



# How to Improve Enterprise Value

WEBINAR



MedWorld

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# Who we are

## Creating Value Growth for your Medical Industry Business



Florence Joffroy-Black



Dave Sheppard

- International M&A Advisory Firm with HQ in Boston, MA, USA
- Focus on Small to Mid Size Companies (\$5 Mil USD to \$200 MIL USD) in:
 

|                |            |                       |
|----------------|------------|-----------------------|
| MedTech        | Med Device | Emerging Technologies |
| Digital Health | Biotech    | Life Sciences         |
- Offer 4 Services:
 

|   |   |   |
|---|---|---|
| <br>M&A Sell Side<br>Value Growth |  |  M&A buy Side<br>Commercialization |
|---|---|---|
- A seasoned team of experts with experience in M&A and Growth generation. Over 100 years of Industry Relationships Among the Consulting Partners
- Global Scope with Consulting Partners in:
 

|              |           |             |
|--------------|-----------|-------------|
| US           | Hong Kong | Switzerland |
| Germany      | Israel    | Netherlands |
| China        | Singapore | India       |
| South Africa | Canada    | UK          |

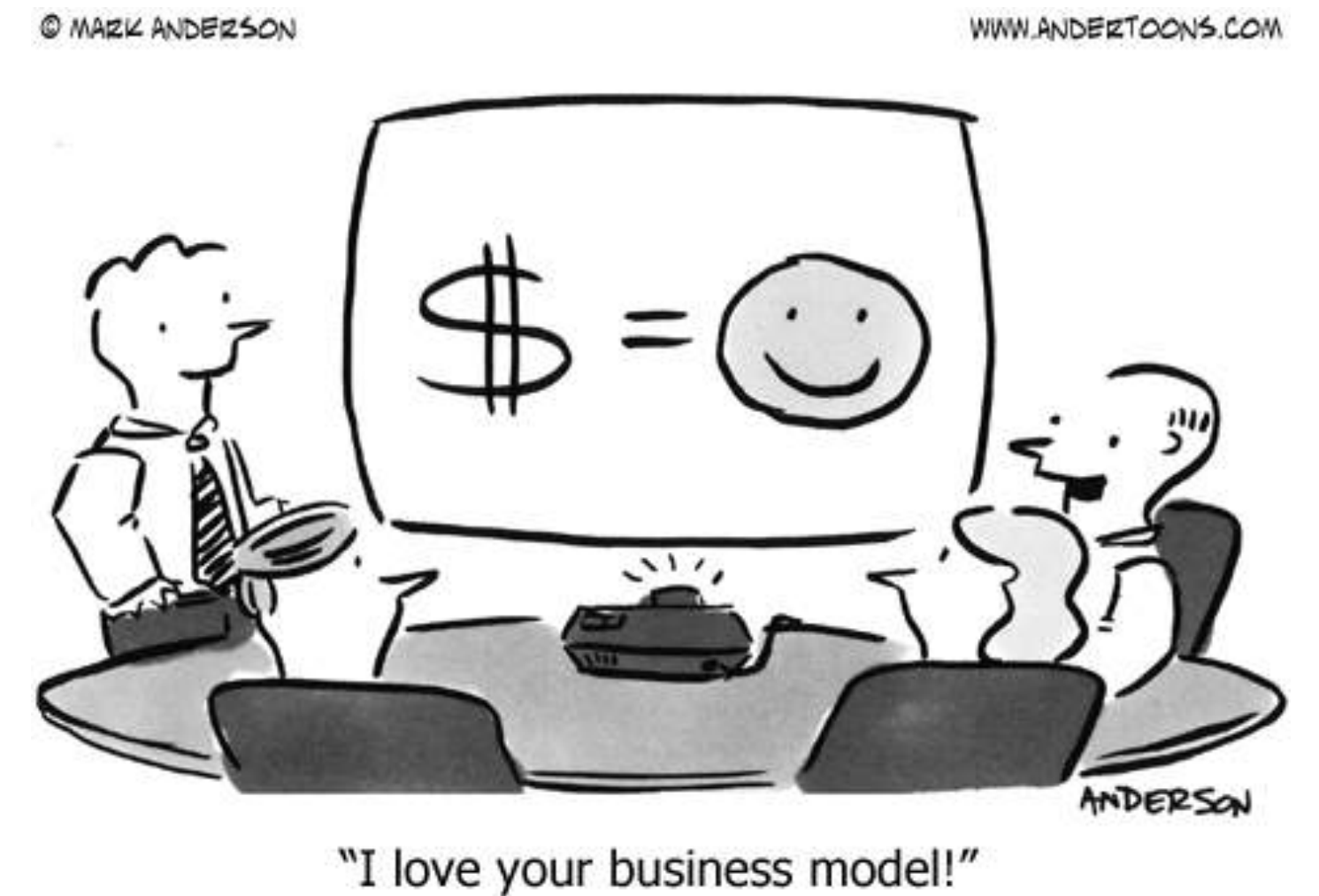


# Why is this topic important?

We Create Value Growth for your Medical Industry Business

It's safe to say that pretty much **every business will want to grow its value** over time and become more and more successful.

- Increase Profit to Reinvest in Future
  - Organic and Inorganic Growth
- Reward Investors for Their Confidence in You
- Attract and Retain Better Employees
- Ability to Get Loans at Attractive Rates
- More Stable Companies Have:
  - Better Vendor and Customer Relationships
    - which Lead to Partnerships
- Establish a Family Legacy
- Positively Impact the Community
- **Achieve a Certain Value and Then Sell**





# The Key Value Drivers

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MedWorld 360°

1. Financial Performance
2. Growth Opportunity
3. The State of Independence
4. CASH
5. Recurring Revenues
6. Control
7. Customer Satisfaction
8. Decentralization
9. The Forgotten Ones



# The Sellability Score

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**Score 54**  
**Overall Score**



**Financial Performance**  
Score 56



**Growth Opportunity**  
Score 67



**The State of Independence**  
Score 33



**CASH**  
Score 75



**Recurring Revenue**  
Score 50



**Controls**  
Score 75



**Customer Satisfaction**  
Score 81



**Decentralization**  
Score 39



# 1. Financial Performance

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## Most Obvious Top Value Drivers For Enterprise Value:

- Drive Top Line Revenue
  - Is your growth rate attractive and sustainable?
- Increase Bottom Line Profit
  - Are your gross margins exceptional?
  - Is your EBITDA a healthy percentage?
- Generate CASHFLOW
  - Are you making money AND creating cash?

### *Note For Selling:*

- *The bigger you get, the more interesting you are!*
- *It is helpful if you have audited financials*

# 2. Growth Opportunity

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## Scalability Drives Value

- Organic:
  - How will the business grow **profitably**?
    - Can it operate in other:
      - SEGMENTS?
      - Markets?
      - Geographies?
- Inorganic:
  - Cross Selling Opportunities?
  - How will it work with existing offerings?
  - Synergies?

### *Note for Selling:*

- *It's not just past that will count*
- *They are buying your future your future stream of profit*
- *The end for you, the beginning for them*



# 3. The State of Independence

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## Independence Creates Value

- Customer Concentration
- Diversity of Talent
- Availability of Suppliers
- Channels

*Note for Selling:*

*Reduce Dependencies to avoid the discounting of your business*



# 4. What is “C-A-S-H”?

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## C-A-S-H Impacts Value for Your Enterprise

C = Capitalization Costs

A = Assets on Hand

S = Sellable Inventory

H = Healthy AR/AP

### *Notes for Selling:*

*You are thinking :*

- *The Amount you will receive for your Company*

*They are thinking:*

- *The Amount you will receive for your Company*
- *The ADDITIONAL Amount it will take to run your company. The more cash is needed to invest in your company for the next stages of growth, the less attractive it becomes...*

# 5. Recurring Revenues

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## How Will the Business Generate the Type of Revenue that Adds Value?

### 3. Consumables

I.e. – Razor / Razor Blade

### 2. Subscription Revenues

I.e. – Platform Services, SaaS models

### 1. Contract Revenue

I.e. - Obligation to buy into the Future

*Note for Selling:*

*The higher proportion of recurring revenue, the higher the valuation of your company will be.*

# 6. Controls – Using What You Have for Success

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**Leveraging your Differentiators will Positively Impact your Value!**

## Commodity Product

No Market Differentiation  
No control over pricing  
Margin Decrease  
Investment in Sales and Marketing  
will yield less profits

## Differentiated Product

Differentiated Market Position  
Control Over Pricing  
Creates More Margin  
Invest in Sales, Marketing  
will yield more profits

*Note for selling:*

*The less of a commodity your product the better it is for the value and growth of your business.*



# 7. Customer Satisfaction

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**Customer Satisfaction Creates Value as Satisfied Customers ARE More Profitable Customers!**

How satisfied are your customers with your company?

- Quantify:
  - How much will your customers recommend you?
  - What is the benchmark?
  - Will customers buy from you again and again?

*Note for Selling:*

*Having an established customer satisfaction reference score will help your value.*

# 8. Leadership Decentralization Means Creating Efficiencies

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**The Less a Business Depends on its Owner / CEO, the More Efficient it will Be:  
Create Value from Within Your Team!**

- Establish Key Stakeholders Across the Organization!
- Document your processes
- Communicate your processes to your employees
- Take a vacation ... and see what happens
  
- Measure ... and repeat

*Note for Selling:*

*If you truly want to be able to “take the money and run”, you need the business to “run without you”!*

# 9. “The Forgotten Ones” for Enterprise Value

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**These Categories Adds Value to Your Business Today and Tomorrow:**

- Intellectual Property
  - Patents
  - Trademarks
  - Proprietary Algorithms
  - Trade Secrets
- Regulatory
  - CE Mark
  - FDA
  - Other Country Approvals, Registrations
- Compliance to Standards
  - ISO, IEC, UL, Etc.
- Clinical Validations/KOLs
- Reimbursements

*Note for selling:*

*The above topics may add value. However, they can also be a SHOWSTOPPER!*



# Summary

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## Enterprise Value is Manageable

Increasing your Enterprise Value Will Give You More Flexibility To:

- Grow your Business
- Buy Other Businesses
- Attract Talent
- Obtain Investment, as Needed
- Acquire Loans/ Financing at Favorable Rates
- Get the Best Customers and Suppliers
- Go Play a Little More!
- **And Sell for Maximum Value When Ready!**

### *Notes for selling:*

- *Understanding your Enterprise Value will Help You Understand the Buyers Perceptions*
- *Scores of 80 and above on the Sellability Scale sell closer to target*
- *Plan at least a year ahead*
- *It's about timing*



# Thank You for Joining us Today...Stay in Touch!

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**We Value the Opportunity to Work with YOU to help you achieve your objectives!**



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Take the test:

<https://www.medworldadvisors.com/sellability-test>

