

*Building Enterprise Value: 17 Reasons Your Company  
is NOT Investment Grade and What to do About It*

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Maintaining an Enterprise Value Mindset

Zane Tarence

# Why Is Being Investment Grade Important

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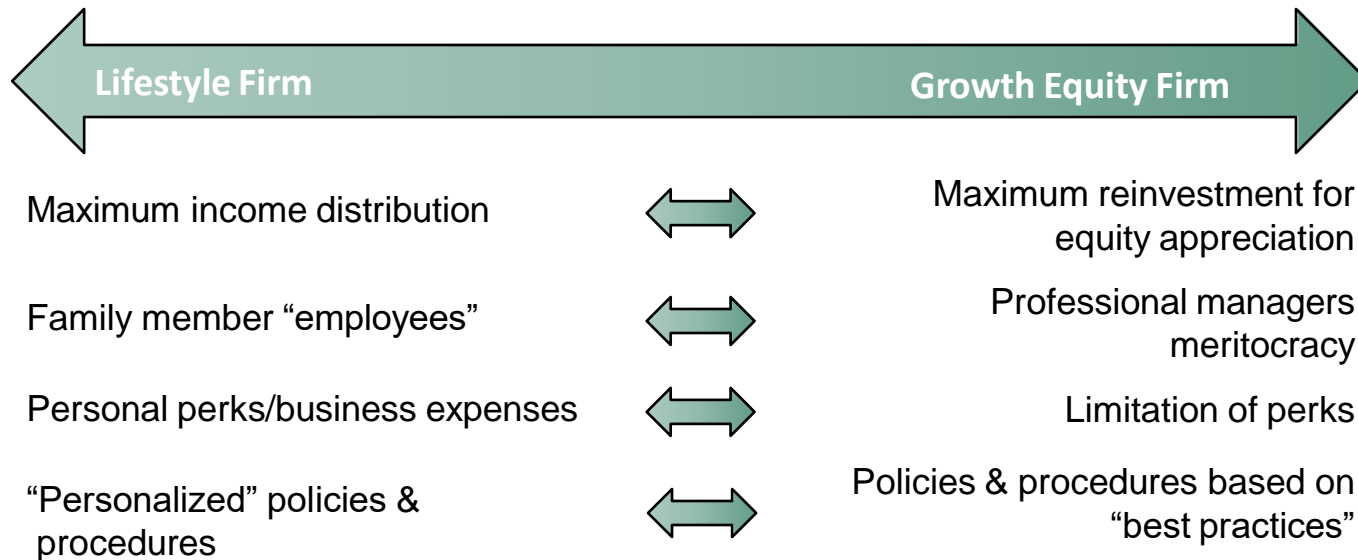
1. Proves you have a high-quality business

*More cash flow, peace of mind, & freedom*

2. Gives stakeholders the confidence you are driving enterprise value
3. Makes it easier to recruit talent
4. Clients find your company more attractive
5. Positions you to leverage your equity on the buy-side
6. Enables you to negotiate better terms with your bank
7. Makes the ownership journey more fun

# Do You have a Lifestyle or a Growth Equity Company

## Your Choices Affect Economic Value



### The Choice Is Yours

*Change involves making tough calls & understanding your WHY*

# What is Investment Grade?

Create the capability within your business to become operationally predictable

*Investment Grade companies stand out against their cohort in these categories*

Revenue Profile and Predictability	Company Size and Growth Profile	Total Addressable Market and Market Share	Customer Value Proposition	Sales and Marketing	Delivery Model & Margin Profile	Customer Satisfaction, Retention and Lifetime Value	Customer Concentration
Competitive Advantages & Moat	Unit Economics & Scalability	Financial Preparation and Reporting	Key Performance Indicators	Company Culture & Talent	Innovation & Use of Technology	Systems & Documentation	Legal Housekeeping

## You don't have the recurring revenue necessary to create stable and predictable cash flow.

- *All cash flow and revenue is not created equal – buyers attach different valuation to different revenue streams.*
- *Forward visibility is extremely valuable to buyers – listen to public company earnings calls.*
- Why it matters to buyers:
  - *Mitigates risk of the buyer.*
  - *Buyers want risk-adjusted future cash flow.*
- Action: Build subscription offerings in your business and stop developing revenue centers that do not create recurring revenue.
- Ideally: Every company should have some level of recurring revenue.

**All Revenue is NOT Created Equal**

# Nine Subscription Service Models

1. Membership Website Model – The Wall Street Journal
2. All-You-Can-Eat Library Model – Spotify
3. Private Club Model – Country Clubs
4. Front-Of-The-Line Model – Florida Tollbooth Sunpass
5. Consumables Model – Dollar Shave Club
6. Surprise Box Model - BarkBox
7. Simplifier Model – Mosquito Squad
8. Network Model – ZipCar
9. Peace-of-Mind Model – LoJack

*The Automatic Customer* by John Warrillow

**ACTIVITY:** Label your one time, reoccurring, and recurring revenue streams

## Your business is not growing

- *Annual revenues are holding steady or slowing down.*
- *Investors/buyers are attracted to growth. If your company is not growing, it is almost impossible to excite buyers.*
- Why it Matters to Buyers:
  - *Superior size and growth rate proves you are stronger than your competitors.*
  - *“Size premium” the reward given to larger businesses over comparable smaller ones.*
  - *Build or Buy: Buyers interested in entering your niche may find it easier to purchase your company than build from scratch. (Greenfield)*
- Action: Document a formal growth plan that includes initiatives & strategies.
  - *Consider growth through acquisition.*
  - *List three major growth initiatives & track your progress.*
- Ideally: Profile has a history of consistent growth greater than your competitors' and your projected revenue growth is above the market's growth rate.

ACTIVITY: List your top 2-3 growth opportunities

# Growth Strategy Example

The Ideal Buyer Will Have an Ability to Accelerate GradesFirst's Product Roadmap & Market Penetration

## Launch & Monetize GradesFirst Analytics

- Capitalize on market momentum for 'Big Data' solutions to address student attrition; leverage the more than 7 years of transactional data housed in GradesFirst systems
- Provide industry's first quantitative assessment of advising and tutoring effectiveness
- 25-40% up-charge over base annual subscription fee; projected uptake of 40-70% over life of contracts with estimated revenue potential greater than \$1 million/year

## Develop Predictive Analytics for Early Alert & Degree Planning Module

- To compete with larger vendors for higher dollar value RFPs, GradesFirst must deploy analytics to identify at-risk students
- Release of predictive model would complement the GradesFirst Analytics story, allowing end-to-end quantitative assessment of student success initiatives
- Advisors need on-track/off-track alerts and notification to better guide students through college experience; management believes there is significant pick-up and market interest for this type of offering

## Expansion via a Professional Sales Team, Broader Distribution, & Acquisition

- While the team has a strong technical foundation, the GradesFirst solution deserves a professional sales team and expanded utilization of marketing automation tools
- The team sees an opportunity to pursue partnerships with software firms and Higher Ed vendors through mutual referral, reseller, or license agreements; these types of arrangements would extend GradesFirst's reach in the marketplace
- Management has identified potential acquisition candidates; the team has communicated directly with one target that serves a complementary customer base using an outdated technology

## Your market is not attractive.

- *The market is small and/or growth is flat.*
- *Are you trying to win the race in a low-performance car?*
- Why it Matters to Buyers:
  1. Small markets do not move the excitement needle.
  2. The market has too little upside potential.
- Action: Define and quantify your addressable market. Profile your customers.
  - *Be a student of your market and adjacent markets.*
- Ideally: Your target market supports significant growth of your business; the larger your company market potential, the higher the valuation multiple.

**TAM** = Total Available Market is the demand for a product or service.

**SAM** = Serviceable Available Market is the segment of the TAM targeted by your products and services which is within your geographical reach.

**SOM** = Serviceable Obtainable Market is the portion of SAM that you can capture.

## Your market share is practically invisible.

- *You're one of the smaller players in your market or in the niche/geographical region you serve.*
- Why it Matters to Buyers:
  - *If a strategic wants to enter a niche market, they want the #1 player. Number 2 is much less desirable and therefore not as valuable. (difference up to 1.5x revenue/EBITDA)*
- Action: Track your market share compared to competitors and document your market share growth initiatives.
- Ideally: Your company owns the greatest percentage of the available market niche relative to its competitors.
  - *You should be gaining ground on your competitors.*

ACTIVITY: Pin the tail on your Market Share.

## Your management team is dysfunctional and/or unproven, and your business doesn't do HR well.

- *You can easily find, hire, and retain the best-of-the-best, if and when needed.*
- Why it Matters to Buyers:
  - *Investors bet on the jockey, not the horse. PEG buyers do not want to actually run the business, strategic buyers are interested in “acqui-hire” scenarios.*
- Action: Recruit, hire, motivate and retain talent.
  - *Always be on the look-out for talent and build a one-page summary that describes why talent wants to work for you.*
- Ideally:
  - *Your company has a leadership team in place to realize the company's vision.*
  - *You can demonstrate that you can attract and onboard talent.*
  - *There is a strong sense of accountability and trust within your team.*

# Benefits and Costs of Hiring Well

Given the cost of mis-hires and the benefits of hiring the right people, having best practices in place to assess candidates is a must.

## Positive Impact of Hiring Well

- The right employees make measurable contributions to productivity and corporate culture. “A” players:
  - Are 3-5x more productive with significantly greater impact on top and bottom lines
  - Increase team engagement and participate more actively in corporate culture.
- The right employees positively impact management.
  - Less time spent at work > lower probability to micromanage
  - Less time spent reviewing work due to fewer errors > “Get it right the first time.”
  - More innovation
  - Better relationships with employees and customers

## Negative Associated with Mis-hires

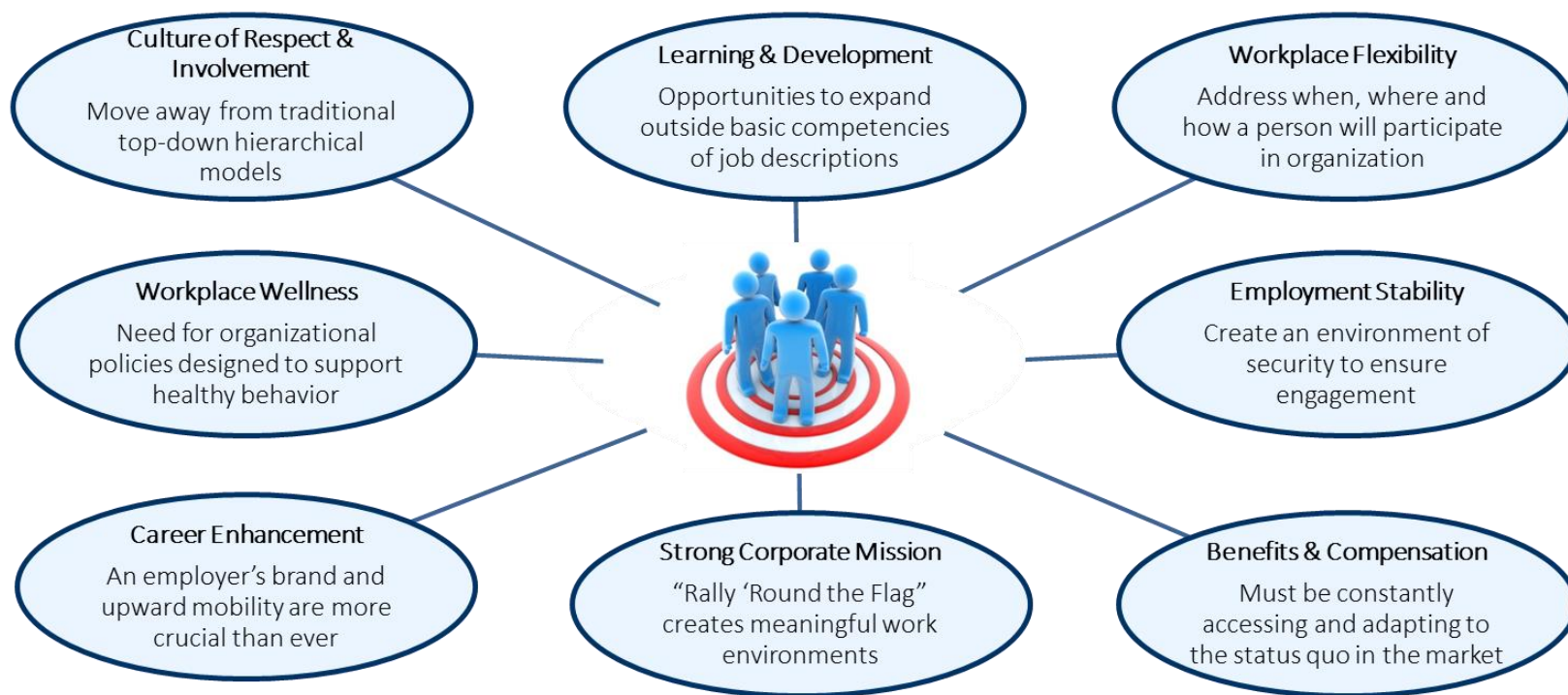
- Mis-hires are common.
  - According to the Recruiting Roundtable, organizations or new hires regret hiring decisions 50% of the time.
- Tangible costs associated with mis-hires are staggering
  - 14x salary for employees with a base salary <\$100k
  - 28x salary for employees with a base salary between \$100k and \$250k
- Cost of mis-hires increases with seniority
  - Senior manager mis-hire = 27x base comp
  - Sales rep mis-hire = 5x salary

Source: Accel KKR

# Strategies to Attract & Retain Talent

With the rapidly expanding technology sector in the United States and abroad, attracting and retaining top talent is an ever-changing game.

Employers must adopt new HR strategies to ensure that they are properly positioned in the global employment market.



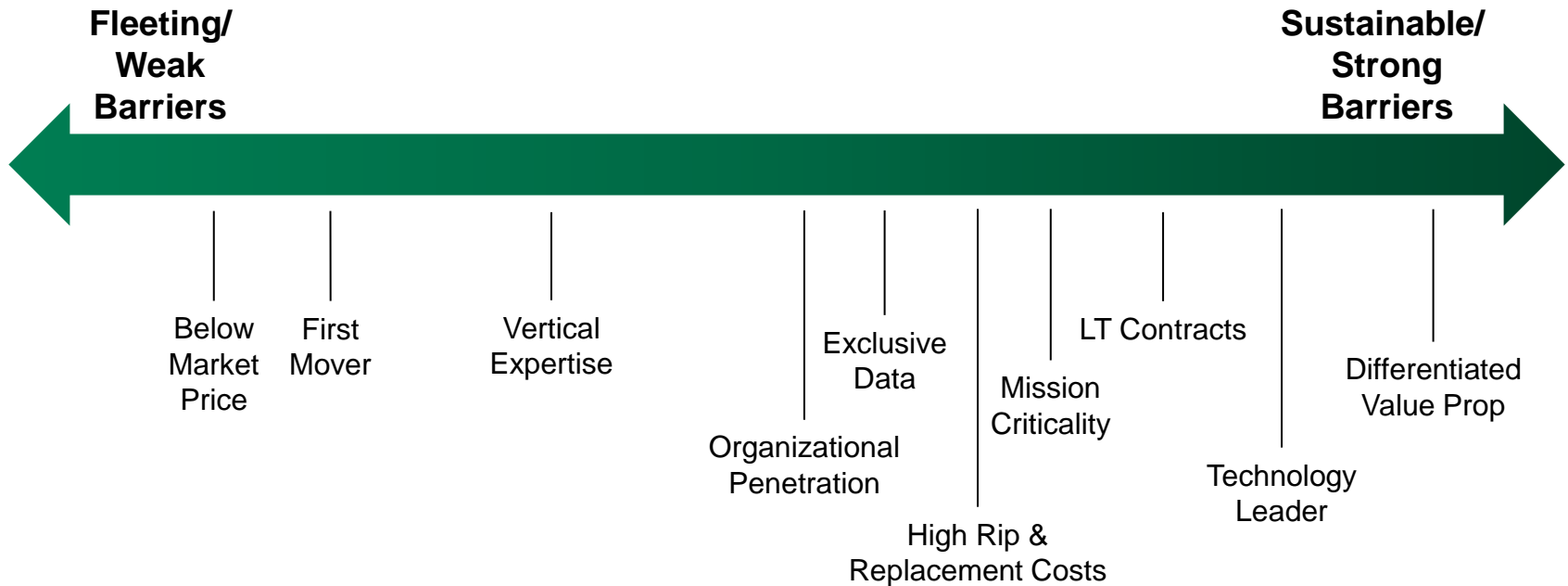
**ACTIVITY:** What are your two strongest and weakest areas? Why?

**Almost anyone can set up shop and compete with you and/or you do not offer anything unique.**

- *There are few barriers to entry in your industry and you have not built a defensible moat.*
- *Your prospects/customers have NO IDEA how you are different from your competitors.*
  
- Why it Matters to Buyers:
  - *Warren Buffett says, “I buy defensible moats.”*
  
- Action: Develop and Perfect your “secret sauce.”
  - *Widen, deepen and defend the moat around your business.*
  - *Create strong obstacles to prevent competitors from stealing your customers’ hearts and pocketbooks.*
  
- Ideally: Your company has a product/service with unique characteristics that provide a competitive advantage.
  - *“Why are you different?” is a question you should be able to answer with conviction.*
  - *Significant obstacles face new entrants in your company’s market.*

**ACTIVITY:** List your top two barriers to entry – which one is the most threatening to your competition?

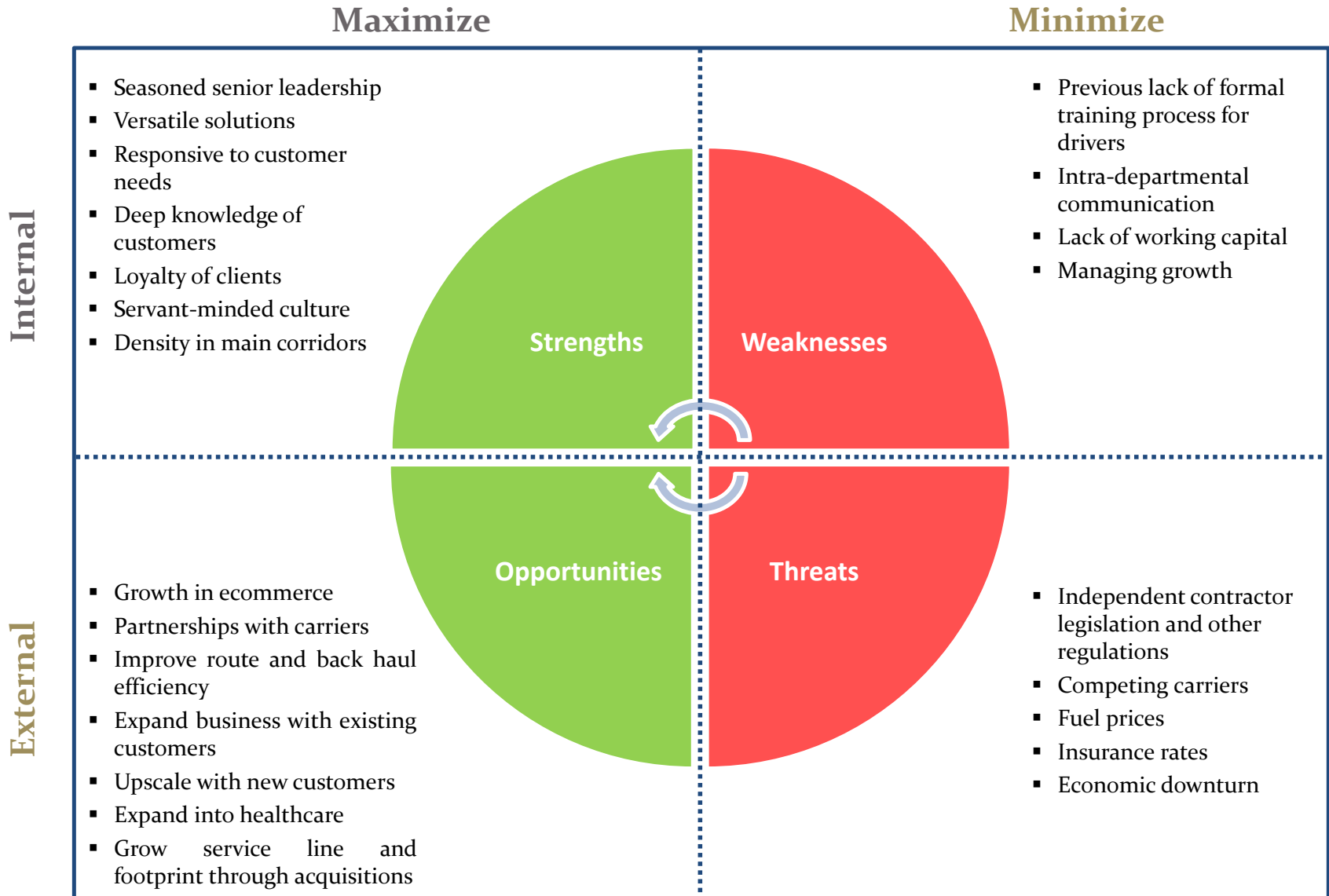
Many companies put their emphasis on the wrong barriers.



## Differentiated Value Prop

- Sell into white space and become a substitute not a competitor (Intuit vs. Tax Advisors)
- Product that pays for itself (lift transactions 20% and charge 5% of transactions)

Source: Alpine Investors

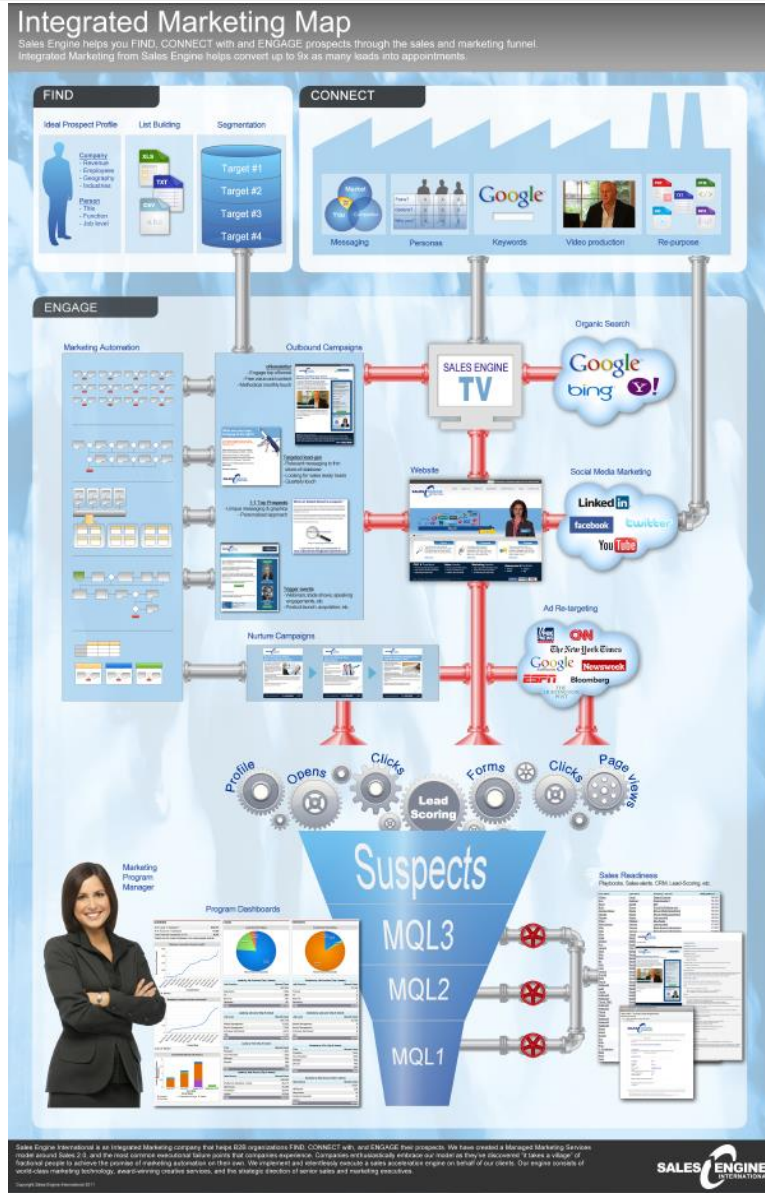


## You do not have a well-documented sales and marketing process.

- *Sales are more people-centric than process-centric.*
  - *If key sales or marketing folks left, you would have some big problems.*
  - *CEO is the main sales engine vs. sales processes.*
- 
- Why it Matters to Buyers:
    - *Important to demonstrate predictability, scalability, and replicability in your sales cycle.*
  - Action: Adopt a sales methodology and implement a CRM.
    - *Spin Selling, Solution Selling, Consultative Selling – PICK ONE.*
    - *Consider automated marketing.*
    - *Identify and nurture key strategic partnerships.*
  - Ideally: Your company can produce revenue in a proven and systematic way, without relying on the efforts of individuals within the business today.

ACTIVITY: Walk through your top category sales funnel metrics and discuss sales attribution.

# Handout #4 – Sales Engine Infographic



## Your business depends too heavily on a few key customers.

- *If any of your customers left, you would be in trouble.*
- *Big customers are a great way to being your business, but you must diversify over time.*
  
- Why it Matters to Buyers:
  - *Buyers view customer concentration as a serious risk.*
  
- Action: Put a “premium” on new accounts, sell deeper into each client.
  - *Build a New Account Culture – reward people who bring in new customers.*
  - *Upsell/cross-sell products to existing clients (product diversification within clients).*
  
- Ideally: Your company has a diverse, loyal customer base.

**You have no clear competitive advantage, and your margins are lower than your competitors’.**

- *You do not have a fact-based grasp on your company’s competitive advantage.*
- *You struggle to make money because fast growth makes it hard to achieve high margins.*
  
- Why it Matters to Buyers:
  - *Margin advantage demonstrates a competitive advantage – it means you can make a product or service better and/or more cheaply.*
  
- Action: Continually score your pricing strategy and operational efficiency – goal is “doing more with less and doing it better”.
  - *Adopt a bias toward high-margin business.*
  
- Ideally: Your company has a clear competitive advantage and enjoys **gross** and **net** margins greater than the industry norm.
  - *Know how your EBITDA margins compare to industry standards.*
  - *15% - 18% EBITDA margin is good for most healthy manufacturing/distribution companies*

## You have a weak brand and/or little clout within your niche.

- *Your brand doesn't evoke positive feelings in prospects or customers.*
- *"Emotional connection equals economic outcome." – Who said that?*
- Why it Matters to Buyers:
  1. *Large companies buy niche companies because they want the niche company's culture and access to its clients. #1 brand is much more valuable than #2.*
  2. *A brand that resonates translates into efficient client acquisition/retention.*
- Action: Build and protect your brand through delivering on your promises, producing top-shelf content and using creative marketing/messaging.
  - *Make your messages clear, consistent and reflective of your values.*
  - *Use technology to build a brand quickly. Remember market transparency among customers can destroy a brand overnight.*
  - *Assign clever names to products and services.*
- Ideally: Your company has a recognizable brand that reinforces its presence in the marketplace and supports company objectives.
  - *Your brand evokes value, quality, trust and uniqueness.*

**ACTIVITY:** How do clients describe your company? What words do you hear most often?

## Your business doesn't put a lot of energy into new and unproven ideas; you don't leverage technology.

- *You don't capture innovation at every level within the organization. You don't incent/encourage your team to bring new ideas to the table.*
- Why it Matters to Buyers:
  - *If buyers can't greenfield it, they purchase it. R&D strategy of large corporations is often to BUY innovation.*
- Action: Reward innovation and protect your intellectual property.
  - *Periodically give an innovation award/bonus to employees, contractors and key vendors.*
  - *Protect it, claim it, name it, own it, document it.*
- Ideally: Everyone in your company is motivated to innovate.
  - *Your company has a proven and systematic way to drive and capture innovation at all levels.*
  - *You have developed valuable IP and you protect it.*

## Your business is not focused on customer satisfaction.

- *You don't really know how you're doing with your customers.*
- *You don't have strong, positive references or you are not sure who your best references are.*
- Why it Matters to Buyers:
  - *One of the most important pieces of information to a buyer is your references.*
- Action: Implement a “voice of the customer” program and cultivate impressive reference accounts.
  - *Use survey tools and other methods to collect feedback about what you can do better.*
  - *Obsess over delighting your good clients but fire the difficult ones.*
- Ideally: Your company tracks and uses key measures to meet customer expectations at every level.
  - *You handle clients with respect and intentionality.*
  - *Your clients recommend you – Your **Net Promoter** Score is HIGH.*

One way to gauge customer satisfaction is through the Net Promoter Score (NPS). NPS is a customer loyalty metric that gauges how likely a customer is to recommend a company to others. NPS helps predict future customer loyalty and is **one of the few measures shown to correlate directly with business growth.**

“The ONE # you need to Grow”

## *How to Calculate NPS*

1. Ask customers: “How likely are you to recommend us to a friend or colleague?” Have customers respond on a scale of 0-10 (0 being not at all likely, 10 being extremely likely).
2. Tally responses in 3 categories: Detractors (score of 0-6), Passives (score of 7-8) and Promoters (score of 9-10)
3. Subtract the percentage of customers who are detractors from the percentage that are promoters.

Example: A survey with 60 promoters, 30 passives, and 10 detractors would yield a NPS of 50%  
 $\{(60/100) - (10/100)\} * 100$

## You don't do an excellent job in managing finances.

- Why it Matters to Buyers:
  - *A set of organized, accurate and believable financial statements will have more influence on a buyer than anything you say, do or promise.*
  - *Well-organized financial data greatly increases trust and the buyer's confidence in the company's future and the seller's credibility.*
- Action: If you don't have a CFO, hire an accountant or virtual CFO to set up an accounting system with monthly reporting and KPIs.
  - *Track monthly financials and Key Performance Indicators.*
- Ideally: All of your company's financial matters are in order and you follow best practices.
  - *You track KPIs and employ accurate forecasting methods.*
  - *You have audited financials for the past three years.*

ACTIVITY: What are your top 4 KPIs? Are these captured in the compensation plans?

## Your business doesn't have repeatable, definable processes.

- Your approach to operations is ad-hoc.
- You worry about losing the employees who are the only ones who know how to do certain tasks.
- Why it Matters to Buyers:
  - *If your business is not profitable, its sale-ability may depend entirely on its ability to scale.*
  - *Scalability and sustainability depend on documented processes that are independent of current employees.*
- Action:
  - *Document your key/proprietary processes within SOPs.*
  - *Automate processes to create scale and outsized profit margins.*
- Ideally: Your company can deliver on the promises it makes and to do so in a systematic and process-driven manner.

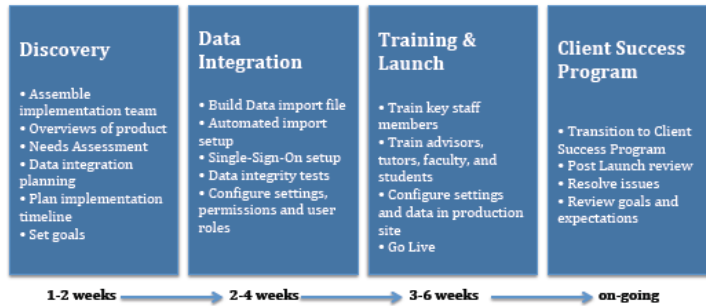
**ACTIVITY:** List your top 3 most valuable processes. Describe the documentation.

## DETAILED PRODUCT IMPLEMENTATION PROCESS

Appendix

### GradesFirst Implementation Process and Client Personnel Requirements

This GradesFirst Implementation Process consists of four parts: Discovery, Data Integration, Training & Launch, and the Client Success Program. The typical implementation will take 6-12 weeks and will vary based on client preparedness and project scope. You will be assigned a Client Success Manager that will guide you through the implementation process and beyond.



Below, you will find detailed descriptions of each step of the process:

Discovery	Client Resources
<ul style="list-style-type: none"> <li>Fill out and return Client Needs Assessments</li> <li>Review project expectations, implementation process, and team roles</li> <li>Establish project plan and roles &amp; responsibilities</li> <li>Initial call with Implementation IT and Project Manager to discuss scope of project</li> <li>Define Implementation team on campus and begin to set timeline and expectations of Go Live dates and training dates.</li> <li>Provide overview of GradesFirst to all who will be involved</li> </ul>	<p><b>Project Manager</b> <b>IT Project Manager</b> <b>Executive Sponsor</b></p>

Data Integration	Client Resources
<ul style="list-style-type: none"> <li>Discussion with Implementation Team to decide what data needs to be in GradesFirst. Student attributes, relationships, course data, etc.</li> <li>Set-up training environment and begin importing data to that environment.</li> <li>Set-up automated uploads in training site and begin to test</li> <li>Set-up Single Sign On (if applicable) and begin to test in training site</li> <li>Set-up automated uploads in training site and begin to test</li> <li>Set up Roles, Permissions, Locations, Services, and Reasons in GradesFirst.</li> </ul>	<p><b>Project Manager</b> <b>IT Project Manager</b> <b>Implementation Team</b></p>

Training & Launch	Client Resources
<ul style="list-style-type: none"> <li>Revisit needs assessment to build training platform for advisors, tutors, faculty and students.</li> <li>Set up training dates and times. On-Site visit (If applicable) and webinar training times.</li> <li>During the tail end of training, begin to work with the IT Project Manager to begin to import data to the production environment.</li> <li>Set up all pre-determined Roles, Permissions, Locations, Services, and Reasons in production environment.</li> <li>Configure card swipe for kiosk functionality.</li> <li>Migrate all SSO and automated upload settings to production site</li> <li>Resolve any major issues found during training and data integration</li> <li>Go Live!</li> </ul>	<p><b>Project Manager</b> <b>IT Project Manager</b> <b>Implementation Team</b></p>

Client Success Program	Client Resources
<ul style="list-style-type: none"> <li>Plan follow-up discussion for a few weeks after Go Live date</li> <li>Record and review any issues found during Go Live</li> <li>Review goals and expectations to ensure all were met.</li> <li>Transition to Client Success Program – set up regular meetings with CSM to discuss usage patterns and review any issues.</li> </ul>	<p><b>Project Manager</b> <b>Executive Sponsor</b></p>

Throughout the implementation process and beyond, there will be ongoing Project Management meetings. During these meetings, the internal personnel will meet with the GradesFirst Client Success Manager to discuss challenges, goals, issues, data needs, as well as many other questions and concerns of the staff.

## Your company is not legally buttoned-up.

- *Legal matters give you headaches, so you don't invest much in contracts or other critical documentation.*
- Why it Matters to Buyers:
  - *Companies with legal issues (inconsistent contracts, pending or threatened lawsuits) do not make it past due diligence stage.*
  - *Buyers want what they are buying (IP, contracts, etc.) protected.*
- Action: Invest in a legal review focused on contracts.
  - *Buyers look for standardized contracts in all categories: client, supplier, contractor, developer and employees.*
- Ideally: All contractual matters are in order, documented, and your company complies with best practices.

ACTIVITY: Where could your legal house be buttoned up better?

## **You can't articulate a compelling elevator pitch about your business.**

- *You're fuzzy when describing your company, values, ROI for your clients, industry, vision, etc.*
- *When in front of the right buyers/investors/recruits/clients, you blow it.*
- Why it Matters to Buyers:
  - *A confused mind always says no.*
- Action: Create, practice and continually refine a compelling Executive Summary.
  - *Practice this 3-minute pitch with everyone.*
- Ideally: An outsider can quickly grasp and easily remember a holistic understanding of your company.
  - *The story your employees and managers tell includes the same themes as yours.*
  - *This demonstrates you have built a valuable culture.*

# Inputs to One-Page Plan

## Define Barriers

## Execute on Barriers

### Inputs

#### Purpose & Alignment

- Vision
- Core Values

#### Situation Overview

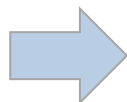
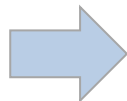
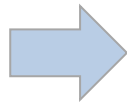
- SWOT Analysis
- Company Map

#### Strategy

- BHAG
- Strategy Statement
- SMaC List

#### Planning

- 5 Year Thrusts
- 1 Year Goals
- Quarterly Actions
- Critical Numbers
- Exit Plan



### Output

Vision and Strategy	3-5 Year Plan	One Year Goals	Quarterly Plan
<p><b>PASSION AND PURPOSE</b></p> <p>Your Life. Your Design. Helping people bring great design into the spaces they live, work and play in.</p> <p><b>VISION</b></p> <p>Our brands will be the leading destinations for design-driven people to explore and realize their interior design visions.</p> <p><b>BHAG</b></p> <p>By 2025, we will enable one million people annually to explore and realize their interior design visions.</p> <p><b>CORE VALUES</b></p> <ul style="list-style-type: none"> <li>• Obsessed with customers.</li> <li>• Continuous improvement.</li> <li>• Play to win.</li> <li>• Support each other.</li> <li>• Act today and solve for tomorrow.</li> </ul> <p><b>STRATEGY STATEMENT</b></p> <p>Inspire customers to confidently fulfill all their design visions with us by providing them an incomparable experience: A combination of products, inspiration, site design, advice and service no competitor can match.</p> <p><b>BRAND PROMISE</b></p> <p>YLighting will deliver an incomparable experience: An inspiring combination of products, site design, advice and service no competitor can match.</p> <p><b>TEAM PROMISE</b></p> <p>We promise to trust and empower you to build lasting relationships with our customers.</p> <p>We promise opportunities for you to grow, to be challenged and to achieve professional fulfillment.</p> <p>In return, we ask for your commitment and engagement in our journey.</p>	<p><b>FY 2015 FINANCIAL TARGETS</b></p> <p>Revenues: \$51.3 MM Gross Profit %: 36.5%</p> <p><b>KEY THRUSTS</b></p> <ol style="list-style-type: none"> <li>1. Aggressive, Targeted Growth             <ol style="list-style-type: none"> <li>a. Build brand awareness – reach more of target segments</li> <li>b. Expand our (addressable) customer base by making modern and contemporary more “accessible”</li> <li>c. Implement a retention marketing strategy</li> <li>d. Best in class direct marketing – including new vehicles</li> <li>e. SEO</li> <li>f. Drive growth from existing vendors – merchandising, partnerships, speed to market on assortment</li> <li>g. Drive growth from existing categories and adjacent categories                     <ol style="list-style-type: none"> <li>i. Accelerate new line recruitment</li> <li>ii. Identify and develop new categories</li> </ol> </li> <li>h. Serve select international markets – Canada + ??</li> <li>i. Focused trade program and community development</li> <li>j. Expand sales channels for trade + commercial lighting</li> </ol> </li> <li>2. Build Lasting Customer Relationships [specifics TBD]             <ol style="list-style-type: none"> <li>a. Create an engaging &amp; inspiring design experience across multiple touch-points</li> <li>b. Deliver a post-purchase consumer experience that surprises and delights</li> <li>c. Provide a tailored experience by customer segment</li> </ol> </li> <li>3. Sustainable Margins             <ol style="list-style-type: none"> <li>a. Launch a private label line</li> <li>b. Focused effort to improve gross margins – including the vendor terms and COGS reporting to identify opportunities</li> <li>c. Improve logistics &amp; supply chain to reduce landed costs</li> <li>d. Strategic stocking and/or other arrangements</li> <li>e. Improve internal business process efficiency &amp; scalability by investing in better systems, tools and processes</li> </ol> </li> <li>4. Build a Best in Class Team and Organization Design             <ol style="list-style-type: none"> <li>a. We need to keep identifying opportunities to create new roles, add capacity, and adjust the organizational design to get us to the next level</li> </ol> </li> </ol>	<p><b>FINANCIAL TARGET – FY2013</b></p> <p>Revenues: 22.1% YOY Growth (GAAP) Gross Margin %: 35.5% (from 35.5%) Var Contribution: \$10.2MM</p> <p><b>KEY PRIORITIES</b></p> <ul style="list-style-type: none"> <li>• People             <ul style="list-style-type: none"> <li>○ Hire key roles to round out the team including lighting merchandise manager and GM</li> </ul> </li> <li>• Assortment, Vendor and Product Data Management             <ul style="list-style-type: none"> <li>○ Dedicate resource to vendor recruiting, development and management</li> <li>○ More aggressive assortment recruitment - import lines, dedicated resource etc</li> <li>○ Expand Partner Brand Development Planning</li> <li>○ Get current (and stay current) on partner brand assortment + product data + merchandising</li> <li>○ YLighting Private Label Collection</li> <li>○ Pilot more aggressive Stocking/Import Program</li> </ul> </li> <li>• Web Design/User Experience             <ul style="list-style-type: none"> <li>○ Deliver on user experience improvements including (availability, filtering, sort, site search, enhanced reviews image pan/zoom, etc)</li> <li>○ Build out tailored category presentation in select areas (e.g. Tier 1 brands)</li> </ul> </li> <li>• Sales and Marketing             <ul style="list-style-type: none"> <li>○ Start marketing efforts to begin journey to being the leading modern lighting design destination</li> <li>○ Turn up the Dial on Promotions</li> <li>○ Integrated Branding Campaigns</li> <li>○ Community Marketing - Content Marketing + Social Media Push</li> <li>○ Become key player in Canada</li> <li>○ Launch tabbed sites with integrated shopping cart - Cross Promote the Y Brands</li> <li>○ Get current and regain online marketing leadership</li> <li>○ Refresh/Update PPC Campaigns, Retargeting Campaign and Google Product Listings etc</li> <li>○ SEO - Targeted Site Content and Technical Design Updates</li> <li>○ TBD on outbound sales, lead management and trade marketing initiatives</li> </ul> </li> </ul>	<p><b>Q3/4 KEY PRIORITIES</b></p> <p>Canada Market Entry</p> <ul style="list-style-type: none"> <li>• Marketing, Site Merchandising, Fulfillment refinement</li> </ul> <p>Merchandising + Product Content</p> <ul style="list-style-type: none"> <li>• ALL active partner brands have up to date assortment by year end.</li> <li>• Improve gross margin on 5+ partner brands.</li> <li>• Have accurate revenue and GM reporting by partner brand and product type from 1/1/2012.</li> <li>• Have Line Item COGS reporting</li> <li>• Complete team realignment</li> </ul> <p>Marketing</p> <ul style="list-style-type: none"> <li>• Setup October promotions to drive best month ever.</li> <li>• Hit pRev (and pROAS) goals for online marketing.</li> <li>• Implement focused SEO program.</li> <li>• Marketing team in stride on promotion and content marketing initiatives.</li> <li>• Prepared to execute integrated marketing campaign early in 2014.</li> </ul> <p>Sales</p> <ul style="list-style-type: none"> <li>• Implement Trade Self-Service Coupons</li> <li>• Implement RTI (reduce availability outbound calls)</li> <li>• Hire Sales Operations Manager</li> <li>• Define 'to be' state [stretch goal]</li> </ul> <p>Web Customer Experience</p> <ul style="list-style-type: none"> <li>• Migrate to new front end technology architecture for templating, publishing, search, sort, filter.             <ul style="list-style-type: none"> <li>• Shopping cart[stretch goal]</li> </ul> </li> <li>• New homepage and editorial section</li> </ul> <p>People</p> <ul style="list-style-type: none"> <li>• Start recruiting for GM</li> <li>• Brendan to YLighting Assistant Content Producer</li> <li>• Hire 2nd Merchandise Manager</li> </ul>

Source: Alpine Investors

**You haven't thought through your succession/transition strategy, and you don't run a structured market process to involve the right partners.**

- Why it Matters to Buyers: An unplanned exit is not ideal.
- Action: Find an exit planning specialist to guide you through the planning process and meet annually with a seasoned investment banker.
- Ideally: Your exit plan clearly states your goals and maps out how you plan to achieve them.

# A Case for Check Up

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1. Owners are at an information disadvantage



2. The Assessment provides leading indicators (recruiting top talent, KPIs, etc.) for an Investment Grade company



3. Most owners leave meaningful value on the table when exiting to an external buyer



4. What happens if a company is not prepared? Case Study: The day I decided to write a book



5. What self-aware business owner would not want to determine if they are Investment Grade?

# Assessment Overview

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## Investment Grade Assessment

12 Sections

90+ Questions

17 Minutes

Prescriptive Report & Score

### Mission

*To deliver high-value, actionable insights to help business owners unlock and increase the value of their business*

# Assessment Dashboard

## Dashboard Summary Section

83%

Your Score

View Report or Download as PDF or CSV

Download PDF Download CSV

Grading Section



A screenshot of the assessment dashboard interface. It shows a sidebar with various sections like 'Growth, Profitability & Financial Health', 'Marketing', 'Operations', etc. The main content area displays a summary of the assessment results, including a score of 83% and a list of top actions to improve the score. The interface is clean and professional, with a dark blue header and a light gray background.

Clear, prioritized, actionable feedback

### Top Actions To Improve Score

These sections are identified as the top items impacting your performance.

**Growth, Profitability & Financial Health**  
Company's last twelve months revenue?

**Action Step**  
Grow last twelve months revenue to size that excites investors (>\$6mm)

[Jump to Question](#) [Talk to a growth expert](#)

**Growth, Profitability & Financial Health**  
Company's percentage of contractually recurring revenue, versus one-time products or services

**Action Step**  
Expand or transition business lines to a subscription model with recurring revenue.

[Jump to Question](#) [Talk to a SaaS expert](#)

**Growth, Profitability & Financial Health**  
Company's largest customer % of total revenue

**Action Step**  
Seek to diversify customer base to reduce risk of revenue loss.

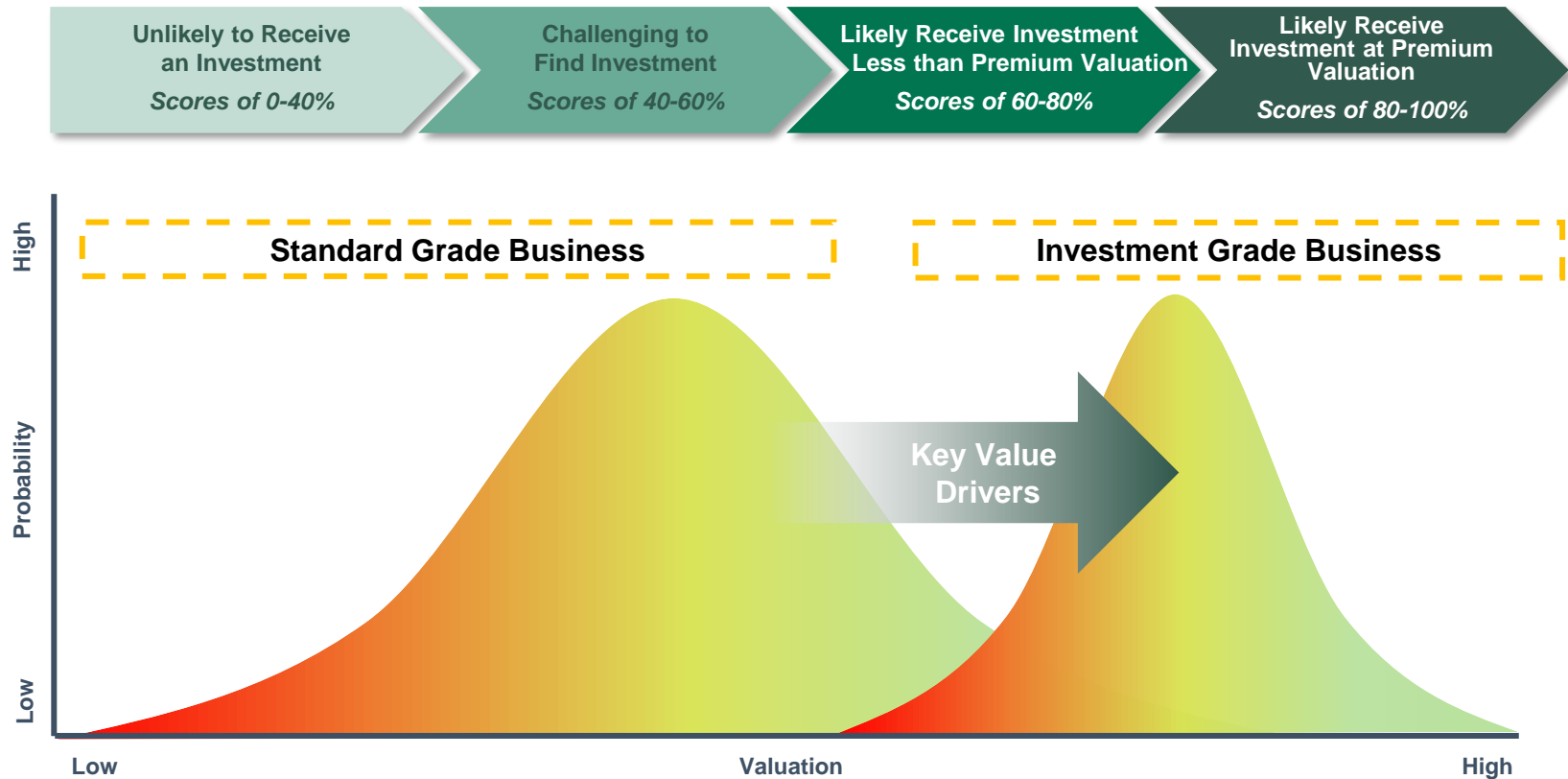
[Jump to Question](#) [Talk to a marketing expert](#)

**Growth, Profitability & Financial Health**  
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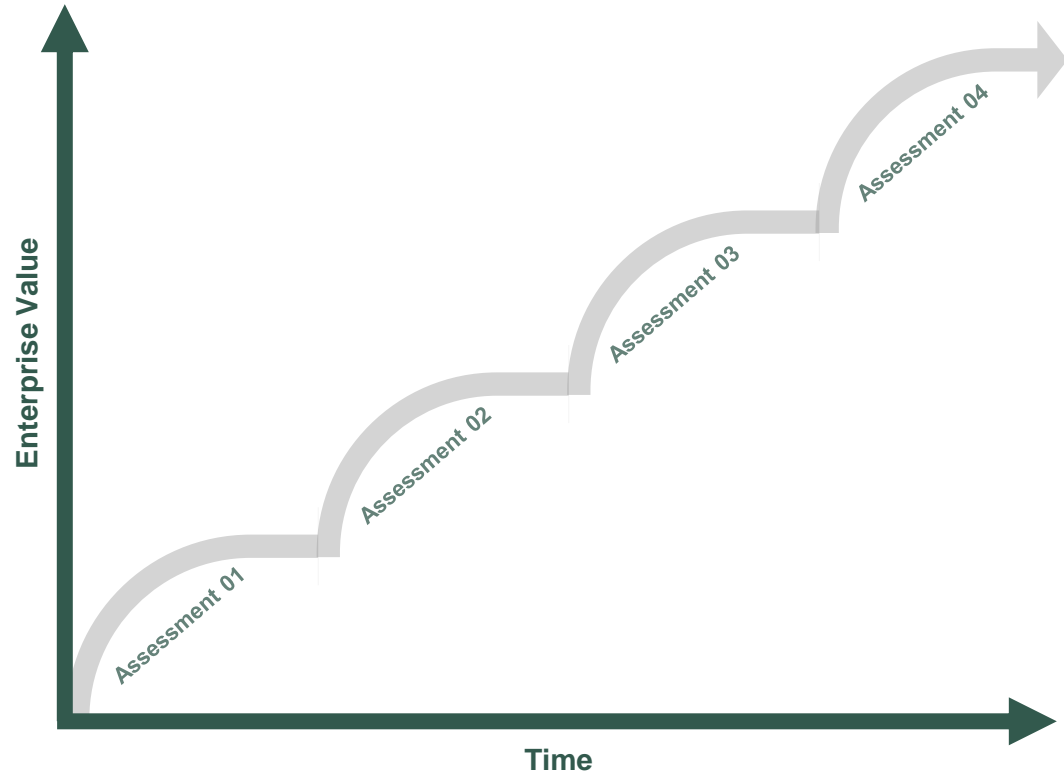
# Investment Grade Position: A Market Perspective



# How to Leverage the Assessment to Maximize Value

## An Iterative Process Driving Growth

*Maximize value creation for your company by iterating on the steps outlined below in combination with the Assessment*



# Is Your Company Investment Grade?

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Take the assessment to see your company's health and what areas you may need to focus on.

Complimentary Code: FOCUSCFO





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