



HOW TO BUILD A CREDIBLE GROWTH PLAN (SUPPORTED BY DATA) AND WHY IT MATTERS

KEYS TO BUILDING VALUE

- TELLING CREDIBLE GROWTH STORY
- UNDERSTANDING KEY RISKS

GOALS FOR TODAY

1

Understand how to build a credible growth strategy

2

Learn the language and hot buttons of investors

3

Avoid common mistakes by owners

POLL QUESTION

WHY?



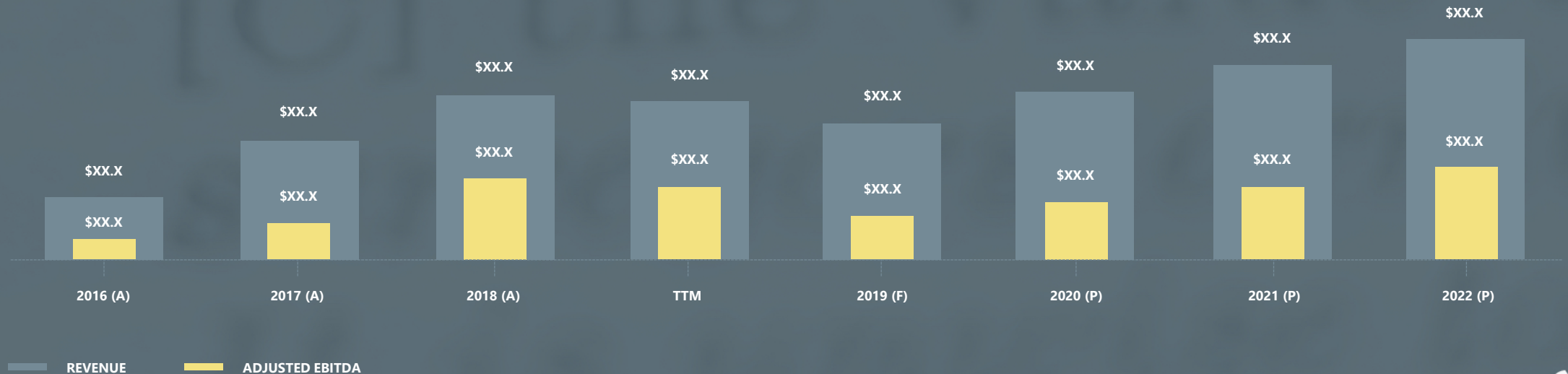
#1 Client Mistake

Not being able to communicate a credible growth strategy.
(WITH NUMBERS)

VALUATION =

Future Cash Flows
+
Terminal/Exit Valuation
(Discounted for Risk)

REVENUE AND ADJUSTED EBITDA (\$-MM)



GROWTH PLAN OVERVIEW



Don't go it alone



These things take time



Numbers talk

4 KEYS TO BUILDING A CONVINCING GROWTH PLAN:

1

Determine sources of
revenue growth

2

Understand how growth
must be supported

3

Understand, resolve, and/or
position around risks

4

Speak the language of
professional investors

DETERMINE SOURCES OF REVENUE GROWTH

ORGANIC GROWTH

V.

ACQUISITION GROWTH



POLL QUESTION

MARKET SIZE



- Big enough to support your plan?
- Cannot expect to reasonably get more than 30-40% of a market (in most cases)
- Critical exercise many owners neglect
- Strategies to expand market size:
 - Product line expansion
 - Geographic expansion

UNDERSTAND HOW GROWTH MUST BE SUPPORTED





OPERATIONS,
MANUFACTURING
AND FULFILLMENT
EXPANSION



ACQUISITION
FINANCING



RESEARCH AND
DEVELOPMENT



MARKETING
INVESTMENTS AND MROI



CAPITAL SPENDING,
INVESTMENT AND
SOURCES



SALESPeOPLE, SALES
LEADERS, SALES SUPPORT



TEAM EXPANSION

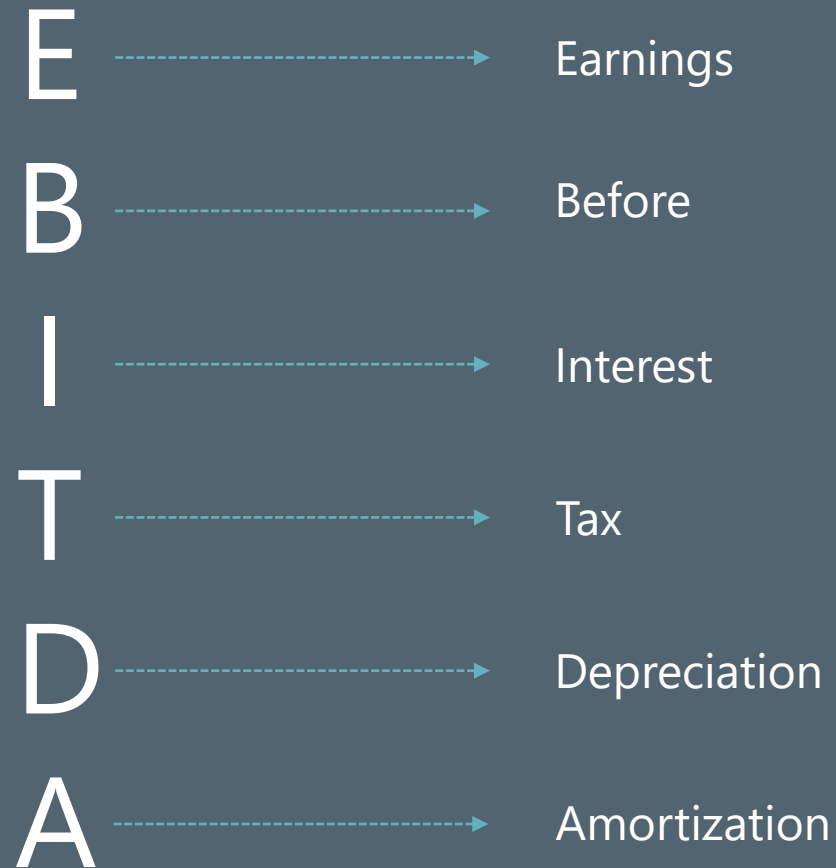
WHERE ARE THE “GOTCHAS”?

RISK ASSESSMENT 101

SPEAKING THE LANGUAGE OF PROFESSIONAL INVESTORS

INCOME STATEMENT (000's)

	2015 (A)	2016 (A)	2017 (A)	LTM - April 2018 (A)
Revenue	\$8,628	\$9,714	\$10,899	\$11,465
Growth	36.0%	12.6%	12.2%	13.1%
Operating Expenses				
Payroll	\$3,503	\$4,597	\$4,870	\$5,044
Insurance	316	401	703	785
Cloud service	166	284	395	393
Rent	203	299	302	335
Professional fees	584	191	222	264
Marketing	175	151	178	184
Airport and aircraft data	125	112	122	301
Depreciation expense	286	141	116	77
Amortization expense	0	0	0	0
Travel and entertainment	62	98	107	103
Bank service charges	50	69	92	69
Product development	0	74	79	40
Royalty expense	54	79	75	68
Charity	58	35	41	41
Computer supplies and expense	23	14	40	75
Bad debt	32	41	40	28
Telephone	23	29	27	37
Automobile expense	87	31	27	26
Dues and subscriptions	3	18	21	23
Office supplies and expense	15	18	21	20
Repairs	8	16	19	18
Miscellaneous expense	35	14	12	12
Total Operating Expenses	\$5,808	\$6,712	\$7,507	\$7,942
% of Revenue	67.3%	69.1%	68.9%	69.3%
Operating Income	\$2,821	\$3,002	\$3,392	\$3,523
% of Revenue	32.7%	30.9%	31.1%	30.7%
Other Expenses (income)	(\$30)	(\$75)	(\$78)	(\$79)
Net Income	\$2,851	\$3,077	\$3,470	\$3,602
Net Profit Margin	33.0%	31.7%	31.8%	31.4%
Reported EBITDA	\$3,135	\$3,216	\$3,585	\$3,678
Reported EBITDA Margin	36.3%	33.1%	32.9%	32.1%



WHY EBITDA MATTERS...

- Professional investors will be laser focused on it, and you should be too!
- EBITDA is a proxy for cash flow, albeit a poor one in many cases
 - Removes capital structure variations of net income (interest)
 - Removes non-cash expenses (depreciation and amortization)
 - Removes legal structure variations in cash flow (tax)
- Once an EBITDA number is established, investors will apply a “multiple” to arrive at the value of your company
- EBITDA (and all financial metrics) will be under a microscope during the deal process

CHECK ASSUMPTIONS, LOOK AT KEY RATIOS, COMMON-SIZE FINANCIALS

- Sales/salesperson
- Sales/employee
- Sales/project
- Projects/employee
- Key distribution KPIs
- Customer churn rates
- Cost of acquiring a customer (CAC)
- Lifetime value of a customer (LTV)
-etc.....

FINALLY, BULLET-PROOF THE PLAN



Practice delivering plan to
your management team
or industry group



Encourage them to challenge
your assumptions



What questions could
you not answer?

COMMUNICATE YOUR PLAN

- Senior Team
- Employees
 - WIIFM?
- Banks
- Lenders
- Equity Investors
- Potential Buyers

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TIPS AND TRICKS

- Ensure projected assumptions align with historical experience, or be prepared to explain why not?
- Consider multiple cases of the growth plan – a base case for the bank, an upside case for investors and a best case for your management team
- Identify your economic denominator (profit per x) – build this into the growth plan and track historically as a comparison
- Start with the lowest risk growth opportunities first (current market / customers and current products / services); your growth plan often does not need to be a revolutionary change to your business
- Focus on your strengths, what is your USP (unique selling proposition) and how can you leverage this in your growth plan?
- Course correct – we know all forecasts are wrong (either high or low), adjust as you learn

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