

reSourcing

Creative Saving Solutions



fei

financial executives
international

boston chapter

Best Practices for Value Maximization

EBITDA is a
Calculation

Final Valuation is a
Negotiation



Best Practices for Value Maximization



Chris Taylor

COMPANIES:

Schering-Plough, Pharmacia,
and Johnson & Johnson

FUNCTIONS:

Finance and Accounting

EXPERTISE:

Financial planning and analysis,
strategic planning, and
partnering with procurement on
cost reduction initiatives



Frank Mitchell

COMPANIES:

Symantec, EMC, Cadbury,
and Pillsbury

FUNCTIONS:

Sales, Marketing, and
Sales Management

EXPERTISE:

Budgeting, expense control,
international procurement,
contract negotiation, and RFP
negotiations with suppliers



Matt Taylor

COMPANIES:

Johnson & Johnson
and Price Waterhouse

FUNCTIONS:

Business Development,
Finance and Accounting

EXPERTISE:

Licensing and **Acquisitions**,
contract negotiations, and
finance

Best Practices for Value Maximization

Q. For A Prize-

What is the average Enterprise Value (EV) EBITDA Multiple across US Companies?

Closest to the Number Wins.....

Best Practices for Value Maximization

Q. What is the average EV/EBITDA Multiple across US Companies?

Hint - Source is NYU Stern School

January 2016 Enterprise Value Multiples by Sector (US) for 7,480 Companies

Industry Name	Number of Firms	EV/EBITDA
Advertising	44	8.94
Aerospace/Defense	92	10.33
Air Transport	20	5.80
Apparel	63	10.84
Auto & Trucks	19	10.03
Auto Parts	65	7.34
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Utility (General)	20	9.83
Utility (Water)	18	12.05
Total Market	7,480	

A. 14.74

Hypothetically, \$1 in EBITDA provides \$15 in Value

Best Practices for Value Maximization

The More (Non-Hypothetical) Accurate Answer is not \$14.74

Your EBITDA Can Change

Your Highest/Final Valuation has Yet to Be Determined



Best Practice #1

Identify Savings Opportunities in Your P&L

Revenue

COGS

Technology*, Logistics, Packaging, Shipping/Freight, Imaging/Copiers, Office Supplies, Telco/Wireless, Translation

SG&A

Technology*, Credit Card Fees, Business Vehicle, Insurance, Office Supplies, Marketing Materials, Imaging/Copiers, Shipping/Freight, Translation, Telco/Wireless

R&D

Technology*, Imaging/Copiers, Telco/Wireless, Office Supplies, Translation

EBITDA

* Technology includes Cloud Services, Software Renewals, Managed Services, Hardware, Financial Applications, Data Lines, CRM, etc.



Best Practice #2

Start Early

Savings Take Time to Realize

Documenting the Impact is the Key

18-24 Months Minimum



Best Practice Case Study

Cost Reduction is An Everyday Best Practice
Paying More than you have to is NOT a Best Practice

OUR
CLIENT
MODEL

Minimal
Time

No Risk
No Cost

Maintain
Control

=

THE AVERAGE SAVINGS
WE DELIVER CLIENTS:
34%



Case Study

CLIENT SNAPSHOT:

- Privately held \$400MM Pharmaceutical Company
- This client chose to stay with the incumbent in 12 out of 14 categories

\$3+MM in 2016

CATEGORY	2015 Savings	Savings
	\$	%
Business Vehicle	\$466,000	26%
Credit Card Rebate	339,000	N/A
Wireless Data	212,000	63%
Bank Fees	131,000	74%
Shipping Rates	113,000	27%
Logistics	111,000	10%
Patient Loyalty Programs	110,000	29%
Credit Card Fees	96,000	100%
Shipping Fees	94,000	100%
Office Supplies	57,000	28%
Conference Calling	46,000	67%
Other Categories	104,000	Varied
TOTAL ACTUAL SAVINGS	\$1,879,000	38%



Maximum Valuation

\$1,875,000 x 8 = \$15,000,000

\$1,875,000 x 10 = \$18,875,000

\$1,875,000 x 15 = **\$28,125,000**

Increased EBITDA Helps Drive an Increased Final Valuation



Maximum Valuation

For a Prize:

Q #1: How do you ensure *Maximum Valuation*?

A: Engage in Cost Reduction Early: 18-24 Months Prior to Sale
Grand Prize Answer- “Engage reSourcing”

Q #2: Under What Scenario(s) would you not want to Increase EBITDA?

A: Trick Question- None- Always Good!

Q #3: For a Grand Prize: Who Determines Your Maximum Valuation?

A: **Don't play the Lottery with your Valuation**
You Determine Your Valuation



Q&A?

We Look Forward to Delivering Material Savings

Frank Mitchell

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