

Increasing the valuation of a business

Businesses large or small have opportunities to improve their **valuation** or **cash generation**

Increasing sustainable profitability is the obvious way to increase business valuations. Nearly all companies focus on revenue growth as a way of achieving this. Cost cutting improves profitability, providing you do not damage the business' ability to generate sustainable revenue.

Other areas often overlooked that **increase business valuation**:

1. Developing a clear and successful **strategy** and **executing it**
2. **Lengthening** or locking in revenue streams
3. Building business **capability**
4. Ensuring a credible **management team** for your succession planning
5. Increasing **visibility** throughout the business
6. Improving systems and processes to drive **scalability** and **efficiency**
7. **Reducing business risk** or increasing resilience

Most of the above will indirectly increase profitability. Additionally, there are a wide range of approaches to directly increase profitability depending on the business and sector.

Improving business profitability through finance

Finance professionals have analytical training and also have access to data on all areas of the business. This provides a great opportunity to utilise these skills to model and challenge business decisions with the aim of improving decision outcomes. Areas to consider:

1. Pricing and tender modelling
2. Mix of products and return on investment modelling
3. Operational efficiencies / investments
4. Capital investments or large project investments



Improving cash generation

1. Minimise working capital investments (debt and stock) for a given level of growth
2. Improve returns on investment made (staff, equipment, products)

In the medium term, increasing profitability is the key to achieving sustained higher cash generation.

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