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The Owner's Guide to a Premium Exit

8 Drivers of Company Value

What every Business Owner should know to maximize Company Value — today and at Exit.

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AUSTIN, TX



BEFORE WE BEGIN

You will only sell your Business once. The Buyer does this every day.

You have spent years — more likely decades — building something real: a payroll people depend on, customers who trust you, a name that means something in your market. Yet when the moment comes to Sell, share Ownership, or bring in Capital, most Owners walk into that conversation for the first time in their lives — across the table from Buyers who have done it hundreds of times. That gap in experience, not the quality of the Business, is where value quietly leaks away.

Here is the part few people say out loud: Company Value is not discovered at the deal table. It is built — or lost — in the two to three years before anyone signs anything. By the time a Buyer is reviewing your numbers, the questions that decide your multiple have already been answered by how the Business runs today. The Owners who command premiums are not luckier — they simply started answering those questions earlier.

The good news is that those questions are knowable. Buyers evaluate privately held companies through a remarkably consistent lens — eight Drivers that explain why two Businesses with identical revenue sell for very different prices. None of them requires a bigger company; they require a more prepared one. Score yourself honestly on each Driver, give attention to your two or three weakest — and when you are ready for the conversation, you decide who gets to the table.



WHY THIS MATTERS NOW

Your Business is an Asset — not just an Income Source

Every Owner builds with an end in mind — a profitable Sale, a lasting family legacy, or a Business that thrives without daily involvement. Getting there means treating the company like an Asset whose value can be measured, managed, and grown — not simply a source of income.

Buyers and Investors are remarkably consistent about what they pay premiums for. Transaction data, valuation models, and market behavior point to eight core Drivers that shape what a company is worth — and how easily it changes hands.

The timing has never mattered more. A generational wave of Owner transitions is underway, and the Businesses that command premiums will be the ones prepared before the conversation starts. This guide walks through each Driver in plain English — what it means, why it matters, what to watch, and what to do about it now.

$5T

Estimated value of U.S. Business assets expected to change hands as Baby Boomer Owners exit over the coming years — the largest ownership transition in modern history.

< 1 in 3

Share of U.S. Business Owners who have done no Exit Planning at all — most approach the largest transaction of their lives unprepared.

10,000

Baby Boomers reaching retirement age every day in the U.S. — supply of Businesses for sale is rising, and prepared Sellers stand out.

THE FRAMEWORK

The 8 Drivers of Company Value

Drawn from the Value Builder System™ developed by John Warrillow, these eight Drivers consistently explain why two Businesses with identical revenue sell for very different prices.

+71%

Companies scoring 80+ across these Drivers receive offers 71% higher than the average Business — analysis of 40,000+ companies.

01

Financial Performance

Clean, credible numbers that prove the Business generates cash

02

Growth Potential

A believable, scalable path to larger future revenue

03

"Switzerland" Structure

No dangerous dependence on one customer, supplier, or person

04

Valuation Teeter-Totter

Cash the Business produces vs. cash it consumes to operate

05

Recurring Revenue

Predictable, contracted income that reduces Buyer risk

06

Monopoly Control

Differentiation and moats that protect pricing and margins

07

Customer Satisfaction

Measured loyalty that predicts retention and referrals

08

Hub & Spoke

Systems that let the Business run — and scale — without you

01

DRIVER 01 OF 08

Financial Performance

Clean, consistent numbers that prove the Business generates real profit.

WHAT IT MEANS

Financial Performance is the foundation a Buyer tests first — clean, consistent statements, a defensible EBITDA, and margins that hold up under diligence. A Business that already speaks in numbers a Buyer trusts starts every negotiation from strength.

SIGNALS TO WATCH

- Statements reconciled and audit-ready, with nothing to restate
- Add-backs documented and defensible, not estimated
- Gross margin stable or improving year over year
- Cash conversion tracks closely with reported earnings

THE NUMBER

3.5 – 6x

Typical EBITDA-multiple range for a well-documented, sub-$50M Business.

WHY IT MATTERS

A clean, well-documented set of financials moves through diligence faster and holds its ground on price. Unexplained variances shift the burden of proof onto you — and a Buyer prices that uncertainty into the offer.

PRACTICAL STEPS

- Close your books monthly and reconcile every account
- Document add-backs as they happen, with receipts
- Separate personal expenses from operating costs
- Have a CPA review statements before a Buyer ever does

ASK YOURSELF

Could you hand a Buyer three years of clean, reconciled monthly financials this week?

02

DRIVER 02 OF 08

Growth Potential

A credible, repeatable path to more revenue — without runaway costs.

WHAT IT MEANS

Growth Potential is not a hockey-stick forecast — it is evidence that new revenue is repeatable: a pipeline you can point to, channels that scale, and a plan a Buyer can underwrite without taking your word for it.

SIGNALS TO WATCH

- A documented pipeline with real, named opportunities
- Customer acquisition cost trending flat or down
- Revenue growth outpacing headcount growth
- A channel or product line still early in its curve

THE NUMBER

20%+

Growth rate that earns premium multiples in today's market.

WHY IT MATTERS

A Buyer pays for the future, not the past. A credible growth plan — backed by a pipeline, not projections — earns a premium multiple; a plan with no evidence behind it gets discounted on sight.

PRACTICAL STEPS

- Build a 12-month pipeline report a Buyer could read cold
- Track acquisition cost and payback period by channel
- Test one new channel before you need it to work
- Separate one-time revenue spikes from the repeatable base

ASK YOURSELF

If you doubled ad spend tomorrow, would you know — with numbers — what would come back?

03

DRIVER 03 OF 08

“Switzerland” Structure

No single Customer, Supplier, or Person the Business can’t live without.

WHAT IT MEANS

A **“Switzerland” Structure** means no single Customer, Supplier, or Employee can hold the Business hostage. Concentration — in any direction — is the first thing a Buyer’s diligence team goes looking for.

SIGNALS TO WATCH

- No single Customer above 10–15% of revenue
- More than one qualified Supplier for every key input
- Key relationships held by the company, not by you personally
- Cross-training reduces key-person risk

THE NUMBER

20 – 35%

Valuation discount above a 30% single-Customer revenue share.

WHY IT MATTERS

Concentration is risk a Buyer prices immediately. A Business that depends on one large Customer, one Supplier, or one irreplaceable person trades at a discount no matter how strong its numbers look.

PRACTICAL STEPS

- Map revenue concentration by Customer today
- Qualify a second Supplier for every critical input
- Move key relationships onto company contacts
- Document who could step into every irreplaceable role

ASK YOURSELF

If your largest Customer left tomorrow, would the Business still stand?

04

DRIVER 04 OF 08

Valuation Teeter-Totter

A Business that produces cash instead of consuming it.

WHAT IT MEANS

The **Valuation Teeter-Totter** is the balance between growth and cash: a Business that funds its own growth from operations sits on solid ground; one that consumes cash to grow sits on a Buyer's list of concerns.

SIGNALS TO WATCH

- Positive operating cash flow in each of the last three years
- Working capital needs scale predictably with revenue
- Debt service comfortably covered by cash flow
- Capital spending funded from operations, not financing

THE NUMBER

58%

Financing applicants not fully approved for the capital they sought.

WHY IT MATTERS

Buyers and lenders both test the same thing — does growth generate cash or drain it? A Business that finances itself is fundable and sellable; one that can't gets discounted or declined outright.

PRACTICAL STEPS

- Forecast cash flow alongside revenue, not after it
- Tighten receivables and inventory cycles now
- Model what growth actually costs in working capital
- Build a cash cushion ahead of your next growth push

ASK YOURSELF

Does growth fill your bank account — or instead drain it?

05

DRIVER 05 OF 08

Recurring Revenue

Predictable income that makes future earnings visible.

WHAT IT MEANS

Recurring Revenue is income you can see coming — contracts, subscriptions, or renewal patterns reliable enough to forecast. It turns next year's earnings from a guess into a number a Buyer can underwrite.

SIGNALS TO WATCH

- A meaningful share of revenue under contract or subscription
- Renewal rates tracked and trending stable or up
- Multi-year agreements with existing Customers
- Revenue visible 12+ months out without new sales

THE NUMBER

1 - 2 turns

Of EBITDA premium for contracted recurring revenue.

WHY IT MATTERS

Every dollar of contracted revenue is a dollar a Buyer doesn't have to take on faith. Recurring Revenue lowers perceived risk — and a lower-risk earnings stream simply commands a higher multiple.

PRACTICAL STEPS

- Convert your best relationships to contracts or subscriptions
- Track renewal rate as closely as you track new sales
- Extend contract terms where the relationship supports it
- Report recurring revenue separately in your financials

ASK YOURSELF

How much of next year's revenue is already under contract today?

06

DRIVER 06 OF 08

Monopoly Control

A moat — differentiation competitors can't easily copy.

WHAT IT MEANS

Monopoly Control is your moat — the differentiation a competitor can't easily copy: proprietary process, brand strength, exclusive access, or a position no one else occupies. It is what gives you room to set your own price.

SIGNALS TO WATCH

- Pricing holds even as competitors discount
- A capability, IP, or position competitors can't quickly replicate
- Customers can articulate why they choose you specifically
- Margins hold up against new entrants

THE NUMBER

8%

Operating-profit lift from a 1% price increase — leverage only a real moat protects.

WHY IT MATTERS

Pricing power is the clearest evidence a Business has real Monopoly Control. Without it, competitors erode your margin over time — and a Buyer discounts for a moat that isn't there.

PRACTICAL STEPS

- Name your actual moat in writing, not just a slogan
- Protect what's protectable — IP, contracts, exclusivity
- Test price increases before a Buyer forces the question
- Invest where competitors can't easily follow

ASK YOURSELF

What would a competitor have to build, buy or endure to take your best Customers?

07

DRIVER 07 OF 08

Customer Satisfaction

Loyal Customers who return, refer, and prove it in the numbers.

WHAT IT MEANS

Customer Satisfaction is loyalty you can measure — Customers who return, refer others, and say so when asked. It is the leading indicator behind every other number on this list.

SIGNALS TO WATCH

- Net Promoter Score or equivalent tracked consistently
- Referral revenue as a visible share of new business
- Retention or repeat-purchase rate trending up
- Customer feedback collected and acted on, not just gathered

THE NUMBER

2x

NPS leaders grow at more than twice the rate of their competitors.

WHY IT MATTERS

Satisfied Customers grow faster and cost less to keep. A Buyer treats a strong, well-documented satisfaction score as proof the growth story will hold up after the sale.

PRACTICAL STEPS

- Measure satisfaction the same way, every quarter
- Ask every Customer where they'd send a friend
- Close the loop publicly on the feedback you act on
- Put retention on the same dashboard as revenue

ASK YOURSELF

Would your Customers recommend you — and can you prove it?

08

DRIVER 08 OF 08

Hub & Spoke

Systems that run the Business — not the Owner.

WHAT IT MEANS

Hub & Spoke is the shift from a Business built around you to one built on systems — documented processes, a capable team, and decisions that don't all run through one desk.

WHY IT MATTERS

A Business that depends entirely on its Owner isn't really transferable — it's a job wearing a company's name. Buyers pay for a system they can run; they discount heavily for one they can't.

SIGNALS TO WATCH

- Documented processes for every core function
- A leadership team that can operate without you day to day
- Decisions distributed, not bottlenecked through the Owner
- The Business kept running during your last real vacation

PRACTICAL STEPS

- Document the processes that live only in your head
- Delegate one real decision-making authority this quarter
- Take two consecutive weeks away and measure what breaks
- Build a leadership team ahead of when you'll need one

THE NUMBER

70 - 80%

of small-business exits end in closure, not sale.

ASK YOURSELF

Could you step away for eight weeks without your phone ringing?

PUTTING IT TOGETHER

Not all Drivers are Equal — Prioritize where improvement pays most

The biggest near-term gains usually come from the two or three Drivers where your company is weakest and where improvement yields outsized returns. A methodical approach beats trying to fix everything at once.

01
Assess

A quick diagnostic across the eight Drivers to score your company and highlight the gaps that matter most.

02
Prioritize

Choose the top 2–3 Drivers with the highest return or the greatest risk reduction — not all eight at once.

03
Execute

Run short sprints with measurable KPIs; bring in fractional experts — CFO, ops lead — where specialist execution is required.

04
Embed

Convert improvements into documented processes and governance so the gains persist — and survive diligence.

Owners who methodically work these Drivers position their Business for stronger offers — the discipline is the advantage.

YOUR READINESS ASSESSMENT

You Know your Drivers. Now see where you stand!

You've seen what Buyers look for. Now evaluate your Business across the very same 8-Drivers and get a Clearer Picture of your Exit Readiness.

8 DRIVERS · 1 MINUTE · IMMEDIATE RESULTS

ASSESS YOUR BUSINESS →

edgemarkassociates.com/ready

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WHERE DOES YOUR BUSINESS STAND?

One Confidential Call tells you where you stand

If any of these Drivers gave you pause, one confidential conversation can show you where your Business stands. Bring your numbers, your questions — or just your uncertainty about what's next.

No obligation. No cost to you. You decide who gets to the table.

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REFERENCES

Sources and Further Reading

Statistics and industry benchmarks cited throughout this guide are drawn from the sources below, current as of 2026. Figures reflect published research and market data available at time of writing.

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- Corporate Finance Institute; M&A practitioner data
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