

UNIVERSITY OF WISCONSIN – MADISON
FAMILY BUSINESS CENTER
ATTRACTIVENESS AND READINESS WORKSHEET

FOR UW – MADISON: COMPLETE STEPS 1-4 ONLY.

Exercise Instructions: Calculate your attractiveness and readiness and correlate this to calculate your Strategic Business Value and Value Gap.

Value Gap is the difference between potential value and actual value. Determines what value enhancement is worth.

THIS EXERCISE SHOULD TAKE NO MORE THAN :20 MINUTES

1. **What makes a business attractive?** Score each factor 1-6. Write score in farthest right column.
2. **What makes a business ready to transition?** Score each factor 1-6. Write score in farthest right column.
3. **What would indicate YOU are ready?** Score each factor 1-6. Write score in farthest right column.
4. Total your scores in each category. Divide by max to calculate your % in each.
5. Total the three % and divide by 3 to determine an overall average %
6. Estimate your recasted EBITDA or similar; estimate if necessary.
7. Determine where you place in the range of value and calculate your value using your Recasted EBITDA x the market multiple from the range provided (4-8).
8. Go back to each category and write down the risk level using the values provided.
9. Calculate your value gap. This is the potential of Value Acceleration.
10. Write down 2-4 strengths and weaknesses in each category.
11. List some actions/goals you can take to improve your score.

UNIVERSITY OF WISCONSIN – MADISON
FAMILY BUSINESS CENTER
ATTRACTIVENESS AND READINESS WORKSHEET

Business Attractiveness	1	2	3	4	5	6	Score
Human Capital: Management and Employee talent							
Strength of Customer Capital							
Strength of Structural Capital (systems, processes, facilities, IT, IP, documentation, etc.)							
Strength of Social Capital (Culture & Brand Value)							
Profitability benchmark (strong or weak relative to industry?)							
Profitability history							
Growth potential							
Growth history							
Market growth history and projections							
Dominant competitive/market position							
Synergies of buyer identified							
Compliance and/or legal issues							
YOUR TOTAL	Total scores and enter here →						
Maximum Score	Divide total by 72						/72
YOUR ATTRACTIVENESS SCPRE (%)	Enter percentage here →						___ %
Your Risk Level							
Business Readiness	1	2	3	4	5	6	
Owner Independence							
Customer Relationships/Contracts documented and transferable?							
Marketing and Sales processes documented and transferrable?							
Credibility (proof i.e. awards, recognition, etc.)							
Written Growth Strategy with assumptions, capital investments and historical growth track record (proven)							
Documented systems, processes, contracts, HR, compliance, legal records, IP (structural capital)							
State of facilities and equipment with maintenance records							
Management and/or family succession preparedness							
State of documented historical <u>recasted</u> tax and financial records							
State of documented future financial forecast w assumptions							
Written transitions strategy with all options analyzed							
Formal business valuation is less than two years old							
YOUR TOTAL	Total scores and enter here →						
Maximum	Divide total by 72						/72
YOUR %	Enter percentage here →						___ %
Your Risk Level							

UNIVERSITY OF WISCONSIN – MADISON
FAMILY BUSINESS CENTER
ATTRACTIVENESS AND READINESS WORKSHEET

Personal Readiness	1	2	3	4	5	6	
Written plan & actions for what's next							
Personal financial, estate, and tax planning							
Written and funded contingency plan							
Knowledge of transition process							
Known targeted net proceeds from sale or transition							
Dependency on income from business							
Level of family awareness of plan							
YOUR TOTAL	Total scores and enter here →						
Maximum	Divide total by 42						/42
YOUR %	Enter percentage here →						% _____
Your Risk Level							
----- STOP HERE -----							
Total of all three percentages							
Divide by 3							/3
YOUR TOTAL AVERAGE PERCENT (%)							% _____
YOUR OVERALL RISK LEVEL							

Your ESTIMATE 2016 NET OPERATING PROFIT (NOP) (in 000's)	\$
Your Addbacks (interest, taxes, depreciation, amortization, & addbacks)	\$
YOUR RECASTED EBITDA (your NOP + your addbacks; estimate if not sure)	\$
YOUR MULTIPLE (see below)	
< 50% = 0 RISK = VERY HIGH	
51-58 = 4 = HIGH	
59-67 = 5 = MEDIUM	
68-72 = 6 = ACCEPTABLE	
72-83 = 7 = LOW	
>83 = 8 = VERY LOW	
YOUR ESTIMATED VALUE (recasted EBITDA x multiple)	\$
YOUR POTENTIAL VALUE (recasted EBITDA x 8)	\$
YOUR VALUE GAP (Potential Value minus Your Est. Value)	\$

See next page...

UNIVERSITY OF WISCONSIN – MADISON
FAMILY BUSINESS CENTER
ATTRACTIVENESS AND READINESS WORKSHEET

Business Attractiveness	
Strengths	Weaknesses

Business Readiness	
Strengths	Weaknesses

Personal Readiness	
Strengths	Weaknesses

Action Plan – Write down 2-3 Actions you can take to improve your scores