



STRATEGIC CAPACITY & BUSINESS VALUE REPORT

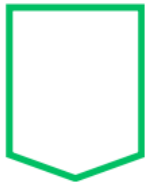
Prepared For:

Jack Stack

Prepared By:

Carl Cox,

STRATEGIC CAPACITY & BUSINESS VALUE REPORT



Dear Jack,

I am thrilled to share the results of your Strategic Capacity and Business Value analysis. This comprehensive report illuminates your business's current strengths and areas for growth, offering a clear roadmap to optimize your operations and achieve your strategic intent.

At 40 Strategy we are dedicated to helping business leaders like you reach these goals.

Our analysis benchmarks your operational performance and also calculates your business value, while providing preliminary actionable insights that have proven transformative for leaders like you.

We believe this report can be instrumental in driving your business forwards. I am looking forward to working through this analysis with you.

Best regards,

Carl Cox
CEO
40 Strategy

YOUR ADVISOR Ready to scale your business the right way? You need a world-class strategic
Carl Cox plan... and the accountability to actually get it done.

Strategic Capacity & Business Value Report

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BUSINESS METRICS



| | |
|------------------------------------|--------------------------------|
| Prepared for: | Jack Stack |
| Business Name: | Stackflow |
| Industry: | Manufacturing (31-33) |
| Gross Revenue, Trailing 12 Months: | \$ 10,000,000 |
| Profit, Trailing 12 Months: | \$ 1,000,000 |
| Headcount | 50 |
| Email: | tonyasmithconsulting@gmail.com |
| Mobile Phone: | |

Your selections are highlighted:

Goals:

Stabilize Cashflow

Grow Revenues

Prepare for Sale

Make Business Easier to Run

#1 Priority:

Stabilize Cashflow

Grow Revenues

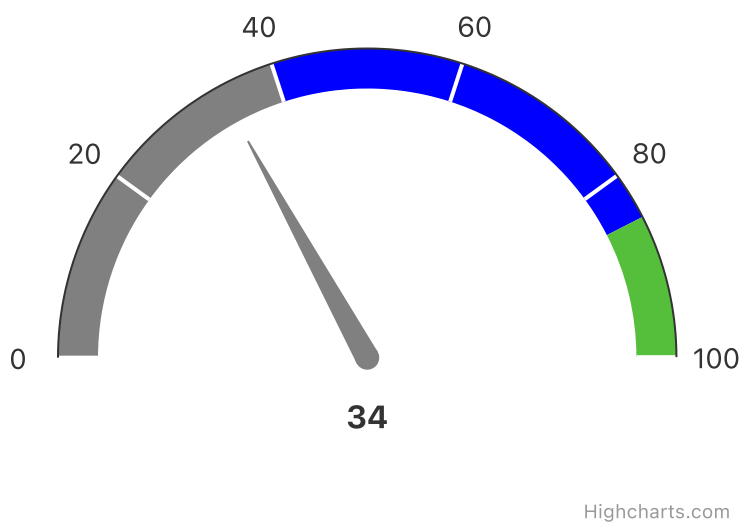
Prepare for Sale

Make Business Easier to Run

Your top bottleneck:



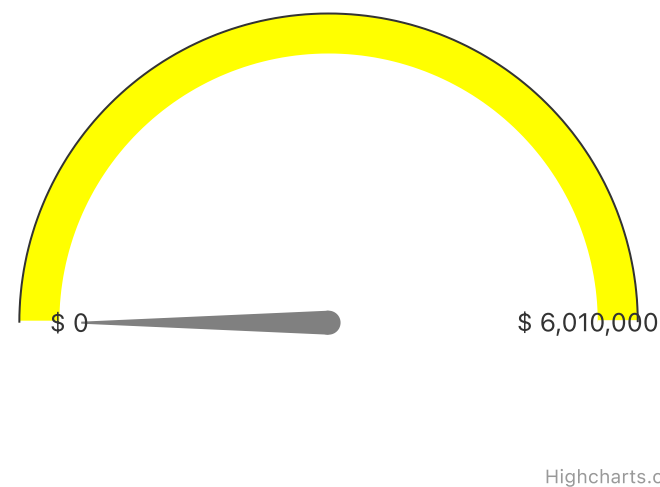
STRATEGIC CAPACITY REPORT



Strategic Capacity: 34

- ✓ Become a best-in-class competitor by increasing your strategic capacity
- ✓ You will create a business engine that delivers predictable profits and growth, with high transferable value
- ✓ Leading your business to become a best-in-class competitor also generates wealth and peace of mind

STRATEGIC CAPACITY AND POTENTIAL BUSINESS VALUE



STRATEGIC CAPACITY AND POTENTIAL BUSINESS VALUE

Here's how your Strategic Capacity impacts your business value.

STRATEGIC CAPACITY SCORE: 34

Detailed discussion starting on page 4

CURRENT TRANSFERABLE VALUE: \$ 2,043,400

Detailed discussion starting on page 13

KEY CONCEPTS:

1. **Confirming your strategic intent:** the successful completion of the process which you are launching with this initial analysis depends on aiming at a clearly defined goal, aka strategic intent.
2. With strategic intent defined, you should consider gaining detailed insights about **what is needed to turn intent into reality**
3. Armed with these insights, you can **ensure that the senior leadership team is aligned** with and accountable to delivering your intent.
4. **Making informed decisions:** This preliminary analysis of Strategic Capacity and business value educates leaders like you about potential benefits before you invest time and treasure in taking action. Deeper analysis can create the fuel for strategic planning.
5. This report can help you decide **which objectives to prioritize as you lead the business to new successes.**

WHY THIS REPORT?

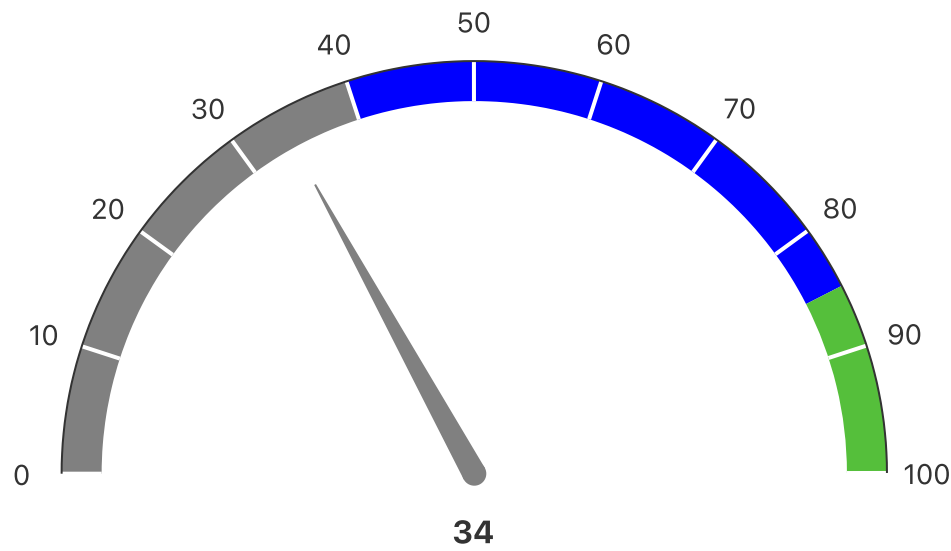


Why this Report? You can use the analysis and preliminary recommendations included in this report to take action and increase operational efficiency, profits, and value. These are driven by Strategic Capacity and its two component elements Growth Capacity and Value Capacity.

1. **Long-Term Value Creation:** A Strategic Capacity report helps CEOs make decisions that sustain long-term value creation for their company; it provides insights into [how the company can continue to grow profitably](#) and maintain a competitive edge.
2. **Operational Efficiency:** Understanding Strategic Capacity allows the CEO to identify bottlenecks and inefficiencies in the company's operations, which can be addressed to [make the business easier to run](#) and more scalable.
3. **Predictable Profits and Growth:** By scoring Growth Capacity, the report indicates how well the company can predict future cash flow and sustainable growth, [essential characteristics of top-performing businesses](#).
4. **M&A Readiness:** This report evaluates the company's readiness for mergers and acquisitions by assessing its Value Capacity; this is crucial for maximizing transferable value and [ensuring the company is attractive to potential lenders and acquirers](#).
5. **Strategic Planning and Execution:** This report contains [insights critical to the CEO's responsibility for creating and executing strategies](#) that deliver the company's vision and mission; it is often used to ensure that the leadership team is aligned with strategic intent, fostering a collaborative environment and driving the company forward.



SCORE
34



Highcharts.com

YOUR STRATEGIC CAPACITY SCORE

Your Strategic Capacity Score is out of a possible 100. Scoring percentiles:

- 54 is the 50th Percentile (average of all businesses)
- 70 is the 86th Percentile (stand-out businesses)
- 85 is the 96th Percentile (best-in-class businesses)

Your score is a comprehensive measure of your business's ability to outperform competitors in delivering growing profits and maximizing transferable value.

This score is composed of two key components: Growth Capacity, which assesses your business's ability to predictably grow profits and cash flow, and Value Capacity, which evaluates your readiness for M&A transactions. If your business scores 85 or above it's considered best-in-class.

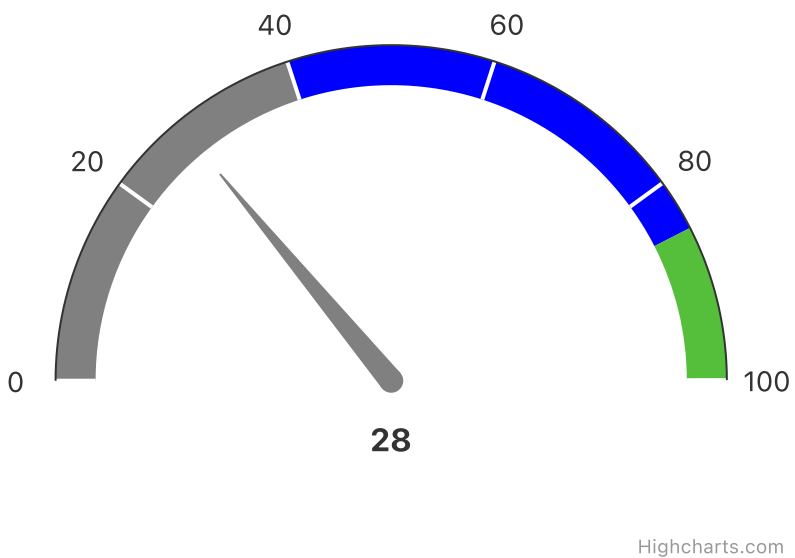
High-performing businesses typically excel in the three dimensions of business growth (see page 7), out-competing on positive cash flow and sustainable growth, potentially earning top multiples in an M&A or similar transaction.

Your score provides a benchmark for comparing your business's performance against best-in-class operations in your industry. Achieving defined growth-driving objectives is a path to making profit and value growth actionable.



MAKING PROFIT AND VALUE GROWTH ACTIONABLE

STRATEGIC ELEMENT 1:
GROWTH CAPACITY



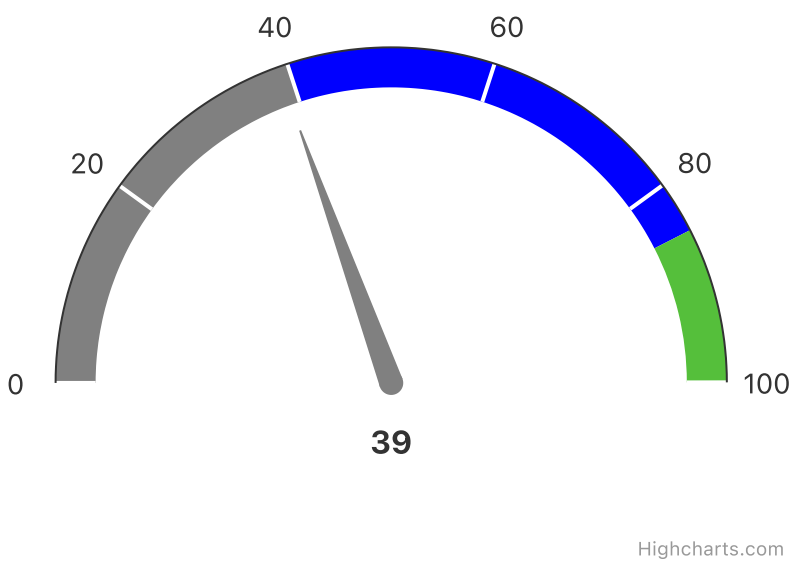
Growth Capacity: **28**

STRATEGIC CAPACITY HAS 2
ELEMENTS:

1. GROWTH CAPACITY

Growth Capacity scores your business' current ability to deliver predictable profitable cash flow and sustainable growth, compared to best-in-class competitors which score in the green zone.

STRATEGIC ELEMENT 2:
VALUE CAPACITY



Value Capacity: **39**

2. VALUE CAPACITY

Value Capacity predicts M&A transaction readiness. This score predicts your business' current ability to monetize equity value.



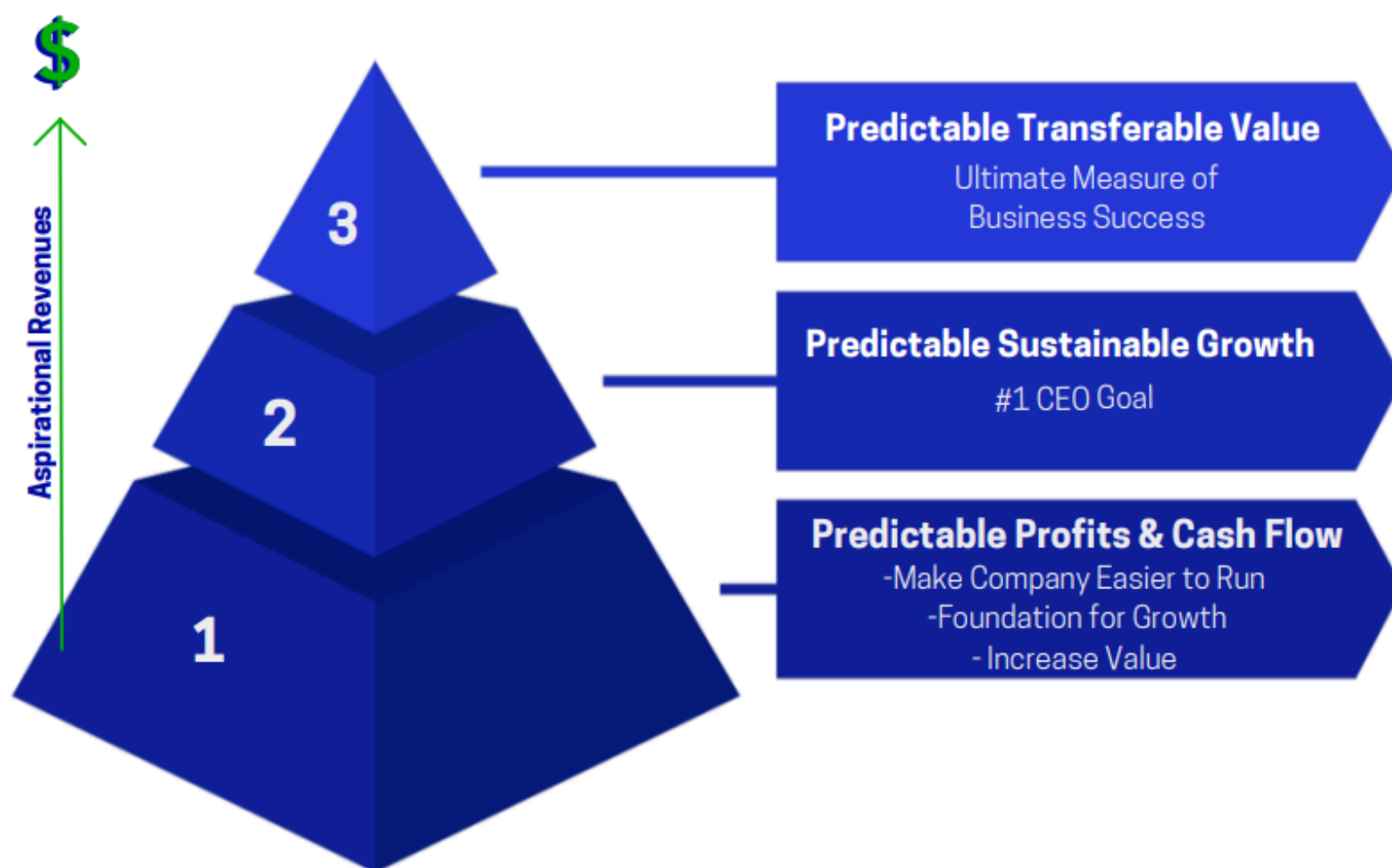
The methodology supporting this report is proven to help CEOs reach their strategic goals.

How do CEOs like you define their strategic intent? **Data from interviews with over 50,000 Middle Market and Pre-Middle Market CEOs** reveals that:

- 62% intend to grow
- 21% intend for their business to be easier to run
- 17% are preparing to sell, but 83% of the time their business value is insufficient

Your Stated Strategic Intent: **Grow Revenues**

3 DIMENSIONS OF BUSINESS GROWTH



The ‘3 Dimensions of Business Growth’ methodology serves each CEO intent. The term ‘dimensions’ recognizes that a business can move in all three at the same time.

DID YOU KNOW THERE ARE THREE DIMENSIONS OF BUSINESS GROWTH?



The 3 Dimensions of Business Growth are Predictable Profits & Cash Flow, Predictable Sustainable Growth, and Predictable Transferable Equity Value, which collectively ensure sustainable business expansion and maximize transferable (monetizable) value.

Dimension 1: Predictable Profits and Cash Flow

Making the business easier to run: This dimension focuses on generating consistent and reliable profits. It emphasizes strong financial management practices, such as maintaining robust margins, tracking and managing cash flow effectively, and implementing scalable sales processes. Companies that excel in this area can predict and stabilize their revenue streams, reducing financial volatility and ensuring long-term sustainability. Strong performance in **Dimension 1** creates the launchpad for sustainable growth.

Dimension 2: Predictable Sustainable Growth

Revenue Growth is the #1 CEO goal. Delivering this goal calls for strategies and tactical execution aimed at driving steady and scalable revenue growth. Key aspects include developing unique products or services, implementing effective marketing strategies, and expanding market reach. Businesses need to invest in innovation, continuously improving their offerings and adapting to market demands, thereby staying competitive. By focusing on predictable revenue growth, companies can create a reliable pipeline of income, supported by strategic investments of time and treasure based on long-term planning. Achieving the objectives in **Dimension 2** is the predicate for maximized transferable value.

Dimension 3: Predictable Transferable Equity Value

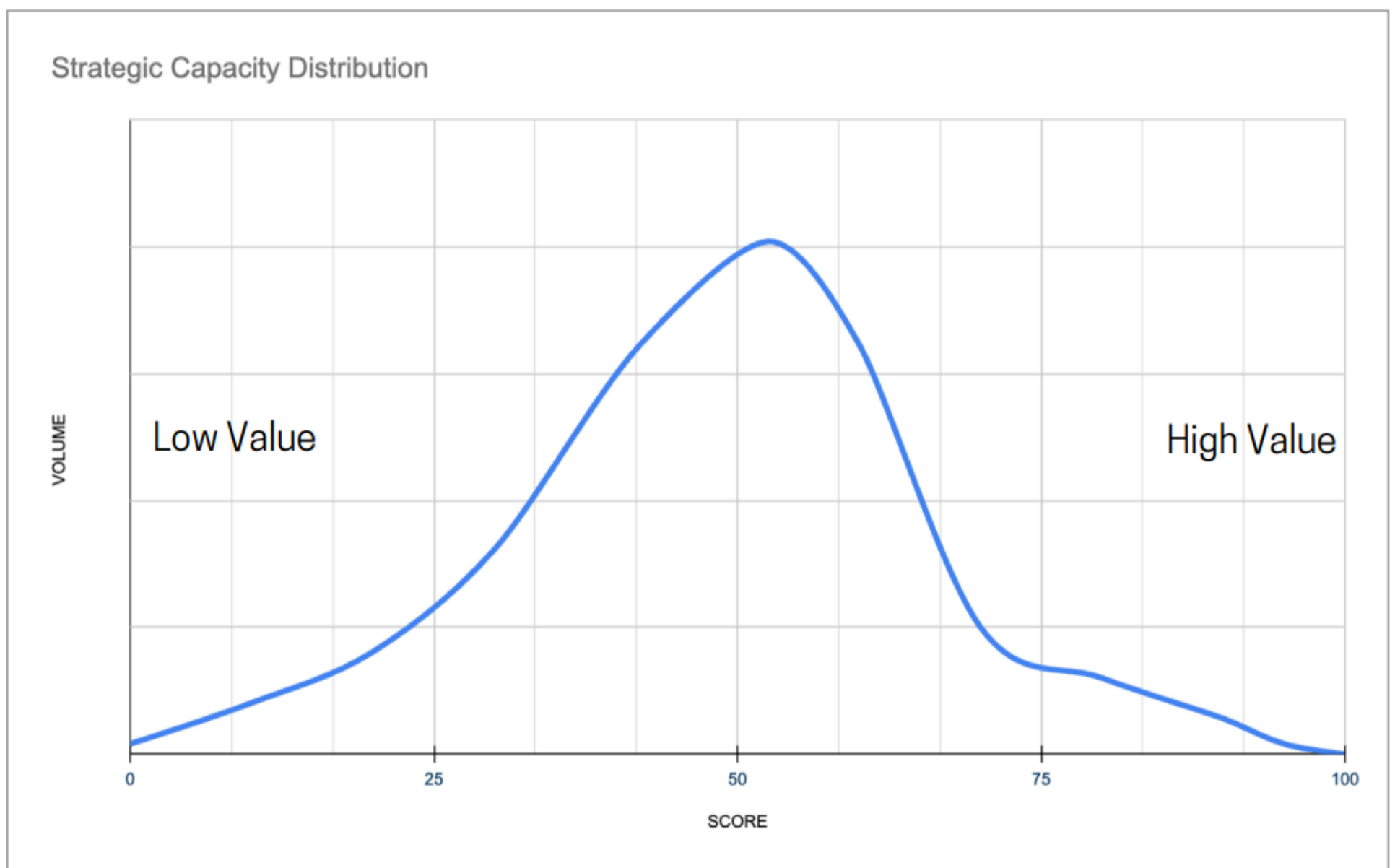
Maximized value is the ultimate measure of business success This dimension focuses on objectives that create a purposeful link between revenues and value, ensuring that the business can earn a top multiple of earnings in an M&A or similar transaction. Dimensions 1 & 2 build capacity for Dimension 3, increasing the company's attractiveness to potential lenders and acquirers and thereby increasing the ability to command a high valuation.



Scoring:

1. Based on your answers, our analysis calculates a score for your business in each of the three dimensions of business growth; these are combined to calculate your Strategic Capacity score
2. Strategic Capacity >84 suggests the business is a Best-in-Class competitor A score of 85 is the 96th percentile of the market
3. Businesses scoring >84 are proven most likely to generate predictable profits, sustainable growth, and maximized transferable value
4. Market dispersion of Strategic Capacity is logarithmic. The mean score is 54. A score of 70 is an exponential improvement from 54: while 70 a 1.26X numerical improvement, it is a 4X improvement in Strategic Capacity

Bottom line: executing a re-design of a business so that it can demonstrate high Strategic Capacity requires long-term commitment to relentless execution.



Your Strategic Capacity: **34**

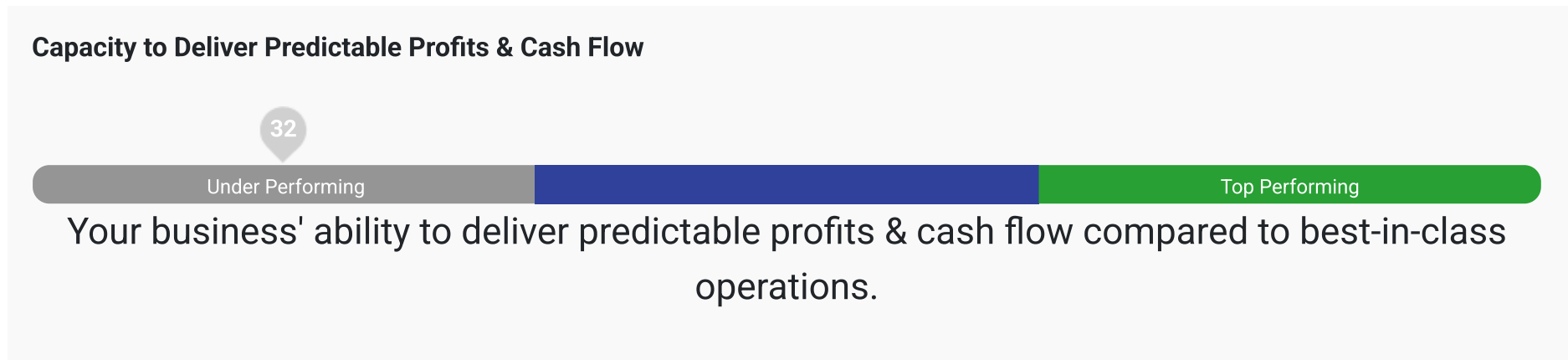


SCORING THE 3 DIMENSIONS OF BUSINESS GROWTH

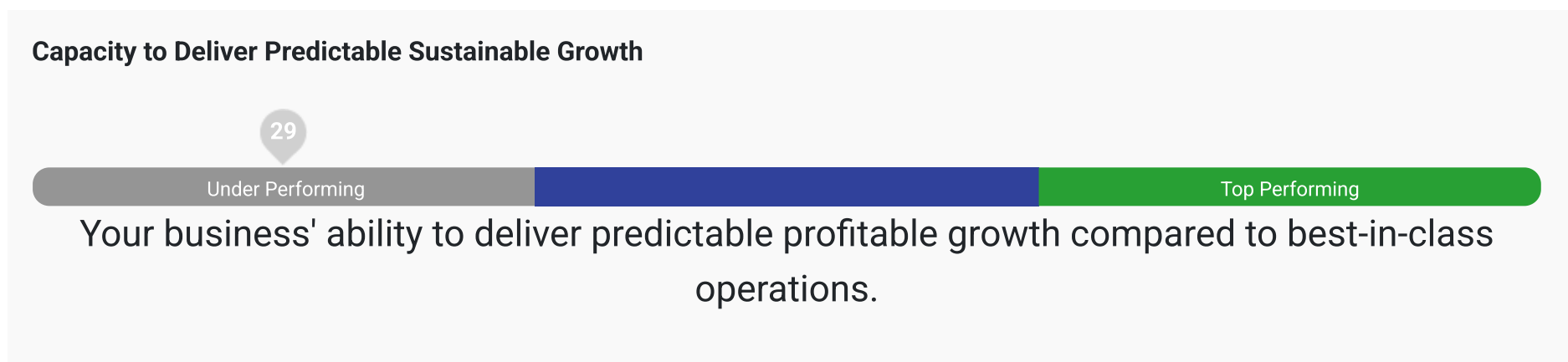
● Underperforming ● Moderate ● Top performing

These scores are based on your survey answers.

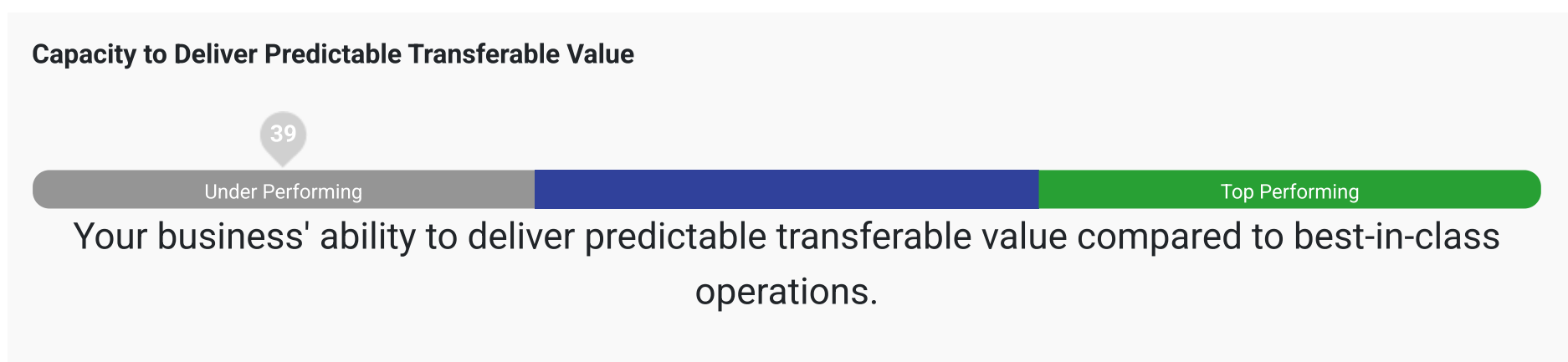
Dimension 1: Improving this score includes reaching growth-driving objectives that help generate predictable profits and cash flow while simultaneously making the business easier to run.



Dimension 2: Improving this score includes reaching growth-driving objectives that, when layered on Dimension 1, help generate predictable sustainable growth.



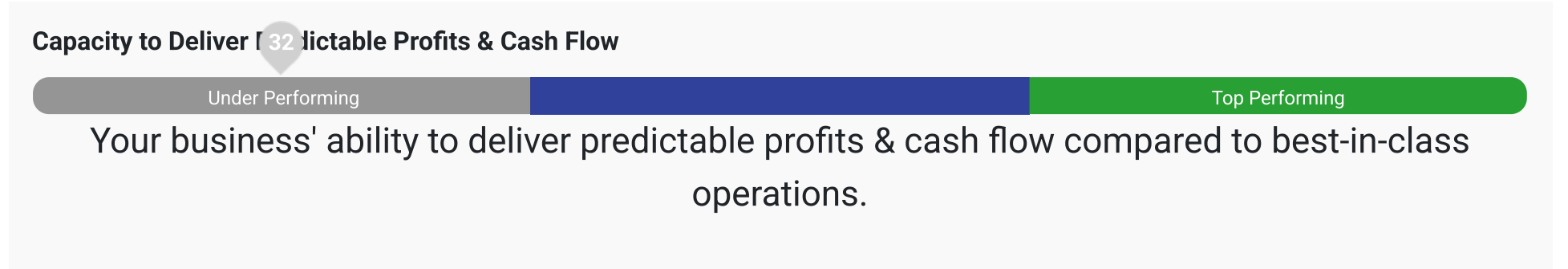
Dimension 3: Improving this score includes reaching growth-driving objectives that, when layered on Dimensions 1 & 2, help maximize predictable transferable value.





DIMENSION 1- PREDICTABLE PROFITS & CASH FLOW

These scores are based on your survey answers.



HOW YOU ANSWERED:

| | | | |
|---|---|---|--|
| <p><u>Effective Senior Leadership</u> You have an effective leadership team and the business can run smoothly in your absence.</p> <p><input type="radio"/> The business runs smoothly in my absence</p> <p><input checked="" type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input type="radio"/> No</p> | <p><u>People: Productive and Loyal</u> Your employees are productive and loyal.</p> <p><input type="radio"/> Everyone nails their goals and people tend to stay a long time</p> <p><input type="radio"/> Partly true</p> <p><input checked="" type="radio"/> Not really</p> <p><input type="radio"/> Both are a real problem</p> | <p><u>High Percentage of Recurring Revenue</u> You have a high percentage of recurring revenues.</p> <p><input type="radio"/> We have written agreements for more than 80%</p> <p><input type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input checked="" type="radio"/> We have written agreements for less than 20%</p> | <p><u>Strong Margins</u> You generate gross and net margins above the industry norm.</p> <p><input type="radio"/> We do, and have data to prove it</p> <p><input checked="" type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input type="radio"/> We don't know</p> |
| <p><u>Financial Reporting Processes</u> You have strong financial reporting processes.</p> <p><input type="radio"/> We follow industry best practices and track our KPIs.</p> <p><input type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input checked="" type="radio"/> No</p> | <p><u>Scaleable Sales Process</u> You use a documented sales process.</p> <p><input type="radio"/> We have a documented sales process that everyone follows</p> <p><input type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input checked="" type="radio"/> We have people but no process used by all</p> | <p><u>Strong SOPs</u> You have documented operational processes.</p> <p><input type="radio"/> We have documented processes for delivering on time and to spec</p> <p><input checked="" type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input type="radio"/> We don't have documented processes</p> | <p><u>High Customer Satisfaction</u> You track customer satisfaction.</p> <p><input type="radio"/> We collect and use customer satisfaction data</p> <p><input checked="" type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input type="radio"/> Rarely</p> |

How might it change your business to answer “Yes” to each of these?



DIMENSION 2- PREDICTABLE SUSTAINABLE GROWTH

These scores are based on your survey answers.

Capacity to Deliver Predictable Sustainable Growth



Your business' ability to deliver predictable profitable growth compared to best-in-class operations.

HOW YOU ANSWERED:

| | | | |
|--|---|---|--|
| <p><u>Strategic Vision, Planning, and Execution</u> You have a written vision, mission and strategy with the capacity to execute.</p> <p><input type="radio"/> We have all 3, and use them</p> <p><input type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input checked="" type="radio"/> We don't, or we don't know our capacity</p> | <p><u>Strategic Culture</u> You have a strong culture that you actively nurture.</p> <p><input type="radio"/> Our culture drives our success</p> <p><input checked="" type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input type="radio"/> We don't actively work on culture</p> | <p><u>People: Hiring and Training</u> You can easily hire and train new employees.</p> <p><input type="radio"/> We easily find the right people who become productive quickly</p> <p><input type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input checked="" type="radio"/> Both are a real problem</p> | <p><u>Large Market Size</u> The market supports significant growth of your business.</p> <p><input type="radio"/> We can prove there's a huge market for what we do</p> <p><input checked="" type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input type="radio"/> We don't have any data</p> |
| <p><u>Unique Products/Services</u> Your products and services are unique.</p> <p><input type="radio"/> We're totally unique and compete on value not price</p> <p><input checked="" type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input type="radio"/> We're like everyone else</p> | <p><u>Scalable Marketing Process</u> You use a documented marketing process.</p> <p><input type="radio"/> We produce leads in a proven and systematic way</p> <p><input type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input checked="" type="radio"/> Our marketing is not methodical</p> | <p><u>Financial: Budget, Forecast, Actuals</u> You manage the business using a budget.</p> <p><input type="radio"/> We use a budget and track forecasts vs actuals</p> <p><input type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input checked="" type="radio"/> Never</p> | <p><u>Innovation Creates a Competitive Advantage</u> You foster innovation in every area of the business.</p> <p><input type="radio"/> Innovation is a key competitive advantage for us</p> <p><input type="radio"/> Partly true</p> <p><input checked="" type="radio"/> Not really</p> <p><input type="radio"/> We don't foster innovation</p> |

How might it change your business to answer "Yes" to each of these?



DIMENSION 3- PREDICTABLE TRANSFERABLE VALUE

These scores are based on your survey answers.

Capacity to Deliver Predictable Transferable Value

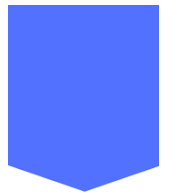


Your business' ability to deliver predictable transferable value compared to best-in-class operations.

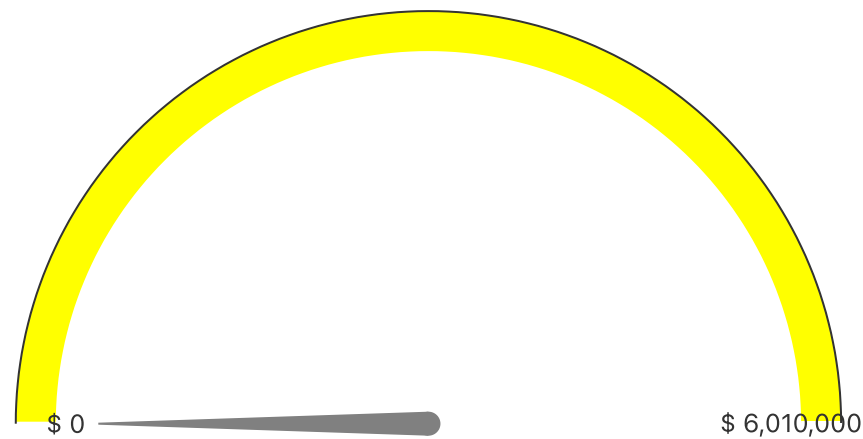
HOW YOU ANSWERED:

| | | | |
|---|---|---|---|
| <p>Strategic: Business Story You have a document a lender or investor could read and get a complete understanding of your business.</p> <p><input type="radio"/> We do and it's up to date</p> <p><input type="radio"/> Partly true</p> <p><input checked="" type="radio"/> Not really</p> <p><input type="radio"/> We don't</p> | <p>Financial: Accurate and Credible Financial Reports Your business financial reports and filings are accurate.</p> <p><input type="radio"/> Our financial reports could easily be audited or used to support M&A</p> <p><input type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input checked="" type="radio"/> We don't know</p> | <p>Legal: IP, Contracts, Governance and Litigation Your legal house is in order.</p> <p><input type="radio"/> Absolutely confident</p> <p><input checked="" type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input type="radio"/> Legal is a problem</p> | <p>High Growth Compared to Market Your business is growing faster than its competitors.</p> <p><input type="radio"/> Yes and we can prove it</p> <p><input checked="" type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input type="radio"/> We don't have any data</p> |
| <p>Large Market Share You have defined your market and niche and have data showing you have dominant market share.</p> <p><input type="radio"/> We have data proving our dominant market share</p> <p><input checked="" type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input type="radio"/> We don't have any data</p> | <p>Broad Customer Base Your business generates revenue from a large number of customers.</p> <p><input type="radio"/> We have a good spread of customers</p> <p><input checked="" type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input type="radio"/> We get most of our sales from one customer</p> | <p>Defensible Market You can defend your market and future revenues from new competitors.</p> <p><input type="radio"/> We have several defined and defensible reasons</p> <p><input checked="" type="radio"/> Partly true</p> <p><input type="radio"/> Not really</p> <p><input type="radio"/> Anyone can play</p> | <p>Strong Brand Your brand is a valuable competitive tool.</p> <p><input type="radio"/> Our brand is a strategic asset</p> <p><input type="radio"/> Partly true</p> <p><input checked="" type="radio"/> Not really</p> <p><input type="radio"/> No real brand</p> |

How might it change your business to answer "Yes" to each of these?



STRATEGIC CAPACITY AND POTENTIAL BUSINESS VALUE



Highcharts.com

TRANSFERABLE BUSINESS VALUE

This business is calculated to represent:

- **Transferable Value of \$ 2,043,400** -this correlates closely with expected post-due diligence value in an M&A or similar transaction (value net of risk discounts)
- **Value at High Strategic Capacity: \$ 6,010,000**
- **The Value Gap is \$ 3,966,600** - this value gap may be recaptured by increasing Strategic Capacity, and represents the ROI from taking action; although revenues tend to increase in train with Strategic Capacity, capturing the value gap does not depend on increased revenue. **The Value Gap is your potential ROI from taking action.**

The portion of total value that can be monetized in an M&A or similar transaction is driven by measured risks to future profits and growth. **The private capital markets are tuned to pay top price for businesses that are highly likely to deliver sustainably growing profits and cash - that have the capacity to grow.**

Threats to this capacity are rewarded by discounts to price.

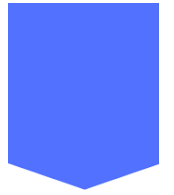
Strategic Capacity drives growth and value.

07/08/24

Powered by Growth-Drive

This is a 'calculation of value' as the term is generally defined by the NACVA, AICPA and ASA. This report is not an opinion of value nor should it be used as such. **This calculation of value is intended for discussion and planning purposes only. Final transferable business value is determined by what a willing buyer would pay considering a variety of factors including the results of due diligence, the market and economic conditions. This calculation of value is provided for your use under the terms and conditions detailed at <https://www.growth-drive.com/terms-of-service>.**

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YOUR INDUSTRY: **Manufacturing (31-33)**

MULTIPLE OF EARNINGS APPLIED TO: **NET INCOME (EBIT)**

Introduction: Why use the 'Market Value' Method to Calculate Value?

Our analysis includes a calculation of business value. This calculation includes financial and operational factors commonly considered by the private capital markets.

This calculation uses **the 'Market Value' approach which is a prevalent methodology used in M&A and similar transactions.** The multiples used in this report are derived from successful sales of private businesses.

In the Market Value approach **the value of a business is calculated by applying a multiple of earnings** (gross or net income, depending on the industry). Every industry has a range of multiples, for example 2X-6X, meaning a business with Net Income (EBIT) of \$1MM might be valued at \$6MM assuming high Strategic Capacity.

Other calculation options are the 'Asset Value' approach in which liabilities are subtracted from assets to calculate value, and 'Discounted Cash Flow (DCF) Value' where the value of predicted future cash flows are discounted to the present. These alternatives are less directly relevant to calculating price. In addition to the valuation methodology, the purpose for which business value is calculated may impact results.

The calculation of value in this report uses sophisticated two decimal place multiples and does not round numbers, resulting in calculations of value to the nearest dollar

Transferable value is actionable by changing earnings and Strategic Capacity. Of these two, changing Strategic Capacity is the most impactful.

RANGE OF BUSINESS VALUES FOR THIS BUSINESS



TRANSFERABLE VALUE: \$ 2,043,400

VALUE GAP: \$ 3,966,600

TRANSFERABLE VALUE AT HIGH STRATEGIC CAPACITY: \$ 6,010,000

Transferable Value at High Strategic Capacity

\$ 6,010,000

Current Transferable Value

\$ 2,043,400

Value Gap

\$ 3,966,600

| IMPACT OF STRATEGIC CAPACITY ON TRANSFERABLE VALUE | | | | HIGH STRATEGIC CAPACITY |
|--|------------------------|---|--------------|-------------------------|
| Value Capacity Score | >85 | \$ 894,000 | \$ 4,045,500 | \$ 6,010,000 |
| | 40-85 | \$ 447,000 | \$ 3,005,000 | \$ 4,495,000 |
| | <40 | \$ 0.00 | \$ 1,788,000 | \$ 2,980,000 |
| | | Growth Capacity Score | | |
| | LOW STRATEGIC CAPACITY | <40 | 40-85 | >85 |
| | | Higher Scores Increase Confidence In Future Performance | | |

Note: Calculation of value for business planning purposes. Not a formal valuation.

Strategic Capacity: 34

Value Capacity: 39

Growth Capacity: 28

See notes 2, 3, 4, 5 & 6 below; successful M&A or similar transactions benefit from Strategic Capacity above 70.

Note: A business is worth what a willing buyer would pay after completing due diligence.

The calculation of value provided here is a good-faith estimate of value. This calculation is intended for discussion and planning purposes only, and does not express or imply a guarantee either of the value or transferability of the subject business. Incremental changes to the multiple for a given business can be driven by additional factors including size, quality, and synergy considerations.



Range of Business Value Chart

1. The **Value Gap is the difference between your Transferable Value at high Strategic Capacity, and your Current Transferable Value.** Increasing Strategic Capacity can help you close your Value Gap, moving value from 'at risk' to monetizable.
2. Your business exists in a market of competitors; best-in-class competitors have high Strategic Capacity.
3. Your **Strategic Capacity drives the transferable equity value you'd receive in an M&A or similar transaction.**
4. On the chart, the **upper-right value** exists in your business right now- **wealth you've created but may not currently be able to monetize** due to your Strategic Capacity.
5. **Strategic Capacity has two elements: growth capacity and value capacity,** tracked separately.
6. The horizontal axis tracks growth capacity, or your ability to deliver predictable profits and growth. This is based on your scores for Dimensions 1 and 2 of the 3 Dimensions of Business Growth. Best-in-class competitors have high growth capacity.
7. The vertical axis tracks value capacity, or your ability to deliver predictable transferable value. Your score is weighted for the growth-driving objectives in Dimension 3. These objectives are at the heart of M&A due diligence. Businesses with high value capacity sell at or near the top end of the normalized range of multiples for their size, location, and industry.
8. **Achieving the upper-right value is driven by increasing your Strategic Capacity.** Best practice is to focus on growth capacity first, then on value capacity. The two are symbiotic.
9. **The lower left** values indicate **that although a business has latent value (upper right), it cannot be monetized** given low Strategic Capacity.

Bonus: Strength of M&A Market

Bonus: The market for selling your business is strong.

- Our plans consider how the market impacts our equity value
- Partly true
- Not really
- We don't track this

VALUE AND THE ECONOMY

Understanding the Relationship Between the Economy, Business Quality, and Trading Multiples in the M&A Market



Business Quality:

- Operational Efficiency: **Companies with strong operational efficiencies, innovative capabilities, and robust strategic plans are more attractive** to potential acquirers
- **High quality equates to high Strategic Capacity**; these businesses are seen as less risky investments, which can command higher premiums in M&A transactions
- Strategic Capacity Planning: Effective planning and execution ensure that a company can **improve quality of earnings** and manage its resources to meet future demands, making it a valuable target
- Businesses that can demonstrate strong future growth potential and scalability are particularly appealing

Business Quality Influence on Value:

- **High-quality businesses with strong growth prospects, efficient operations and strategic capabilities** typically achieve higher trading multiples: investors are willing to pay a premium for businesses that demonstrate superior performance and lower risk
- Most companies trade on a financial multiple; the rare businesses with high Strategic Capacity (quality) and/or top financial performance and/or strong strategic synergy with the acquirer may earn additional multiple(s)

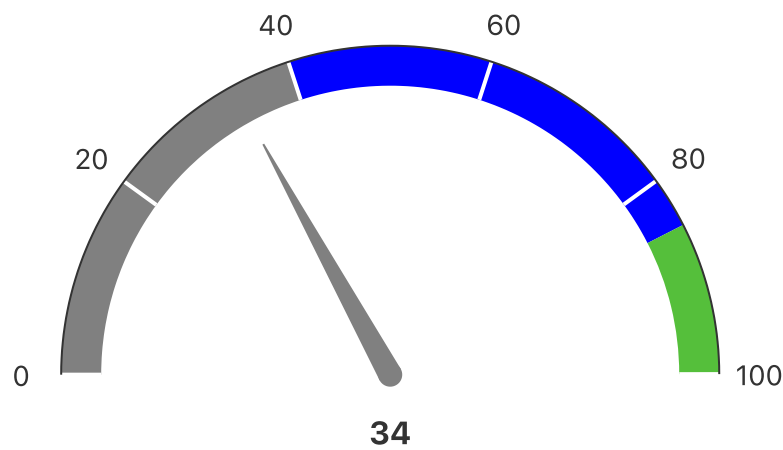
Impact of Economic Conditions on Value:

- During **economic booms, trading multiples tend to be higher** due to optimistic growth expectations and increased investor confidence
- Conversely, **during downturns capital seeks quality** and the ability to access top multiples is often challenged as future earnings projections become more conservative and the market's risk aversion increases
- **Downturns** depress deal volume, leading to a paradox: capital concentrates on highquality, and this compressed deal flow creates competitive forces that buoy multiples- bottom line, **fewer deals succeed and those that do trend at the top end of Strategic Capacity**

In summary, the M&A market is highly sensitive to economic conditions, the strategic and operational quality of businesses, and prevailing trading multiples. **Understanding these relationships helps in making informed decisions about transaction timing, conditions for success and valuation**



STRATEGIC CAPACITY REPORT

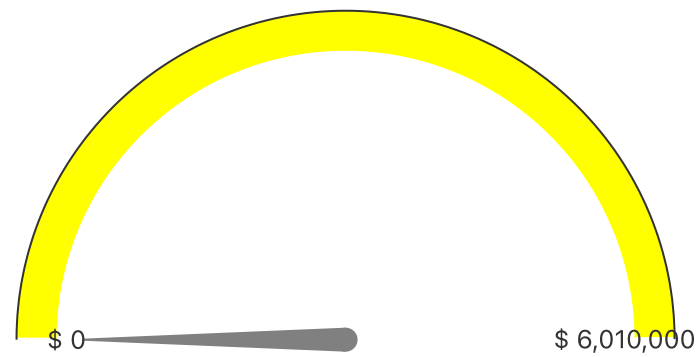


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Strategic Capacity: 34

- ✓ Become a best-in-class competitor by increasing your strategic capacity
- ✓ You will create a business engine that delivers predictable profits and growth, with high transferable value
- ✓ Leading your business to become a best-in-class competitor also generates wealth and peace of mind

STRATEGIC CAPACITY AND POTENTIAL BUSINESS VALUE



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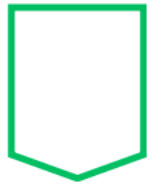
STRATEGIC CAPACITY AND POTENTIAL BUSINESS VALUE

Here's how your Strategic Capacity impacts your business value.

KEY CONCEPTS:

- **Strategic Intent: Grow Revenues**
- **Strategic Capacity score: 34**
- **Current Transferable Value: \$ 2,043,400**
- **3 Dimensions of Growth Scores**
 - **Predictable Profits & Cash Flow: Launchpad for Growth 32**
 - **Predictable Sustainable Growth: #1 CEO Goal 29**
 - **Predictable Transferable Value: ultimate measure of business success 39**
- **Potential ROI from increasing Strategic Capacity: \$ 3,966,600**

When planning new successes, ensure that your Strategic Capacity is robust enough to successfully support executing your company's vision and mission. Factors that can contribute to success include confirming strategic intent with stakeholders, aligning senior leadership with this intent, and leveraging deep analysis to fuel strategic planning. Prioritizing specific objectives and key results and focusing on these with a business flow scorecard used in regular meetings can ensure the results become reality. How would it feel to run a business on these terms?



Leading businesses from status quo to new successes is a team effort.

The fundamental role of the CEO is to maximize shareholder value within the context of the business' vision and mission. Working with shareholders and stakeholders the CEO articulates, gains buy-in, and **leads achieving strategic intent** by a defined date

It is important to discuss the relationship between business and personal goals and to **analyze and neutralize potential risks** to each. Ask yourself: is preemptive planning more likely to drive success compared to reactive risk management? How might your answer to this fundamental question inform taking action?

Developing winning strategies benefits from a deep analysis of Strategic Capacity. This analysis creates the **data for fueling strategic planning**, allowing for clear identification of the specific objectives and key results (OKRs) necessary to execute strategic intent.

To this end, here is a **summary of preliminary recommendations:**

1. **Confirm your strategic intent** with shareholders and key stakeholders
2. Ensure stakeholders and senior **leadership are aligned with and accountable to** the company's vision, mission, intent and **strategy**
3. Generate **deep analysis to fuel strategic planning** - get total clarity about what you need to do to get the success you intend
4. **Prioritize and act on specific objectives and key results** to achieve this strategic intent
5. **Establish a business flow** of regular meetings through which you **track and refine tactical execution** of your business strategy

Bottom line: executing a re-design of a business so that it can demonstrate high Strategic Capacity requires long-term commitment to relentless execution.


Thank you for this opportunity to present our analysis. We are committed to your success.



WHY 40 STRATEGY


Ready To Scale Your Business The Right Way? You Need A World-Class Strategic Plan... And The Accountability To Actually Get It Done.

HOW TO REACH US

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