



Accelerated Business Performance  
Drives **15x Valuation Multiple**

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In comparison to newly launched start-ups, second-generation run companies have the initial advantage of taking over a brand that is already built instead of having to start from scratch. However, many second-generation leaders play a pivotal role in implementing initiatives that take the business to the next level of growth and profitability, while strengthening the family legacy for future generations.

**Overview**

All owners eventually exit the business—and many have the desire to pass their legacy on to their children. This was the scenario for a successful food testing and analysis company that specialized in analyzing foods for pathogens, bacteria, spoilage and overall comprehensive food safety and quality. The founding owner's two children were successfully running the business; however, in 2013, the economy was recovering from the Great Recession and the owners hit a crossroads: do they commit to improving the company's value or find a buyer to sell the company?

Enter Phil Elworth, an Illinois-based B2B CFO® partner. Phil was introduced to the owner at a business networking meeting and was briefed on their situation. With deep business operations and financial expertise, Phil has extensive experience helping owners improve the overall value of their organizations and guiding them through the exit planning process.

Initial discussions led Phil to understand the owner was ready to exit and sell the company and anticipated a \$2,000,000 sale. After completing a thorough analysis of the company's market value, Phil had to deliver the bad news: the company's estimated market value was only \$400,000. Moreover, Phil's internal analysis showed that the company, while profitable, had a substantial cash flow problem. He (Phil) advised implementing steps to scale the business, control costs, and improve performance.

He also determined other weak spots, including the owner spending too much time on tasks that pulled him away from new business opportunities. Additionally, the company had expenses that were draining cash. Fortunately excess cash was being re-invested back into the company, rather than being distributed to the owners. Lastly, the owners did not have a structured operating budget and remained uncertain which product lines were most profitable.

### **Maximizing Business Value**

The owner ultimately embraced Phil's recommendations. The first item was assembling a leadership team to which the owner could offload tasks. These key players were empowered to capitalize on company performance through growth initiatives. This step, combined with implementing a profit-sharing plan, incentivized employees to achieve improved profitability, controlled expenses, and scalability.

Phil created a product line profitability analysis so the company could—for the first time—calculate the total amount of profit gained from each of the product lines of the business.

Utilizing the B2B CFO® Gap Diagnostic Analysis™ helped the company notice that their cost of goods sold was drastically higher than their industry competition. Phil then worked to lower expenses and improve gross margins and inventory management.

Remarkable improvements across the entire organization came into effect almost immediately. With sustainable growth and balanced cash flow, the company was soon inundated with offers. Phil, however, advised the owners to be patient and to continue improving value, which would further raise EBITDA for an even better offer.

Shortly thereafter, a private equity firm approached the owners with an exceptional offer: 15x multiple for what was now a healthy business that had also recently expanded into a brand-new building. The Letter of Intent was signed, which kick-started an intense six-month due diligence process.



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**Phil has been with B2B CFO® since 2008. His vast financial and operating experience, combined with strong leadership, positions him to quickly assess the needs of a business, develop a plan and prepare for implementation.**

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Ensuring a smooth and confidential transition, Phil assembled what B2B CFO® coins, "The Success Team®," consisting of professionals who guide the business owner in the sale and transfer of their company. The team often includes attorneys, CPAs, tax advisors, wealth managers, bankers, and other business advisors.

The invaluable powerhouse team advises the owner throughout the entire process which can be a grueling period. Phil provided ongoing strategic advisory support from the initial Letter of Intent,

throughout the due diligence process and through to the transaction close. The Success Team® helped with the negotiations and even determined some great tax strategies that saved the owner \$100,000 in taxes.

## Results

In 2017, the business sold for \$15 million. M&A experts would agree that selling the business for 15x multiples within four years is a unique success story, serving as a true testament that having the right financial advisors can positively influence value. B2B CFO® partners can think with a buyer's mindset, help the sellers to better navigate the process, and maximize the sale price.

## In Closing

When working with a strategic business advisor like a B2B CFO®, our partners use deep experience and financial expertise to help improve the company's value drivers that lead to a substantial offer when selling your business. This provides you with great options for profit and flexibility.

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**The owner closed on the sale for \$15,000,000. Based on the 2017 EBITDA, the owner realized a multiple of 15.**

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