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# How to maximize the value of your company?

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Jarmo Kuusivuori 21.02.2018

# Who Am I

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A Husband

A Father

A Grand Father

An Entrepreneur

A M&A Advisor

A Board Member

A Coach

An Experienced Leader

A Beer Judge

# Who Are You?

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# Agenda

- How to maximize the value of your company?
- Q&A
- Workshop #1
- Wrap up

**I cannot teach anybody  
anything. I can only make  
them think.**

-Socrates-

**How to maximize the value of your company?**

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# The Big Picture of this presentation

**How to maximize the value of your company?**

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...and this  
presentation is only a  
tiny part of the big  
picture

**How to maximize the value of your company?**

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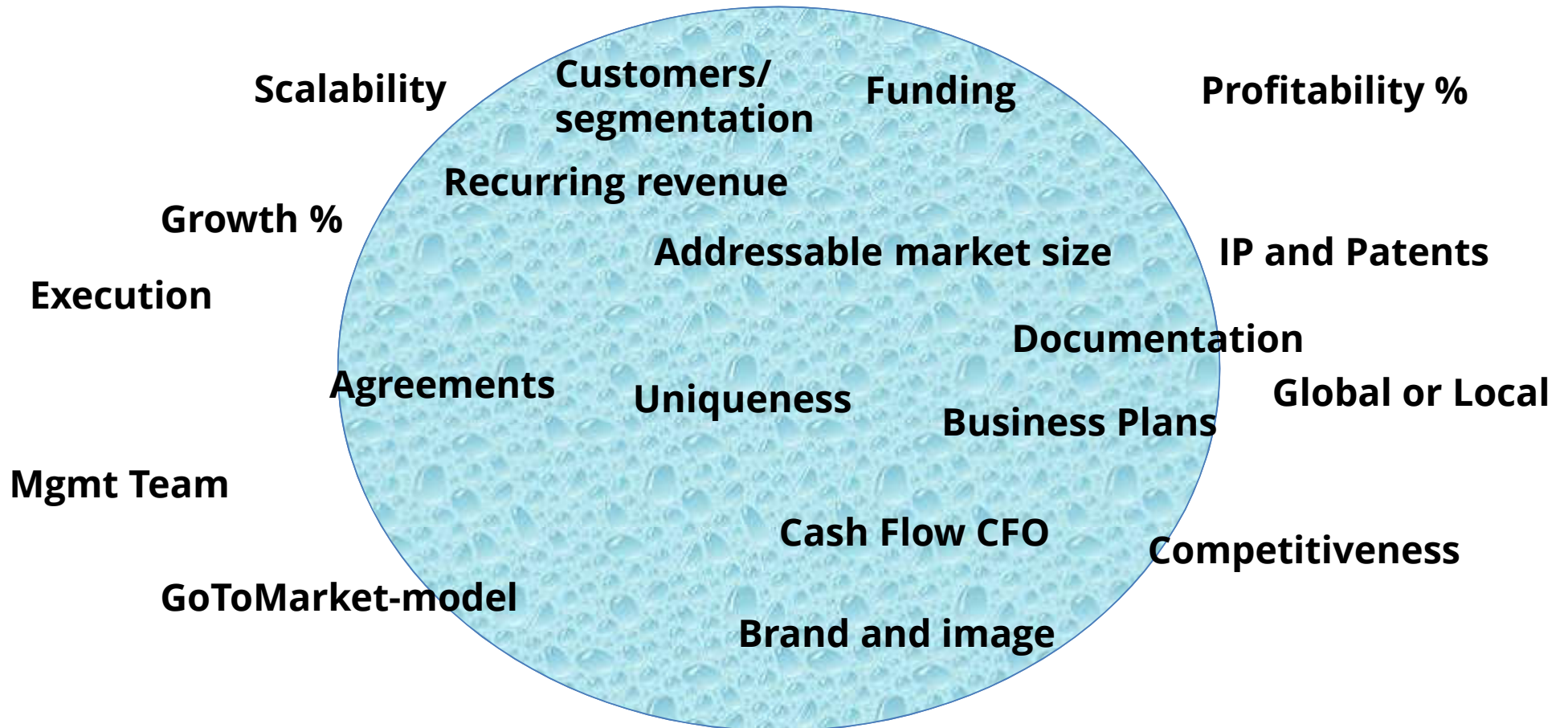
Try to compare the  
content of next slides  
with your own business



# Elements of building a valuable company

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# Case study – a real case example

## Company A (4 years old)

- Revenue 2,3 mill 2015/16
- Annual growth around 100%
- EBIT around 7%
- Good cash flow

## Company B (4 years old)

- Revenue 0,6 mill 2015 and 2 mill 2016
- Annual growth around 200%
- EBIT around -100% (2015)
- Negative cash flow

## How to estimate the value? - traditional/normal way

Calculate Seller's Discretionary Earnings SDE (owner's salary, perks, donations, personal expenses to be adjusted/deducted from the actual costs)

### **Industry SDE multiplier for EBIT (EBIT or Revenue?)**

+ real estate

+accounts receivables

+cash on hands

+any other assets not include into the SDE multiple

- Business liabilities

**= value of the company**


## How to estimate the value? – traditional way

Quite often (normally) none of the traditional valuations methods work with Startup's

However the formula you should focus is your

# Cash Flow

# Cash Flow

	"Natural" Cash Flows		Statement of Cash Flows
			<b>Cash Flow from Financing (CFF)</b>
	+ Sell equity	→	+ Sell equity
	+ Issue debt	→	+ Issue debt
			- Pay dividend
			<b>Cash Flow from Investing (CFI)</b>
	< Buy assets (PP&E) >	→	- Buy assets (PP&E)
	< Buy inventory >		
			<b>Cash Flow from Operations (CFO)</b>
	+ Make sales	→	+ Make sales (collect cash)
	< Pay operating costs >	→	- Buy inventory
	< Pay interest on debt >	→	- Pay costs
Interest & Dividends	< Pay taxes >	→	- Pay interest on debt
"Repaid" to Debt & Equity Holders	< Pay dividend >	→	- Pay taxes
			<b>Net Cash Flow = CFF + CFI + CFO</b>

# Back to the case study example

## Company A

- Regional
- Cloud business for SME
- Professional services
- Projects
- Profitable from day one – self funded
- Committed good Mgt Team

## Company B

- International (try to be)
- Software for the telco segment
- Big investments into SW dev
- Lot of loans taken
- Haven't been profitable
- Committed Mgt Team, but limited global experience

# Case study: Offering and GoToMarket

## Company A

- Selling days and projects
- Own sales team
- B to B

## Company B

- Selling own SW (IP)
- Have registered patents
- Channel partners in several countries, own sales team and online channel
- B to B -> B to C

# Case study: uniqueness and competitiveness

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## Company A

- One of many companies doing the same
- Relatively big and growing market
- Competent people
- Win rate decreasing and less than 50%

## Company B

- Unique solutions in niche market
- The market is growing modestly
- Excellent R&D, a unique solution
- Win rate around 70%



# Case study: Future outlook in 2016 – coming year (2017)

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## Company A

- Growth slowing due to the competition
- Costs have increased due to new people hired (for enabling the growth)
- Profit dropping
- New businesses areas initiated in order to differentiate
- Revenue estimate +20% y o y
- Profit -25% y o y

## Company B

- Go to Market model improving and enabling continuous growth
- Solutions more competitive due to new versions launched
- Same R&D cost
- Revenue +200% y o y
- Profitability +30%

# Case study: Interesting part – offers on the table

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## Company A

- Several buyers want to increase their volume
- Several buyers want to expand their customer base
- Several buyers want to get more competent people on board in order to grow and deliver
- Several buyers want to fire the mgt and back office people in order to boost the profitability
- Typical consolidation “game”

## Company B

- Very few buyer candidates 2-3 max
- Buyers are looking for new technology and expand customer base. Also recurring revenue contracts
- One buyer keen to get a bigger patent portfolio
- Only “strategic buyers” interested

**Case study: Interesting part – offers on the table**

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**How big were the offers?**

# Case study: Interesting part – offers on the table

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## Company A

- ComCash is cash
- Multiple used is ? X EBIT
- EBIT around end of the year 155 k €

## Company B

- More loan than cash
- Multiple used is ? X Revenue and Expected Revenue (based on the pledged orders)
- Revenue/Expected Revenue at the end of the coming year (2017) 6 mill €

# Case study: Interesting part – offers on the table

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## Company A

8 x 155 = 1,240 mill

+ cash

## Company B

5 x 6 = 30 mill

- loans

Your decisions about your company's future business have a huge impact on your wealth!

**So what's possible?**

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Space is the limit?

Where is your limit?

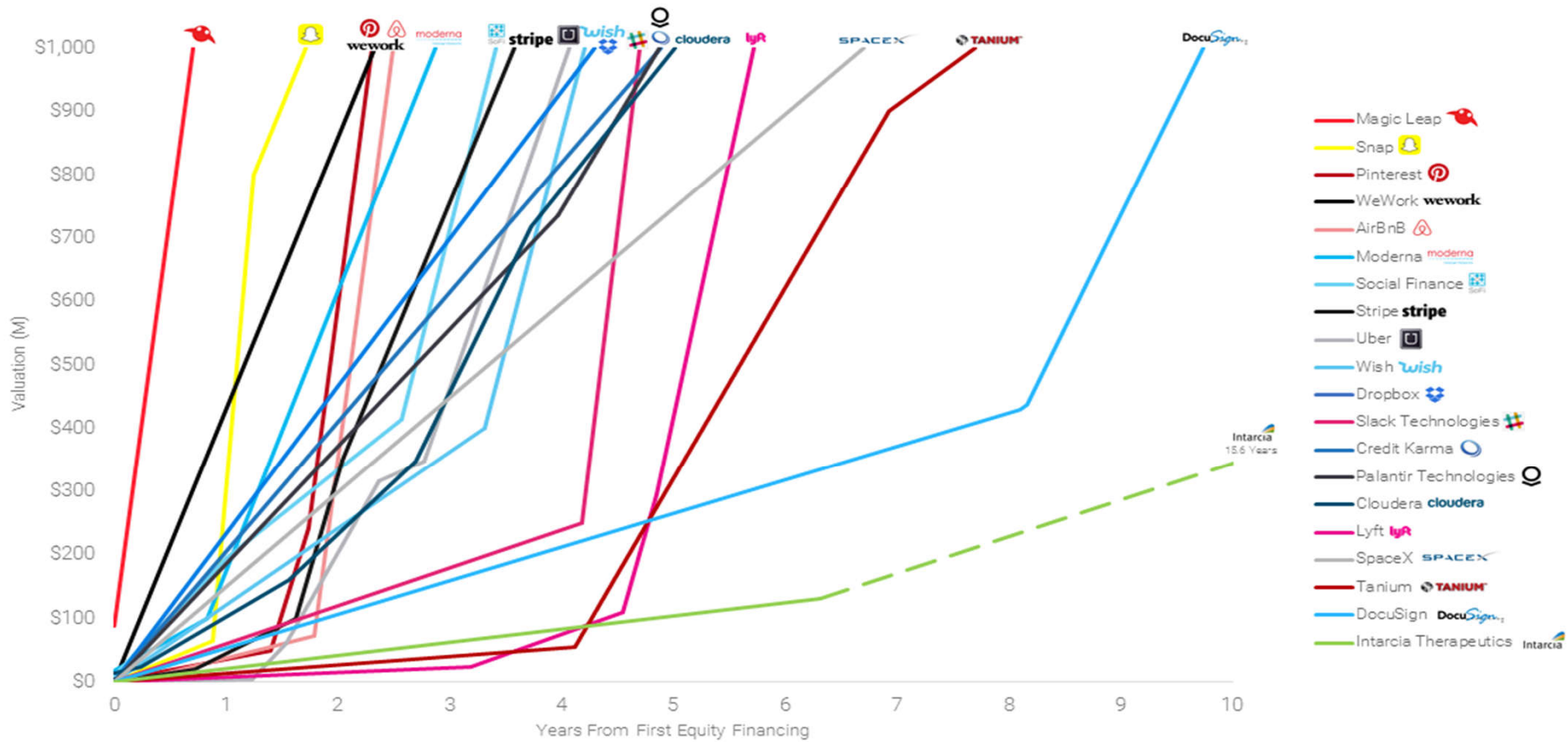
# An other example

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## TIME TO UNICORN VALUATION

Top 20 US Unicorns, First Equity Financing To \$1B+ Valuation



# Q&A

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- How to evaluate what is the right price?
- How to sell?
- When to sell?
- Other questions?
- Feedback

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# Coffee break



# Workshop #1 valuation

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1. A. What are the strengths and weaknesses of your company? (3) B. And why do you think they are strengths and weaknesses ?
2. How can you improve those in 2018?
3. What are your prioritized decisions for improvements and key metrics for measuring the progress from now on?

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# Q&A

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# Thank you!



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