products?
  - Is your company's intellectual property protected?
  - Do you serve Exclusive Territories?
  - Is your company's industry prone to technological changes?
  - Does the business serve multiple end markets?
- 2. Employee Value** – A team that will prosper long after the original owner is gone. Specifically, one that works well together sets clear objectives, monitors activities, and motivates employees. Strong teams drive higher prices.
  - Does the company have employment contracts in place to retain key employees?
  - Do you have written job descriptions and objectives for your management team?
  - Is your company dependent on one or two key employees?
- 3. Organizational Value** – A defined and documented growth strategy. A well-written business plan that outlines risks and rewards. It should include the systems and procedures that generate revenue and control expenses.
  - Is there a simple business structure, one company entity?
  - Are the taxes simplified with no "tax mazes"?
  - Does the company have registered copyrights, trademarks, and patents?
  - Are there well developed written case studies shared on the corporate website?
  - Is there a documented business plan (reviewed and updated at least annually)?
  - Is there a well-defined organizational chart?
  - Are there contracts with suppliers and vendors?
  - Does the company have facilities and assets with excess capacity?
- 4. Customer Value** – Repeat and long-term customers. Turnover signals problems, as does over



dependency on any one customer or supplier. Aim for a good reputation that is perceived well in the marketplace.

- Does the company have long-term contracts with customers?
- Do you have customer concentration?
- Is there customer diversity across geographic locations?
- Are there sticky customer relationships?
- Do you track and monitor how satisfied your customers are?

**5. Financial Value** – Assurance for business momentum and growth. Strong financial management and reporting create confidence in your company's performance.

- Revenue growth in excess of 10% annually?
- Is EBITDA > = 15% of revenue?
- Is there a long history (> 3 years) of profitability?
- Is the P&L free of personal expense?
- Are there audited financials?
- Is there GAAP financial accounting?
- Are the accounting reports available on demand (within 2-3 business days)?
- Are there written financial projections with supporting documentation?
- Are there recurring revenue streams?

**6. Environmental, Social, and Governance Value** – A support system outlined by a code of ethics overseen by an independent board of directors/advisors. Includes risk mitigation by having policies and procedures in place for cybersecurity and equipment updates.

- Is there an independent Board of Directors?
- Does the company follow a code of ethics and standards of professional conduct?
- Does the company strive to actively manage customer data privacy and security?
- Does the company strive to lower costs and improve business practices associated with environment and social factors?

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### About Quist Valuation

Colorado-based Quist Valuation has 35-years of experience in business valuation. We specialize in helping individuals and businesses determine their true value. If you are interested in learning more, our team of expert analysts can walk you through the process.

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