
KEY DEFINITIONS

Listed below are definitions for terminology used frequently within the CEPA program and the Value Acceleration Methodology.

Addbacks

An expense that may or may not be included in the buyer's or new owner's future profit and loss of the company. Understanding and applying these helps to normalize a business' earnings. They are discretionary expenses made by the current owner, one-time non-recurring expenses, and others.

Assemble Proof

A deliverable inside of the Value Acceleration Methodology Prepare Gate. It is a virtual data room, a company book, a confidential sellers memorandum. A single source of truth that houses all information on the four intangible capitals, the financial information, history of the business, and 3-5 year strategy.

A&R Score

Attractiveness and Readiness Score which is used to select the multiple assigned to the business and place the business into the Range of Value.

Big Rocks

The most important actions that should be focused on over the next 90 days. Focus on no more than five business and five personal actions. Focusing on these will move you towards reaching your targets and achieving your vision.

Business Attractiveness

How the owner's company looks from the outside in. Always from a buyer's point of view. Examples of potential buyers include external third-party, family, employees, management, or partners.

Business Path

Focuses on improving the company and growing enterprise value, typically led by a Value Advisor. This path runs in 90-day sprints with five big rocks every 90 days that focus on business planning. This is also known as the "De-Risking" Path.

Business Readiness

A measurement of how ready the company is to grow and transition.

Common Sense Scoring

A system used inside of the Value Acceleration Methodology to prove the strength of, and measure risk associated to Personal, Financial, and Business attractiveness and readiness value factors based on a 1 – 6 scale. 6 is perfect, 5 is best in class, 4 is slightly above average, 3 is slightly below average, 2 means there is no proof, and 1 means it's not even on your radar.

Customer Capital

A measure of the strength of your relationships with whom you do business. It represents the strength of your entire supply chain. It requires building deep, integrated, mutually beneficial, and recurring relationships with your best customers and suppliers.

Decide Gate

Gate 3 of the Value Acceleration Methodology. Asking yourself every 90 days if you want to (a) keep growing or (b) shift focus to exiting, while considering the pros and cons of each exit option.

Deliverable

An outcome produced by an action, leading the client to the next stage of work.

Discover Gate

Gate 1 of the Value Acceleration Methodology. Major deliverables include the Triggering Event Engagement and the creation of the Prioritized Action Plan.

EBITDA

Earnings before interest, taxes, depreciation, and amortization.

Exit Planner

A professional trained in the Value Acceleration Methodology, skilled at aligning business, personal, and financial goals to cultivate a company of significance and ensure successful transitions. They act as an expert collaborator and connector, understanding that exit planning involves teamwork across various disciplines.

Exit Planning

Combines the plan, concept, effort, and process into a clear, simple strategy to build a business that is transferable through strong human, structural, customer, and social capital. The future of you, your family, and your business are addressed by focusing on creating value today.

Exit Planning Core Team

The four advisors that all business owners should have on their exit advisory team. They are the CPA, Attorney, Financial Advisor, and Value Advisor.

Exit Planning Functional Team

A team of advisors that supports the business owner, company, and core team. They are typically brought in during the Prepare or Decide Gate of the methodology and used for specific purposes. Example: Risk Advisor used for insurance, Life or Executive Coach used for helping the owner form a personal plan, Cyber Security used for mitigating risk in the 4Cs.

Formula for Business Owner Action

Intrigue + Empower = Action

Intriguing an owner means asking them the right questions and listening. While Empowering an owner means spending time to educate them on driving value and aligning business, personal, and financial goals.

Human Capital

A measure of the strength of your people, talent, passion, character, grit, and intelligence. It also measures your ability to prioritize, adapt, innovate, and execute independently of the owner.

“Inside” Exit Option

An ownership transition to an internal member of their family or company. Examples include intergenerational transfer, management buyout, sale to existing partners, sale to employees.

Lifestyle Business

A business that is heavily dependent on the business owner. It has weaker structures, systems, and processes, if any documented processes at all. Most of the knowledge of how to run the business and work with the customers resides in the owner's head.

Master Plan

A deliverable of the Value Acceleration Methodology Prepare Gate. It is the written strategy that integrates the owner's personal, financial, and business plans into one.

Organizing Principle: The 3 Legs of the Stool

The alignment of business, personal, and financial goals. It is the critical principle for all exit planning teams, the Value Acceleration Methodology, and the CEPA®.

"Outside" Exit Option

An ownership transition to an external party. Examples include sale to a strategic third party, sale to a financial third party, recapitalization, orderly liquidation.

Personal Path

Embraces both personal planning and financial planning and is typically led by the Financial Advisor. This path runs in 90-day sprints of personal and financial actions focusing on no more than five big rocks every 90 days.

Personal Planning

The process of creating a vision and action plan for life outside of the business. Must have a lifestyle plan component. A lifestyle plan addresses how you want your life to unfold and has activities that stimulate and motivate you.

Preparedness

Measures the level of readiness to grow and transition of both the owner and the business.

Prepare Gate

Gate 2 of the Value Acceleration Methodology. Executing your Prioritized Action Plan by using 90-Day Sprints on two concurrent paths (personal and business).

Profit Gap

The difference between best-in-class (BIC) Recasted EBITDA vs. your actual Recasted EBITDA at the same level of sales. It is a measure of how much money the owner may be leaving on the table each year because they are not operating at the best-in-class level. $BIC \text{ Recasted EBITDA} - \text{Current Recasted EBITDA} = \text{Profit Gap}$

Quarterback

The member of the exit planning team who makes sure things are proceeding in the right sequence, at the right time, at the right price. The facilitator of communication among the cross-functional team.

Range of Multiples (ROM)

A range of industry multiples, Recasted EBITDA or sales, that are determined by the private capital market.

Range of Value (ROV)

A valuation range, which includes specific industry multiples for the specific company, and the company's Recasted EBITDA or sales, that showcases what the business owner's company would sell for in the market. From low or no value to best-in-class value.

Real Number

Recasted EBITDA. It is the Tax Number adjusted for interest, taxes, depreciation, amortization, one-time non-recurring expenses, normalization, and discretionary expenses. The real earnings of the business.

Recasted EBITDA

The Real Number. It is determined by Addbacks being added to, and Takebacks being subtracted from, net income. It is the most likely number used for calculating value because it best represents the earnings of a business as an ongoing concern.

Relentless Execution

A specific set of behaviors and techniques that companies need to master to have a competitive advantage. A systematic process of rigorously discussing the how's and what's, questioning process, tenaciously following through, and ensuring accountability.

Significant Company

A company that is valuable, transferable, ready, and attractive at any point, aligning the business owner's business, personal, and financial goals.

S.M.A.R.T Goals

Specific, Measurable, Aspirational, Realistic, Time-based.

Social Capital

A measure of the strength of your culture. It requires key employees to build relationships, gain confidence, expand their capabilities, and grow their social and emotional intelligence.

Structural Capital

A measure of the strength of your strategy, systems, processes, intellectual property, and financial structure that augments Customer and Human Capital.

Tax Number

Net income, net operating profit (NOP), profit before tax (PBT). It is the number reported to the tax authorities.

The Triggering Event

A deliverable of the Value Acceleration Methodology's Discover Gate. It is an independent personal, financial, and business assessment correlated to a business' Range of Value.

Value Acceleration Methodology™ (VAM)

A proven process that focuses on value growth and aligning business, personal, and financial goals. Where the owner is and where they need to be. Value Acceleration is the bridge between. It is a management and life-planning system focused on value and income. It is grounded in action. It promotes team play for all stakeholders in an engaging process. It clarifies the roadmap to success. Created by Christopher Snider, author of *Walking to Destiny: 11 Actions an Owner Must Take to Rapidly Grow Value & Unlock Wealth*. (WTD)

Value Creator Business

A business that is independent of the business owner. Strong intangible capitals and opportunities for growth. Employees are empowered and invested in it. The IP of the company is documented and shared with employees.

Value Gap

The difference between your best-in-class value and actual present value. $BIC\ Value - Current\ Value = Value\ Gap$

Wealth Gap

Reflects how much money you need to accomplish your Personal Plan without the income from the business. $Wealth\ Goal - Current\ Net\ Worth\ (Not\ Including\ Business\ Value) = Wealth\ Gap$.

Workshops

These gather the right people, are time constrained (2-3 hours), encourage input and outcomes, and facilitate buy-in. They are conversational and promote decision making/action.

1 Goal

Represents the one goal owners should focus on, which is to Identify, Protect, Build, Harvest, and Manage value. The only way to have value AND income is to focus on value first.

2 Concurrent Paths

Personal Path and Business Path (Financial is included in the Personal path). After the Triggering Event, two action plans and two teams are created: one personal and one business. The completion of these action plans concludes Gate 1. In Gate 2, these action plans are executed relentlessly using 90-Day Sprints.

3 Gaps

Wealth Gap, Profit Gap, and Value Gap. Three numbers every business owner should know, but most don't. All companies and businesses have gaps they experience and, together with their advisory team, work to close.

4 Intangible Capitals (4Cs)

Human Capital, Structural Capital, Customer Capital, and Social Capital. They are the sum of your company's intellectual capital, which usually represents 80% of company value in premium companies.

5Ds

The five "destroyers" of companies. They are the unplanned events that force a business owner out of their business, resulting in 50% of exits in the U.S. They are: Divorce, Distress, Death, Disability, and Disagreements.

5 Stages of Value Maturity

It represents the systematic process of Identifying, Protecting, Building, Harvesting and Managing wealth. Identify is done in Gate 1. Protect and Build are done in Gate 2. Harvest is done in Gate 3. Manage represents the most mature stage. When achieved, the owner manages all wealth, inside and outside the business, holistically.

5-4-3-2-1

The key leadership concepts of the Value Acceleration Methodology. 5 Stages of Value Maturity, 4 Intangible Capitals, 3 Legs of the Stool, 2 Concurrent Paths, and 1 Goal = Value.

90-Day Sprints

90-day bursts of action. A fast, flexible, continual loop of prioritizing, executing, measuring, reconnecting, and recalibrating every 90 days.



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