ClearLight
PARTNERS LLC

# THE 6 WAYS TO MAXIMIZE YOUR EXIT VALUATION

**1. REDUCE CUSTOMER CONCENTRATION:**
A dependence on large customers is a primary reason why an investor will pass or reduce valuation. Your goal should be to have your top customer generating less than 20% of total revenue. Above that level and you will lose interest from a lot of suitors due to the risk of that customer going away. Many tenured investors have learned this lesson the hard way and are not likely to make the same mistake twice.

**2. CREATE THE DREAM TEAM:**
An overdependence on a company's founder or CEO can scare investors that are leery of "key man risk". A new investment partner will want to see that your company's customer relationships have been institutionalized and that there is a talented supporting cast of executives ready to drive the business forward.

**3. TARGET HIGH GROWTH END MARKETS:**
We've all heard that "a rising tide lifts all boats", and most investors will agree that the tailwinds behind a good industry can be a powerful driver of good financial returns. So, if your product or service is supporting a sector with lack luster growth, it might be worth entering, or seeking help entering, some more attractive market segments.

**4. EMBRACE FINANCIAL SOPHISTICATION:**
Having the financial reporting of a professionally managed organization will help an investor get comfortable that you have a good grasp of the operations. Audited financials are another indicator that the business has been managed to build long-term value. These are areas where a talented CFO can really move the needle – don't underestimate the value that investors place on seeing accurate, timely and strategically insightful financial information.

**5. "CULTURE EATS STRATEGY FOR BREAKFAST":**
A strong culture is palpable to an investor and is an important dimension in understanding a company's prior successes and prospects for future growth. All else being equal, a passionate, energized team is always going to be more encouraging. Some easy indicators of this are demonstrated by Mission, Vision, Values driven organizations with leader ship that walks the walk and employees that like coming into work every day.

**6. CONSISTENCY IS KEY:**
Historical ups and down in revenue or profitability will make investors pause. If you can show sustained upward trajectory in both revenues and profit, then you are on your way to a better valuation. With that in mind, make sure to grow the right way with higher margin, recurring revenue when possible.

**These are just a few attributes that nearly every investor is going to look for, but each investor will prioritize these and other factors differently. Don't hesitate to begin building a relationship with a few trusted private equity firms well in advance of a planned transaction to get their perspectives.**

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