

DRIVING YOUR COMPANY'S VALUE®

ASSISTING BUSINESS OWNERS IN CREATING WEALTH

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SPECIAL POINTS OF INTEREST:

- ◆ Create a Company managed by metrics (measurements of defined events) in order to increase corporate value. Buyers pay more for metric managed companies.
- ◆ A metric managed company is more profitable, easier managed, and easier sold.

Private Business Owners at Risk

Many privately owned businesses and their owners are at risk - the generational transfer of management and capital to or from Baby Boom generation members is complicated by a globalization of business that threatens the viability of many US enterprises.

On average, the private business owner has 80% of his personal net worth tied up in the business, which is operated in a manner that diminishes its highest potential value. Tim Rhine and PointeBreak offer a disciplined approach for business owners to preserve, enhance and realize potential value of these businesses.

Every business has a range of values, on any given day, dependent upon the value world decision of its owner and how the company is positioned. If realizing maximum value is



BUSINESS OWNERS MUST TAKE STEPS TO INSURE THE VALUE OF THEIR BUSINESSES

the goal of the business owner, then that business must be positioned and operated in such a manner as to achieve that value.

Owner motives matter

most and the choice of how and to whom a business may be transferred, influences its value. If company employees are the primary consideration upon transfer, then the business must be positioned to allow that goal to be achieved, whether it is through an ESOP or other transaction.

In any event, proper advance planning, positioning and implementation of action plans are required to accomplish the stated goals.

Danger comes from doing **NOTHING**. Business owners must take action.

Strategic Benchmarking for Value

Strategic Benchmarking for Value (SBV) is a structured process that assists business owners in creating, increasing and realizing the value of their business. The process creates a company that is managed by metrics leading to a greater return on equity and increased cash flow which yields a higher enterprise value for the business. The SBV

process provides a value added service to business owners while creating a close, trusted relationship leading to future transactions. The five step process includes assessing the current state of the company, identifying the Critical Success Factors (CSF) and relating the Key Performance Indicators (KPI) to a strategic plan that supports

the goals of the stakeholders of the company.

SBV entry points leading to increased value include: Profit Enhancement, Cash Flow Management, Employee Training and Motivation, Compensation Scorecards, Organizational Effectiveness, Corporate Governance, Value Chain Analysis, and Return on Strategic Effectiveness.

Putting Money in Business Owner's Pockets



HIGHER MULTIPLES MEAN
"FOUND MONEY"

Every business has a range of values. When a business sells, based upon a multiple of earnings, gross revenues or cash flow, there is a range at which similar transactions have taken place. As a business owner, wouldn't you rather sell your business at the upper end of the range? A 6 X earnings multiple on \$1,000,000 EBITDA puts \$2,000,000 more money into a business owner's pocket than a sale at 4 X earnings. That is "found money" for the owner and may represent the difference between living

his life-style dream, after the business transition or not.

Start sooner, rather than later, in planning your business value growth. The sooner you start, the more likely you are to accomplish your goals. Put a concrete plan in place to enhance the value of your business.

You have to develop a culture of value creation within the company. This may be quite different from where you have been operating before, but when properly

integrated into your operation, it encompasses all of the values of any well managed company. Without customers, business has nothing. Customers are a valuable part of your intangible assets. (Ask your accountant where customers show up on your balance sheet.)

When your employees "buy in" to value creation they will be looking at customers, products and services and themselves in a whole new way. And that translates into higher multiples.

Increasing the Value of Your Company

Here are some steps to take to increase the value of your company. Some are easier said than done, others are simple:

- Create timely, accurate financial statements. Have them reviewed or for larger companies, audited, by your accountant.
- Budget every year and track your actual to budgeted revenues and expenses. It gives bankers and buyers confidence in your projections.
- Document all procedures and systems. Bankers and buyers want to know how the business works.
- Develop and monitor a customer service/satisfaction index. Customers are your most important intangible.
- Have a written business plan. Know where you are, where you are going and how you are going to get there.
- Provide for depth and breath of management. Make sure no one is indispensable.
- Manage HR. Experienced employees and a low turn-over rate add value to the company.

BANKERS AND BUYERS WANT TO KNOW HOW YOUR BUSINESS WORKS.

BUDGET EVERY YEAR AND MEASURE RESULTS

Getting Started With Strategic Benchmarking for Value

There are five steps in the Strategic Benchmarking for Value (SBV) process: Assess the Current State; Define the Future State; Identify Benchmarking Keys; Execution; Monitor Return on Strategic Effectiveness.

Assessing the current state includes analyzing the Company's current assets, liabilities, strengths, weaknesses, opportunities and threats in

the areas of Customers, Products, Organization and Management, Systems, Financial, Human Resources and Physical facilities.

Defining the future state includes identifying the business stakeholder's goals and the goals of the company.

Identifying the Critical Success Factors, Key Performance Indicators and associ-

ated actions lead to the metrics to be measured within the company.

Implementation is key. This is where 90% of business failures occur and the necessary resources must be committed.

Monitoring results, evaluating and modifying the action plan will lead to SBV success.



90 % OF BUSINESS FAILURES OCCUR DUE TO LACK OF IMPLEMENTATION