The Oil & Gas Advisor™

Field-proven results in business sales and acquisitions

12 Ways to Increase the Value of Your Company

1. Build a solid management team. A business with sales of $5 million and up needs a full complement of officers and directors. Such a team might include: a COO, a CFO, a sales manager and, depending on the of type business, an IT director. It is also beneficial to create a Board of Directors with at least two outside members. This professionalization of management can remove the stigma of "the one man band." Not only will this build a stronger company, it will increase the value to a possible acquirer. Smaller firms should also build a strong management team and creating an outside advisor group is also a good idea.

2. Loyal employees. Happy and loyal employees make for a strong company. Top management should have non-compete and/or confidentiality agreements. Solid benefit plans for all employees should be in place. A company's greatest asset is its employees and perhaps its biggest value-increaser.

3. Growth. Some smaller companies are kept small to maximize the owner's benefits – the proverbial "cash cows." However, if building value is the goal, then developing new products or services, building market share, expanding markets or opening new ones, is critical. This generally requires a financial investment but building a strong growth rate also builds value.

4. Understanding your market. The value of a company may be contingent on its industry, its place in the industry and the direction of the industry itself. How big is the industry, is it headed up or down, who is the competition and how big is the company's market share? Is it time to change direction or diversify?

5. Size counts. Companies with less than $5 million in sales and an EBITDA of less than $1 million can be perceived as small. Therefore, they may be dependent on continuing outside financing and lack the critical mass for both buying and selling power. These companies can be perceived as too small for acquisition or are penalized when it comes to value. However, over the past few years corporate buyers, as well as private equity firms, have seen the advantages of purchasing smaller firms. Obviously, companies with $10 million or more in sales and an EBITDA of $1 million or more are considered as solid and able to stand on their own.

6. Changing direction. Small companies can be very adept at changing course and implementing change. They have to be able to change and move quickly to take advantage of new markets, to fill voids in existing markets and even to add or change products or services.

7. Documentation. Business plans, financial plans and personnel plans should all be in writing – and kept current. Terms of employment agreements should be spelled out and in writing. Business planning and company objectives, etc., should also be in writing and reviewed periodically. Contracts should be reviewed and maintained on a current basis.

8. Diversification. A major problem with many small companies is that their business is concentrated on one or two major customers or clients. Ideally, no customer or client should represent more than 10 percent of sales. Expanding to new markets, introducing new products, and finding new customers must be considered without deviating too far from the company's core business.

9. Name and brand identity. Nothing beats the name Walt Disney, or Kleenex® or the soft drink called Coke® – they are household names. Small firms may not have the brand or name recognition of these companies, but they can work at it. This recognition is especially powerful in the consumer product area. But franchising has expanded this name or brand recognition to many different types of businesses.

10. Taking advantage of proprietary and other assets. Patents, brand names, copyrights, alliances, and joint ventures are all examples of not only proprietary assets, but, in many cases, valuable ones. Even equipment can be used in several different ways. Large landscape companies in cold climates put snow plows on their trucks, utilize their existing workforce and become a snow plowing company for their regular landscaping customers — office complexes, apartment and condo developments, etc.

11. "Lean and Mean." Many companies lease their real estate needs, outsource their payroll, have their manufacturing done offshore, or have UPS handle all of their logistical needs. Since all non-core requirements are done by someone else, the company can focus its efforts on what they do best.

12. Do it now! The owners of small firms, even large ones, have an attitude that says, "I don't have time now, I'll do it tomorrow" or "I'm too busy now putting out fires." Therefore, the real challenges of building the business, and value, get sidetracked or put off indefinitely. Creating value is critical to the long-term (and short-term) success of the business.

Keep in mind that the best time to consider selling is when business is good, the business is running profitably, and many of the above "value-adders" are in place. By contacting your local professional intermediary you can explore which of the above will add the most value to your firm, so it will be ready to sell when you are.

About TOGA, The Oil & Gas Advisor:

The Oil & Gas Advisor's team of M&A Brokers and advisors specialize in selling businesses related to the oil, gas, and energy industry. Clients include manufacturers, distributors, services, construction and logistics firms. TOGA is USA's expert in selling propane companies. Since 1987, they have been investment banking merger and acquisitions advisors, providing certified business broker and intermediary services. TOGA's experts are award winning industry leaders with offices in Texas, Oklahoma and Pennsylvania.

www.OilGasAdvisor.com

Offices serving the oil and gas business across North America

DFW, TX
Don Hankins
DHankins@OilGasAdvisor.com
(817) 615-8393

Tulsa, OK
John Johnson
JJohnson@OilGasAdvisor.com
(918) 232-5723

Tyler, TX
Keith Chapman
KChapman@OilGasAdvisor.com
(903) 245-9233

Williamsport, PA
Gary Papay
GPapay@OilGasAdvisor.com
(570) 584-6488