

The 54 Value Factors
Your Company Through
the Eyes of a Buyer



Sophisticated buyers consider a number of factors in their evaluation of a company. Based on our experience transitioning companies, Key Private Bank has identified 54 important factors that buyers consider in determining the value of a particular company.

The list below provides our evaluation of Company X and rates it against each of these important value

factors. The factors are divided into Personal, Business Operations, Industry, Legal/Regulatory, Financial, and Economic/Mergers and Acquisitions (M&A) Market.

Whether you are looking to transitioning your business in one year or in five years, understanding the value factors and implementing a plan to monetize their value should start today.



Personal factors

Factors	Evaluation
<p>1. Age/Motivation of Owner(s)</p> <ul style="list-style-type: none"> • How old is the owner? • Does the owner have a specific plan in place regarding what he or she will do after transitioning the business? • Buyers will be concerned that a lack of a plan may indicate that the owner is not committed to transitioning and that the owner may change his/her mind just before closing. 	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement
<p>2. Attitude of Owner</p> <ul style="list-style-type: none"> • Does the owner demonstrate a positive and cooperative attitude? • Is the owner enthusiastic and committed to the business' future? • Is the owner in no hurry to transition? • Does the owner answer all questions honestly and openly? 	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement
<p>3. Family/Partner Consensus</p> <ul style="list-style-type: none"> • Are the owner's spouse, family members, and/or other shareholders in full agreement about the transitioning plan? • Do any family members or other shareholders have any hidden agendas? 	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement
<p>4. Reasonable Expectations of Value</p> <ul style="list-style-type: none"> • Are the owner's expectations in line with recent sales of comparable businesses? • Has the owner received a business evaluation from an independent third party and does the owner consider the enterprise value to be acceptable? 	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement



Personal factors (continued)

Factors	Evaluation
<p>5. Open to Deal Structure</p> <ul style="list-style-type: none"> • Is the owner insisting on an all cash transaction or will he or she consider various forms of deal structure including seller notes, non-compete payments, consulting agreements, and/or earn outs? • Is the owner willing to provide a buyer with the normal indemnifications and warranties that are typical in similar transactions? 	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement



Business operations factors

Factors	Evaluation
<p>6. Products/Services</p> <ul style="list-style-type: none"> • If the Company is a manufacturer, does the Company manufacture a proprietary product, or is it a job shop? • If the Company is a distributor, does it provide value-added services? • If the Company is a service-provider, does it offer a differentiated service? 	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>7. Management Team</p> <ul style="list-style-type: none"> • Does the Company have a strong and experienced management team in place that has demonstrated a track record of success, or is the Company largely dependent on the owner for its success? 	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement
<p>8. Sales Team</p> <ul style="list-style-type: none"> • Does the Company have a strong sales team with a record of new account growth? • If the Company utilizes sales reps, is the Company's business a significant and profitable part of the reps' business? 	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement
<p>9. Sales and Marketing Literature</p> <ul style="list-style-type: none"> • Are the Company's sales and marketing materials up-to-date, attractive, and informative? 	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement



Business operations factors (continued)

Factors	Evaluation
<p>10. Customer Base</p> <ul style="list-style-type: none"> • Do any of the Company's customers account for more than 10% of revenues? • Does the Company have a long history with its major customers? • Are new customers being added on a continuing basis? • Are the Company's customer's consumers, retailers, or large corporations? 	<input type="checkbox"/> Positive <input checked="" type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>11. Customer Relationships</p> <ul style="list-style-type: none"> • Does the Company have positive and long-standing relationships with its customers or do customers turnover quickly? • Are the relationships with the Company or are they dependent upon the owner(s) remaining with the Company? 	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>12. Vendor Concentration</p> <ul style="list-style-type: none"> • Is the Company dependent on any single vendor or group of vendors? • Are the Company's raw materials and other inputs readily available from multiple sources at competitive prices? 	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>13. Product/Service Quality</p> <ul style="list-style-type: none"> • Are the Company's products or services high quality compared to competitive products/services? • Has the Company received a quality certification such as ISO 9000? 	<input type="checkbox"/> Positive <input checked="" type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>14. Employees</p> <ul style="list-style-type: none"> • Does the Company have an ample source of qualified and competitively priced labor? • Are employees well trained and motivated? • Are salaries and hourly pay in line with comparable jobs in the geographic area? 	<input type="checkbox"/> Positive <input checked="" type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>15. Employee Benefits</p> <ul style="list-style-type: none"> • How does the Company's benefit program compare to that offered by other industry players? 	<input type="checkbox"/> Positive <input checked="" type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement



Business operations factors (continued)

Factors	Evaluation
<p>16. Union</p> <ul style="list-style-type: none"> • Is the Company's labor force unionized? • If the Company is organized, is there a history of good relations with the union and no strikes? • If organized, is the Company's union contract set to expire within the next two years? • Is the Company a party to a multi-employer pension plan? 	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>17. Employee Relations</p> <ul style="list-style-type: none"> • Does the Company have dedicated employees with positive attitudes and low employee turnover? 	<input type="checkbox"/> Positive <input checked="" type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>18. Facilities</p> <ul style="list-style-type: none"> • Are the Company's land and buildings clean, well maintained, and in compliance with all building codes and regulations? • Do the Company's facilities demonstrate an efficient layout? • Is there room for expansion within the existing facilities? • If owned, is the seller open to either transitioning or leasing the facility to the buyer? • Is a recent appraisal available? • If the Company's facilities are leased, is the remaining term of the lease five years or less (including renewal options)? 	<input type="checkbox"/> Positive <input checked="" type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>19. Computer Systems</p> <ul style="list-style-type: none"> • Are the Company's computer and data processing systems up-to-date and fully integrated? • Is the system's capacity sufficient to meet the Company's needs over the next several years or will it require an upgrade or replacement in the near term? • Does the Company use standard software packages or does it operate proprietary software that was developed in-house? 	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement
<p>20. Company Website</p> <ul style="list-style-type: none"> • Does the Company maintain and operate a website? • If so, is the website attractive, easy to navigate, and up-to-date and is it part of a fully developed internet strategy? 	<input type="checkbox"/> Positive <input checked="" type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>21. Fixed Assets</p> <ul style="list-style-type: none"> • Are the Company's fixed assets up-to-date and well maintained? • Are fairly recent equipment appraisals available? 	<input type="checkbox"/> Positive <input checked="" type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement



Business operations factors (continued)

Factors	Evaluation
<p>22. Leases & Other Significant Contracts</p> <ul style="list-style-type: none"> • Are the Company's leases and other contracts assignable or would they place restrictions on new owners? • Is the rent the Company pays on its building comparable to local market rates? 	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>23. Location</p> <ul style="list-style-type: none"> • Is the Company location convenient to vendors and customers? • Are competitive transportation services available? • How does the cost of living in the local area compare to other areas? • Is skilled labor readily available? 	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement



Industry/Market factors

Factors	Evaluation
<p>24. Consolidation Stage</p> <ul style="list-style-type: none"> • Is the company's industry undergoing consolidation in which smaller competitors are purchased and consolidated into larger companies to achieve benefits of scale and the elimination of duplicative costs? Depending on the stage, this factor could be positive or negative. 	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>25. Industry Outlook</p> <ul style="list-style-type: none"> • Is the company's future favorable in terms of future growth projections, profit margins, competition, legislation, etc.? 	<input type="checkbox"/> Positive <input checked="" type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>26. Opportunities for Growth</p> <ul style="list-style-type: none"> • Have significant and feasible opportunities for growth been identified? • Are plans in place and have preliminary actions been taken to implement them? 	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement
<p>27. Availability of Industry Data</p> <ul style="list-style-type: none"> • Is information on the industry readily available from industry associations or business press including growth projections, industry trends, competitors, etc.? 	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement



Industry/Market factors (continued)

Factors	Evaluation
28. Barriers to Entry <ul style="list-style-type: none"> Do significant barriers to entry exist for new competitors including barriers such as high-invested capital, patents, brand names, reputation, significant expertise, etc.? 	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement
29. Market Position <ul style="list-style-type: none"> Does the company have a strong market share or a protected niche in the industry? Does the company have a well-known brand name and excellent reputation? 	<input type="checkbox"/> Positive <input checked="" type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
30. Product/Service Obsolescence <ul style="list-style-type: none"> Does the company have a favorable long-term outlook for its products or services that is not threatened by technological obsolescence or global competition? 	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement



Legal/Regulatory factors

Factors	Evaluation
31. Corporate Structure <ul style="list-style-type: none"> Was the company originally incorporated as an “S” corporation or switched to “S” classification before 1990? 	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement
32. Board of Directors/Advisors <ul style="list-style-type: none"> Does the company have a board of credible outside directors in place who are consulted regarding major decisions of the Company? 	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement
33. Lawsuits <ul style="list-style-type: none"> Does the company have any current lawsuits or a history of lawsuits? 	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
34. Taxes <ul style="list-style-type: none"> Is the company current on all tax filings and tax payments? Has the company been audited recently by the Internal Revenue Service (IRS) and received a clean report? 	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement



Legal/Regulatory factors (continued)

Factors	Evaluation
<p>35. Environmental</p> <ul style="list-style-type: none"> • Has the Company ever used hazardous materials in its manufacturing? • Have the facilities had a recent Phase I or Phase II audit? • Does the company have any underground storage tanks? • If past problems exist, has cleanup been completed and have local, state, and federal environmental agencies provided signoff documentation? • Does the company have a history of Environmental Protection Agency (EPA) fines? • Is a specific individual in the Company formally responsible for compliance? 	<p><input type="checkbox"/> Positive</p> <p><input type="checkbox"/> Neutral</p> <p><input checked="" type="checkbox"/> Opportunity for improvement</p>
<p>36. Occupational Safety and Health Administration (OSHA)</p> <ul style="list-style-type: none"> • Has the company had an OSHA inspection in the last two years? • What were the findings? • If the review did identify needed improvements, have all been completed? • Does the company have a history of OSHA fines? 	<p><input type="checkbox"/> Positive</p> <p><input checked="" type="checkbox"/> Neutral</p> <p><input type="checkbox"/> Opportunity for improvement</p>
<p>37. Product/Service Liability Insurance</p> <ul style="list-style-type: none"> • Does the company have sufficient insurance in place to cover potential liability? • Is insurance coverage on an “occurrence” rather than a “claims made” basis? 	<p><input type="checkbox"/> Positive</p> <p><input checked="" type="checkbox"/> Neutral</p> <p><input type="checkbox"/> Opportunity for improvement</p>
<p>38. Patents, Trademarks, etc. Registered</p> <ul style="list-style-type: none"> • Have intangible assets such as patents, trademarks, and copyrights been properly registered and fully protected? • In the case of patents, does the patent have over half of its original life remaining? 	<p><input type="checkbox"/> Positive</p> <p><input checked="" type="checkbox"/> Neutral</p> <p><input type="checkbox"/> Opportunity for improvement</p>



Financial factors

Factors	Evaluation
<p>39. Track Record</p> <ul style="list-style-type: none"> • Does the company have a consistent record of growth in both sales and profits over the last several years? • Have sales growth and profit margins been equal to or better than the overall industry? 	<input type="checkbox"/> Positive <input checked="" type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>40. Business Plan</p> <ul style="list-style-type: none"> • Does the company have a documented business plan for the next three to five years in place? • Is the plan comprehensive and believable and does it include specific and measurable objectives? • Does it include all the necessary action steps along with costs and investments to implement the plan? 	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement
<p>41. Cyclicity</p> <ul style="list-style-type: none"> • Are the company's revenues affected by the economic cycle? 	<input type="checkbox"/> Positive <input checked="" type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>42. Seasonality</p> <ul style="list-style-type: none"> • Do monthly sales, expenses, and working capital requirements vary significantly throughout the year? 	<input type="checkbox"/> Positive <input checked="" type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>43. Revenue Size</p> <ul style="list-style-type: none"> • Are the company's revenues in the upper half of all competitors in the industry? • If not, is the company of sufficient size that it could serve as a "platform" for consolidating a number of companies in the industry? 	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>44. Operating Margins</p> <ul style="list-style-type: none"> • Are the company's operating margins equal to or better than industry norms? • Have margins been stable or improving over last several years? 	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement
<p>45. Overhead</p> <ul style="list-style-type: none"> • Are the company's overhead costs consistent with industry norms? • What increases in overhead costs are required to support future growth? 	<input type="checkbox"/> Positive <input checked="" type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
<p>46. Assets Less Liabilities (Equity)</p> <ul style="list-style-type: none"> • Does the company have a substantial base of leveragable assets with a relatively low level of liabilities? • What is the company's debt load? 	<input type="checkbox"/> Positive <input checked="" type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement



Financial factors (continued)

Factors	Evaluation
47. Receivables <ul style="list-style-type: none">• Does the company have average receivable days that are consistent or better than the industry norm?• Has the company had any serious bad debt write-offs?	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
48. Inventory <ul style="list-style-type: none">• Is the company's inventory turnover consistent or better than industry norms?• Does the company have little or no obsolete stock?• Has the company's written off inventory been physically discarded?	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
49. Current Liabilities <ul style="list-style-type: none">• Are the company's accounts payable current and consistent with industry norms?• Are the company's other current liabilities consistent with industry norms?	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
50. Annual Capital <ul style="list-style-type: none">• Are the company's annual capital expenditure requirements relatively low?• Does the company anticipate any major capital expenditures in order to support future growth?	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement
51. Financial Statements <ul style="list-style-type: none">• Does the company have audited financial statements?	<input type="checkbox"/> Positive <input type="checkbox"/> Neutral <input checked="" type="checkbox"/> Opportunity for improvement
52. Company Records <ul style="list-style-type: none">• Are the company's records in good order and easily accessible?	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement



Economic/M&A Market factors

Factors	Evaluation
53. Economy <ul style="list-style-type: none">• Is the general economy expanding and are indicators such as interest rates and the stock market positive?	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement
54. M&A Marketplace <ul style="list-style-type: none">• Is the M&A market positive including ready availability of financing, low interest rates, and favorable tax laws?• Are both financial and strategic buyers actively acquiring companies?	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Neutral <input type="checkbox"/> Opportunity for improvement

Remember 80% of a businesses worth comes from their intangible assets. Being able to track, build and monetize the Company's intangible asset value is the key to success.

For more information about the important considerations around transitioning your business, [contact your Key Family Wealth Advisor, or visit key.com/kpb.](https://key.com/kpb)