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The Value Builder Report

Frequently Asked Questions

Understanding your Sellability Score · Seeing your business through a buyer's eyes · What to do next

The Report | The 8 Drivers | The Buyer's Lens | Your Score | What To Do | The Trilogy

80,000+	7.1×	75%	$2.3M	20%
businesses analyzed by Value Builder System	higher offers at 90+ on all 8 drivers	of owners who sold regretted it within 1 year	avg. net worth added through Half-Retire™	of listed businesses that actually sell

SECTION 1

About the Report

What the Sellability Report is and what it means

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What is the Value Builder / Sellability Report and why did I receive one?

Your **Sellability Report** is a personalized analysis of your business across the 8 key value drivers that sophisticated buyers use to evaluate every acquisition. It is produced by the **Value Builder System™** — used to assess more than 80,000 businesses worldwide.

Think of this report the way you'd think of a home inspection before a sale. A home inspector doesn't tell you whether to sell — they tell you exactly what a buyer will see when they walk through. This report does the same thing for your business: it shows you what a buyer's due diligence team would discover, before you're inside a deal and it's too late to act on the information.

> *"Your Sellability Report is the beginning of a conversation — not the end of one."*

Is my score the same as my business valuation?

No — and this is one of the most important distinctions to understand. Your Value Builder Score measures **qualitative value** — the structural characteristics of your business that affect what a buyer is willing to pay. A business valuation measures **financial value** — typically a multiple of EBITDA or revenue based on your industry and current financials.

The two are deeply connected. A business with a high Value Builder Score commands a higher EBITDA multiple. Think of it this way: your EBITDA determines the baseline of what your business could be worth. Your Value Builder Score determines the **multiplier** applied to that baseline.

THE VALUATION GAP

One client in environmental demolition had a preliminary valuation of $9.3 million. After properly documenting add-backs and improving two key value drivers, his revalued EBITDA produced a valuation of $12.2 million. Same business. Same revenue. $2.9 million created by knowing which drivers to move — and moving them before going to market.

What does it mean that only 20% of businesses that list actually sell?

It means that going to market is not the same as selling. 80% of business owners who engage a broker, list their business, and begin the sale process do not successfully complete a transaction. They either can't find a qualified buyer, can't agree on price or terms, or fail in due diligence.

The businesses in the 20% that do sell share a common characteristic: **they were prepared before they listed.** Their financials were clean. Their operations didn't depend on the owner. Their customer base was diverse. Their processes were documented. Your Value Builder Report tells you where you stand across each of these dimensions right now — not the week before you list.

SECTION 2

The 8 Key Drivers

What buyers actually score — and why each driver matters

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What are the 8 value drivers and what does each one measure?

The 8 drivers are the structural dimensions of your business that sophisticated buyers evaluate in every acquisition. They are not about how much revenue you have. They are about *how confidently a buyer can predict that your revenue continues after you leave.*

DRIVER 1

Financial Performance

The cleanness, consistency, and defensibility of your financials — how well they hold up under buyer scrutiny.

DRIVER 2

Growth Potential

Buyers buy the future, not the past. What evidence exists that your business can grow after the sale?

DRIVER 3

Switzerland Structure

How dependent is your business on any single customer, employee, or supplier? Concentration equals risk.

DRIVER 4

Valuation Teeter-Totter

How efficiently does cash flow through the business? Businesses that generate cash quickly are worth more.

DRIVER 5

Recurring Revenue

The single most powerful driver of acquisition multiple. Predictable revenue dramatically de-risks the buyer's investment.

DRIVER 6

Monopoly of Control

Does your business control its pricing and market position — or does the market control you?

DRIVER 7

Customer Satisfaction

Documented, measurable proof that customers stay and refer. NPS, retention data, and testimonials all contribute.

DRIVER 8

Hub & Spoke

How much does the business depend on the owner personally? Almost always the most damaging driver — and the most fixable.

Which driver surprises owners most when they see their score?

Almost universally: **Hub & Spoke.** Not because owners are surprised it matters — they know the business depends on them. Because they consistently underestimate how severely it impacts every other driver, and how visible it is to buyers from the outside.

Here is the data that stops owners cold: in a study of 23,158 companies, only **8%** of businesses where the owner is the primary revenue driver — the Rainmaker — have ever received a written acquisition offer. Not a low offer. *Any written offer at all.*

The reason is structural. Buyers aren't just purchasing your revenue. They're purchasing their confidence that the revenue continues after you leave. If your relationships, your sales process, and your institutional knowledge all live primarily in your head — buyers either walk away or protect themselves with holdback clauses and earnout provisions that put the risk back on you.

Why does Recurring Revenue have such an outsized impact on what buyers pay?

Because recurring revenue de-risks the buyer's investment in the most fundamental way possible. Two businesses with identical EBITDA — one with 80% recurring revenue and one with 20% — will receive dramatically different acquisition multiples. The first is an asset. The second is a bet. Buyers pay far more for assets than bets.

Every business has some version of recurring revenue available to it: subscription models, retainer arrangements, service contracts, maintenance agreements. The question isn't whether it's possible in your industry. The question is whether you've deliberately designed your business model to capture it.

> *"Niche-focused businesses are 40% more likely to receive acquisition offers and sell for 25% more than generalist businesses in the same industry."*

Can I actually improve all 8 drivers — or are some fixed characteristics of my business?

All 8 drivers are improvable. Some are faster to move than others, but none are fixed by industry, age, or size. The most important finding: companies that improved their scores from average (~59) to 90+ received offers **7.1× higher** than companies that didn't improve. That gap is almost entirely explained by owners who identified their weakest drivers and addressed them before going to market.

The drivers that typically take the least time to improve: Financial Performance (clean up your books, document add-backs), Customer Satisfaction (implement a formal feedback program), and Growth Potential (document your pipeline and expansion opportunities). The drivers that take the most time but produce the largest impact: Hub & Spoke (12–24 months) and Recurring Revenue (requires business model changes). Which is exactly why starting 2–3 years before you intend to exit is the minimum.

SECTION 3

The Buyer's Lens

How sophisticated buyers actually evaluate a business

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What is the single most important question a buyer is asking about my business?

It is not 'Is this business profitable?' The single most important question a sophisticated buyer is asking — the one that drives every term in the deal — is this:

> *"Will this business stay profitable after the owner leaves?"*

Buyers are not paying for your history. They are paying for their confidence in your business's future. If too much of that future depends on your personal relationships, your institutional knowledge, your presence in the building — they price that uncertainty into the deal, usually in the form of lower multiples, holdback clauses, seller financing requirements, or earnout provisions.

How do I start seeing my own business through a buyer's eyes?

The single most powerful shift an owner can make is to stop evaluating their business as its builder and start evaluating it as its potential acquirer. Here is how the same facts look through each lens:

The Question	Owner's Perspective	Buyer's Perspective
Revenue	'I've grown this to $8M'	'Will this $8M still be here 18 months without the owner?'
Key relationships	'My clients trust me personally'	'What happens to those clients when we own this?'
The team	'Great people who've been with me for years'	'Can this team operate without the founder?'
Operations	'We know how to run this — it works'	'Is this knowledge in their heads or in documented systems?'
Financials	'We're profitable and growing'	'Are these numbers clean? What add-backs are buried here?'
Owner's role	'I work hard and am deeply involved'	'This is a liability. Everything runs through one person.'

What is a buyer's holdback clause and why does it happen?

A **holdback clause** withholds a portion of the seller's proceeds — typically 10–20% of the total — for a defined period after closing, subject to conditions the seller must meet. Holdbacks happen when buyers see risk they can't fully price: the owner is the primary revenue driver, customer concentration is high, or financials haven't been independently verified.

A REAL EXAMPLE

One client had a business valued at $12.5 million. He received his first Letter of Intent and was excited — the number looked right. But buried in the terms was a holdback clause that could claw back a significant portion of his proceeds, tied to revenue targets for a full year after he left. The buyer had identified that the owner was the Rainmaker. They were pricing the risk that revenue would follow him out the door. We caught it in time to renegotiate — but it added months and significant stress to what should have been a clean exit.

What are the 7 different ways I can exit my business?

Most owners plan for one exit — a third-party sale to an outside buyer. But only 20% of businesses that go to market with that expectation actually complete one. The owners who exit well almost always considered more than one path before committing:

#	Exit Path	Description
1	**Third-Party Sale**	Sell to an outside buyer — strategic or financial. Highest price potential. Requires the most preparation.
2	**Management Buyout**	Your existing leadership team buys the business. Often lower price, smoother transition, culture preserved.
3	**ESOP**	Sell to your employees collectively. Significant tax advantages. Best for businesses with $5M+ revenue.
4	**Family Succession**	Transfer to a family member. Lowest financial return, highest legacy preservation.
5	**Strategic Acquisition**	Sell to a competitor or industry consolidator. Often commands the highest multiple.
6	**Recapitalization**	Sell a majority stake to private equity, run for 4–6 more years, sell the remainder. Often the largest total outcome.
7	**Slow Motion Exit™**	Systematically reduce your involvement over time. Choose your timeline with maximum flexibility.

SECTION 4

Understanding Your Score

What the numbers mean and what the research shows

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What is a 'good' score and what does mine tell me right now?

The Value Builder Score runs from 0 to 100. Here is how to interpret where you are:

Score	Meaning
Below 50	Significant work ahead. Structural vulnerabilities buyers will identify immediately.
50–74	Average range. Likely one or two significant vulnerabilities holding the score down.
75–89	Above average — meaningfully better than most businesses of similar size and age.
90+	Elite range. Companies in this band receive offers 7.1× higher than average-scoring businesses.

Your score is not a verdict. It is a map. The most useful thing you can do with it today is identify your two lowest-scoring drivers and ask: what would it take to move each one by 10 points in the next 12 months?

Why do companies scoring 90+ receive offers 7.1 times higher — what drives that gap?

The 7.1× finding comes from analyzing patterns across 80,000+ businesses. A business scoring 90+ has demonstrated — measurably, across all 8 dimensions — that it is a low-risk acquisition. It has recurring revenue. It doesn't depend on one customer, employee, or owner. Its financials are clean. Its processes are documented. Its growth potential is defensible and evidenced.

A buyer acquiring a 90+ business is buying an asset with high confidence in its future performance. A buyer acquiring a 59-scoring business is taking on significant execution risk — risk they price into the deal through lower multiples, holdbacks, earnouts, and seller financing. The 7.1× difference is the mathematical result of risk-adjusted valuation. And most of that risk is within the seller's control to reduce — **if they start early enough.**

What are 'add-backs' and how do they affect what my business is actually worth?

Add-backs are legitimate one-time or owner-specific expenses that a buyer would not incur after the acquisition. They are added back to your reported EBITDA to calculate your normalized EBITDA — the number buyers actually use to value your business.

Your accountant prepares your financials to minimize your tax liability. The adjustments that reduce your taxable income are often the same adjustments that make your business look less profitable than it actually is to an acquirer. Common add-backs include: owner compensation above market rate, owner benefits run through the business, one-time legal or professional fees, family members on payroll at above-market compensation, and any non-recurring expense.

Properly documented and defensible add-backs can represent hundreds of thousands or millions of dollars in additional proceeds — because they increase the EBITDA multiple base, which when multiplied by your acquisition multiple, compounds dramatically.

What is the Freedom Point™ and how does my score relate to it?

The **Freedom Point™** is the precise number — invested prudently — at which work becomes a choice rather than a necessity. It is the specific dollar amount that, received from the sale of your business, would fund the life you actually want to live for the rest of your life without ever needing to work again.

Your Value Builder Score directly determines the multiple applied to your EBITDA in a sale. On $1.5M of EBITDA, the difference between a 3× multiple (average score) and a 6× multiple (90+ score) is $4.5M to $9M — a range of $4.5 million. For many owners, that difference is precisely the difference between reaching their Freedom Point and falling short of it.

> *"Dean Carpenter — Houston commercial landscaping — had planned to work until 70. When his Freedom Point was calculated, the math worked at 61. He had crossed it years earlier without knowing it. He sold within 18 months for 45% above his most recent valuation."*

What To Do Next

Turning your report into a preparation plan

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I just got my report. What are the three most important things to do in the next 30 days?

1 **Identify your two lowest-scoring drivers.**

Not to panic about them — to prioritize them. The research consistently shows that addressing your weakest drivers produces the largest improvement in acquisition multiple. Don't try to improve all 8 at once. Find your two biggest gaps and build a 90-day action plan around them specifically.

2 **Calculate your Freedom Point™.**

Annual personal expenses divided by 4% = your Freedom Point. Then compare that number to what your business might realistically yield in a sale today. The gap between those two numbers is your preparation agenda — and many owners discover the gap is smaller than they assumed.

3 **Schedule a debrief conversation.**

Your report contains specific findings about your business worth walking through with an advisor who can translate them into a prioritized action plan. The 30-minute Exit Readiness Call is complimentary, confidential, and without obligation. It turns the report from a document into a roadmap.

Do I have to be planning to sell soon for this report to matter?

No — and this is one of the most common misconceptions about exit planning. The improvements the Value Builder Report points toward — reducing owner dependence, building recurring revenue, diversifying your customer base, documenting your processes — make your business more valuable and more enjoyable to run **right now**. They are not just preparation for an exit. They are the characteristics of a well-run, resilient business.

The only reason timing matters is this: the improvements that move the needle most take 18 to 36 months to implement properly. An owner who begins this work today and exits in three years has the full benefit of those improvements reflected in their sale price. An owner who begins when they're 90 days from going to market has almost none of it.

> *"The owners who exit at the highest multiples didn't start preparing when they were ready to sell. They started when they thought they had plenty of time left."*

What is the difference between Tom Jordan and a business broker?

A broker's job begins when you're ready to sell. They find buyers, manage the process, and earn a commission when the deal closes. They are essential — but they come in at the end of the process. Tom Jordan's role is everything that happens **before** you ever talk to a broker.

Role	Business Broker	Tom Jordan — CEPA

When they engage	When you're ready to sell	2–5 years before you sell
Primary focus	Finding buyers + closing	Building value + readiness
Paid when	Deal closes (commission)	Ongoing engagement
Impact on price	Finds the market price	Increases the market price
Personal readiness	Outside their scope	Central to the process

What are the 5 Dreaded D's — and why does my report matter even if I'm not planning to exit?

The **5 Dreaded D's** are the five events that most commonly force an unplanned business exit: **Death, Disability, Divorce, Disagreement** (between partners), and **Distress** (financial or operational crisis). More than **40%** of business exits are unplanned — triggered by one of these five events without warning. Owners forced to exit almost always receive worse outcomes than owners who exit on their own terms.

The same preparation that makes your business more valuable in a planned sale also protects you from the 5 D's. A business that runs without you, has documented processes, a capable management team, and a current buy-sell agreement with disability coverage — that business can survive any of the 5 D's without destroying value. Your Value Builder Report is not just preparation for a desired exit. **It is protection against a forced one.**

SECTION 6

The Exit Readiness Trilogy™

The three-phase system behind your report and everything that follows

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What is the Exit Readiness Trilogy™ and how does my report connect to it?

The **Exit Readiness Trilogy™** is the proprietary three-phase system that underpins everything in your report. Your Value Builder Score is the diagnostic that reveals where you are across each of the three phases and what work remains.

PHASE 1 · Months 1–24

Build Value

- Improve all 8 drivers
- Clean up financials + add-backs
- Reduce concentration risk
- Build recurring revenue
- Reduce owner dependence

PHASE 2 · Months 12–30

Half-Retire™

- Identify Picasso Work
- 4 Degrees of Delegation
- Flash Reporting system
- The Stress Test
- +$2.3M avg. net worth added

PHASE 3 · Final 12 Months

Exit with Clarity

- PREscore™ assessment
- Freedom Point™ calculation
- 7 exit paths mapped
- Deal team assembled
- Exit Readiness Action Plan

Your report lives at the beginning of Phase 1. It tells you exactly which of the 8 drivers to address first, which will move the needle most on your acquisition multiple, and what the preparation work actually looks like. The conversation with your advisor turns the report from a document into a phased action plan with specific milestones and timelines.

Why do 75% of owners regret selling — and what makes the other 25% different?

According to the Exit Planning Institute, **75%** of owners who sold their businesses profoundly regretted it within one year. Very few of them got a bad price. Most got exactly what they asked for financially — and discovered it wasn't what they needed personally.

The most common version: an owner sells at 63. The financial picture is fine. He goes home — and finds himself with no structure, no identity, no purpose he's thought through. His name came off the building and he doesn't know who he is without it. The regret almost never comes from the transaction. It comes from the **personal preparation gap** — never having answered: Who am I when I'm not the owner? What do I do the Monday morning three months after closing?

The 25% who exit without regrets share three characteristics: they started significantly earlier than they thought necessary, they addressed both business readiness and personal readiness, and they had an advisor who asked the hard questions before the pressure of a deal made honest answers impossible.

What does the complimentary Exit Readiness Call involve?

The **30-minute Exit Readiness Call** is a genuine conversation — not a pitch, not a sales call in disguise. Your advisor will have reviewed your report before the call. The conversation covers three things:

1. **Your report findings.** A frank discussion of your highest-impact driver gaps and what addressing them would mean for your acquisition multiple.
2. **Your timeline and goals.** Not assumed — asked. When you think you'd like to exit, what a great exit looks like, and what you want your life to look like afterward.

3

Your options.

Based on your score, your timeline, and your goals — what the most logical next steps are, whether that's a formal engagement, a specific workshop, or simply a resource you should read first.

> *"Come ready to answer honestly. You'll get honest answers back."*

YOUR NEXT STEP

Let's review your report together — no pitch, just clarity.

30 minutes. Complimentary. Specific to your score and your situation.

■ Book Your Complimentary Call — calendly.com/20minuteswithtom

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