



Quality of Value Audit

Program Overview

About Value Acceleration Partners

- **Founded by Mike Levison**
 - 30+ years of experience as CEO of entrepreneurial and PE backed firms
 - Built 3 industry leading companies (different industries/geographies)
 - All three resulted in successful exits
 - Extensive acquisition experience
- **VAP serves as an advisory/consulting service that focuses on enterprise value building in small / medium sized companies**
- **We offer innovative growth acceleration programs for small businesses in different states of development**

What Is The Quality of Value Audit

- Comprehensive review of 9 key drivers that impact enterprise value
- Intended to a more comprehensive approach to the Quality of Earnings study that has become standard acquisition due diligence
- Ideal “sell side” exercise for companies considering a sale or capital raise within 1-3 years
- Designed to ensure valuations/offers on the high end of the EBITA multiple range vs. the low end

Benefits of the Quality of Value Audit

- Identifies and provides a path to remediation of key “soft spots” well before the sales process begins
- Allows management to craft a compelling story around the key value drivers knowing that all areas are defensible
- Results in a much more easier to prepare and professional data room
- Better prepares management for the tough questions ahead

Program / Process Overview

The following pages provide a detailed summary of the approach to each component of the Quality of Value Audit Program

High Performance Culture

Optimal	Key Questions	Assessment Process	Deliverable
<p>A corporate culture and a set of core values that provides a foundation for strong performance and continuous improvement.</p>	<ol style="list-style-type: none"> 1. Does the company have a clearly articulated and visible mission and set of core values? 2. Are the values clearly related to stated business objectives, vision, mission, etc.. 3. Are the mission and values widely understood? 4. Is there constant reinforcement? 5. Are there established processes for reinforcing the culture, identifying key priorities and monitoring the progress on the key priorities? 6. Is there a formal process for training new people on the mission and values? 7. Does the rank and file feel that management is walking the talk? 	<ol style="list-style-type: none"> 1. Review all relevant materials 2. Discussions with appropriate HR personnel 3. Interviews with both senior management and “rank and file” personnel 4. Optional: Comprehensive staff survey 	<ol style="list-style-type: none"> 1. Summary report reflecting findings highlighting any discovered differences between management and line staff perceptions. 2. Scorecard on each attribute outlined in Key Questions section 3. Suggested remediation plan

Management Breadth / Key Personnel Dependence

Optimal	Key Questions	Assessment Process	Deliverable
<p>A management team that is clearly demonstrating the ability to effectively direct all key areas of the business without deep involvement of the principal(s) as well as the presence of an appropriate long term incentive plan designed to retain the key managers.</p>	<ol style="list-style-type: none"> 1. Are all key roles/responsibilities clearly defined and documented? 2. Are there any key areas where the CEO believes that only he/she has the skills/knowledge to do the job right? 3. Do the members of the senior management team feel they truly have the stated responsibilities? 	<ol style="list-style-type: none"> 1. Development of a detailed senior management organizational chart with a detailed overlay of roles and responsibilities. 2. Review of all relevant job descriptions. 3. Interviews with CEO and all key executives to probe the issue further 4. Administer Management Centricity assessment 	<ol style="list-style-type: none"> 1. Summary Report 2. Management Centricity Report 3. Suggested remediation steps

Value Proposition Durability

Optimal	Key Questions	Assessment Process	Deliverable
<p>A value proposition that provides strong "moat", barriers to entry, recurring revenue streams and long term sustainability.</p>	<ol style="list-style-type: none"> 1. Does the company offer anything materially different than the competition? If so, is it sustainable? 2. Which products/services are really driving revenue? Why? 3. What makes the client relationships sticky? 4. If the business model does not inherently offer recurring revenue potential, how can it be modified to do so? 	<ol style="list-style-type: none"> 1. Analysis of sales data to clearly understand what is driving revenue 2. A minimum of 5 Client interviews 3. Appropriate industry research to better understand the landscape. 4. Evaluation of enhancements to current business model or alternative business models 	<ol style="list-style-type: none"> 1. Summary report 2. Client feedback summary 3. Industry Research + Competitive Summary 4. Suggested remediation steps

Revenue Predictability

Optimal	Key Questions	Assessment Process	Deliverable
<p>A business model that provides for meaningful recurring revenue that can sustain above average growth that can be accurately projected.</p>	<ol style="list-style-type: none"> 1. Is there a clear, reliable (and ideally validated) methodology for projecting revenues? 2. What are the triggers for customer orders? How can they be automated? 3. What has caused uneven revenue in the past and what can be done to mitigate? 4. What is driving the growth, what are the risks and what steps can be taken to mitigate the risk? 	<ol style="list-style-type: none"> 1. Review current forecasting tool. Validation of results 2. Deep analysis of revenue to fully understand components, component growth rate and identifiable risks. 	<ol style="list-style-type: none"> 1. Summary report 2. Client feedback summary 3. Industry Research/Competitive Summary 4. Suggestions for enhancing recurring revenue 5. Suggested remediation steps

Operational Scalability

Optimal	Key Questions	Assessment Process	Deliverable
<p>A demonstrably scalable operating environment that includes well defined and well documented processes that can be relatively easily scaled as well as effective processes for onboarding/training the personnel required to scale operations.</p>	<ol style="list-style-type: none"> 1. Are there any key operational roles that rely on the principle/CEO? 2. Are all key business processes well documented? 3. How formal and effective is the new employee training onboarding process? 4. What is the exposure to third party service providers? 5. What are the implications of growth on capital requirements and cash flow? 	<ol style="list-style-type: none"> 1. Interviews with key personnel to understand roles and responsibilities. 2. Review of key processes and related documentation. 3. Interview with HR/Training personnel to properly 4. understand the training process. 5. Review of training materials. 6. Interview with a few recently hired people to get their feedback on the training. 	<ol style="list-style-type: none"> 1. Summary report 2. Key process assessment 3. Key vendor assessment 4. Suggested remediation steps

Customer Satisfaction / Commitment

Optimal	Key Questions	Assessment Process	Deliverable
<p>Customer diversity and high client satisfaction. No single client should account for more than 10% of revenues.</p>	<ol style="list-style-type: none"> 1. Why do clients do business with you? 2. How do they view you vs. competition? 3. Where are the opportunities to better serve? 4. Does any single client account for more than 10% of the revenues? Are any heading in that direction? 5. How can the concentration issue be mitigated without turning away business? 	<ol style="list-style-type: none"> 1. Select client interviews 2. Net Promoter Score survey of all clients 3. Sales concentration analysis 	<ol style="list-style-type: none"> 1. Full report/summary

Financial Management

Optimal	Key Questions	Assessment Process	Deliverable
<p>Strong financial management, reporting and analytical capabilities. This includes the right KPI's and the ability to produce accurate monthly financials by the middle of each month.</p>	<ol style="list-style-type: none"> 1. Are there appropriate KPI's that providing leading indicators on the health of the business and the underlying dynamics? 2. Does the company produce comprehensive and useful monthly financial statements and is that data consistently reviewed and discussed by management? 	<ol style="list-style-type: none"> 1. Review of KPI's 2. Interviews with key managers and line personnel to gain insight into what is missing 3. Review of monthly financial package 	<ol style="list-style-type: none"> 1. Summary report 2. Suggested additional KPI's and reports 3. Suggested remediation steps

Quality of Earnings

Optimal	Key Questions	Assessment Process	Deliverable
<p>Financial performance that reflects operating margins on the high end of the industry norms as well as solid positive cash flow.</p>	<ol style="list-style-type: none"> 1. Does management have a grasp on industry norms? 2. Are the company's operating margins stable or trending positive? 3. Does the business model provide operating margin leverage as the business scales? 		<p>Abbreviated Quality of Earnings Study</p>

Governance

Optimal	Key Questions	Assessment Process	Deliverable
<p>Solid corporate governance and an appropriate risk management program that can be demonstrated as consistently applied and properly documented.</p>	<ol style="list-style-type: none"> 1. Determination/review of key risk factors 2. Does the company have a formal risk identification and mitigation program? Is it followed? 3. Does the company have material exposure to a single or small group of vendors, suppliers, contractors, etc.. 	<ol style="list-style-type: none"> 1. Review all relevant documentation, policies, procedures, etc. 2. Review of training around these areas 3. Client feedback on compliance & risk management expectations 	<ol style="list-style-type: none"> 1. Summary report 2. Suggested mitigation steps



Thank you!

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