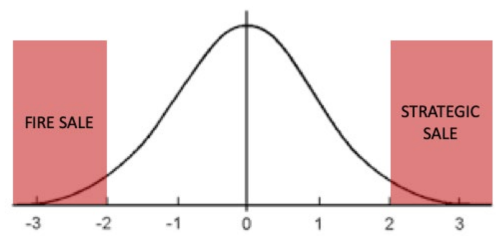
CoreValue®

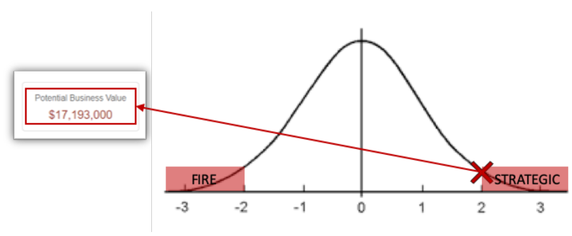
Value Gap: Primer

Three important numbers appear on the Discover Report and are used in both the Protect Report and the Unlock Report. These are Enterprise Value, Potential Business Value and the Value Gap. What these numbers mean and how you can explain them is described below:

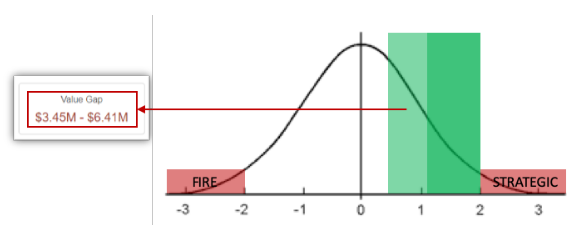
To Begin: Normalized Trading Range:
Every Industry has a Normalized Trading Range (NTR). The range is based on transaction data from multiple data sources of completed transactions over the past 25 years. CoreValue Research removes strategic sales and fire sales, both of which are outside of a financial buyers "norm". The algorithm then chooses an NTR based on NAICS code, size of the company, and region where the company is located.



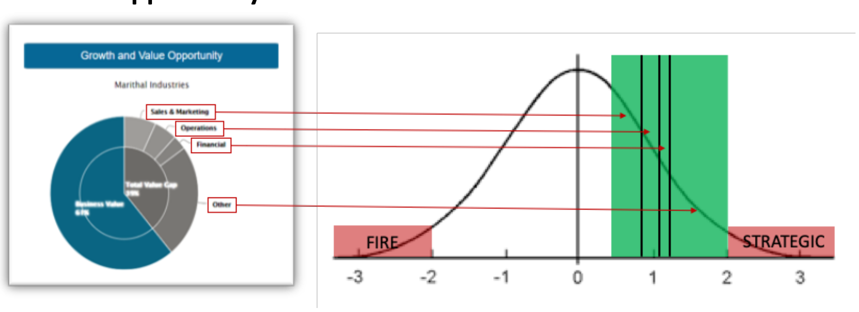
Potential Business Value:
The Potential Enterprise Value of the business is based on the high-end of the Normalized Trading Range. This is the potential worth of the business if it sold today as a BEST IN CLASS PERFORMER to a financial buyer.



Value Gap:
As the business owner goes through the 18 Drivers, each "less than 100%" answer brings the business's Enterprise Value down along the Normalized Trading Range. The Value Gap represents the difference between how much the business is worth today (Enterprise Value) and how much it could be worth (Potential Value). It is a quantification of the business' risks and opportunities and how much is being left on the table due to operation and market shortcomings. It is listed as a range here as the questions have not yet been drilled down.



Value Gap & Growth and Value Opportunity:



The Value Gap can be broken down further into the Value Opportunity pie-chart. On the Discover Report, the top three Value Drivers are listed that contribute to the Value Gap. The "Other" are the other 15 Drivers that make up the remainder of the 18 Value Drivers.