

What is the true value of your business?

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A primary role of a top-level manufacturing executive is to protect the value of their enterprise.

Businesses are typically valued with a multiplier of earnings before interest, taxes, depreciation and amortization, commonly known as EBITDA. The multiplier is driven by the industries in which a manufacturing firm operates, its current and past levels of profitability and how well it manages the risks that could affect the future profitability of the business.

But EBITDA and other factors, such as gross profit, are lagging indicators, making it important to look behind the numbers to get a crystal-clear view of the factors that can affect the value of a business.

It's not uncommon for manufacturers to have a single customer account for 30 percent or more of their overall sales. That points to risk, in a big way. Markets can dry up and customers can change directions or shift their loyalties, potentially leaving your business in peril.

Assessing the value of a company's brand is also crucial, as is determining whether its products are positioned as a commodity.



The WMEP's PRA™- Profit Risk Assessment tool is highly objective and examines one dimension at a time.



The Wisconsin Manufacturing Extension Partnership's proprietary PRA™ (Profit Risk Assessment) defines the factors that drive profitability and valuation for an organization while helping to identify and proactively manage the risks. It also helps a company's leadership team come to consensus on areas of greatest opportunity and risk while identifying specific actions that can be taken to improve profitability and value.

Best of all, the low-cost, high-value evaluation is quick and easy to complete.

Several external factors can affect an organization's profitability and value, including how it matches up with its competitors and whether the competitive environment is becoming more intense.

It's also important to examine the overall health of the market in which the business competes and defining its key players.

Is a business too concentrated? Is there too high of a stake in a single area?

Looking behind the numbers at internal factors also figures into the equation. Is the leadership team engaged and do employees understand the company's vision? Productivity and efficiency of manufacturing operations plays a significant role.

We often get so engrossed in the day-to-day aspects of our businesses that we don't connect all the dots. It sometimes takes an "aha" moment for our vision to become clear.

The WMEP's PRA™ - Profit Risk Assessment tool is highly objective and examines one dimension at a time. We will probe and prod to get the truth about the factors affecting a company's profitability and value and reach a consensus on a follow-up plan of action.

It's vitally important to take a look at what drives the crucial numbers for your business.

For more information on how you can benefit from WMEP's PRA™, contact George Bureau at bureau@wmep.org or 920-450-7185.