Value Growth Advisors:

Who they are, what they do, and how to partner with them

What is a Value Growth Advisor?

While many professional advisors are important to your exit-planning network, the Value Growth Advisor, along with your Financial Professional will most likely be **your closest strategic partners** throughout the exit-planning process.

What is the typical background and experience of Value Growth Advisors?

Many Value Growth Advisors may have:

- **Grown and exited a business** (or several businesses) of their own.
- Backgrounds in **growth turnarounds and mergers and acquisitions (M&A).**
- Done similar activities in **larger corporate environments** for divisions of companies.
- Held **C-suite positions** for lower middle market and small privately held companies.

Value Growth Advisors often hold the **CEPA® designation (exit-planning-institute.org)** and may adopt some or all of the Exit Planning Institute's Value Acceleration Methodology, combining it with their own experience and processes. Value Growth Advisors may also undertake another designation program, such as **Certified Value Growth Advisor® (CVGA®) Credentialing Program (corporatevalue.net)** through Corporate Value Metrics.

What does a Value Growth Advisor do?

Value Growth Advisors help business owners grow the value of their business and unlock wealth trapped in the business.

1

Assesses the business goals of the owner and acts as the project manager throughout the exit-planning process.

- Conducts enterprise valuation assessment/ business valuation to identify the current value of the business (i.e., what it could be worth if it were operating at a "best-in-class" level for its industry).

Financial Professional's role: work with the business owner to assess their personal and financial goals and help them create a plan for life "post exit".

2

Educates the business owner on the steps they need to take to help **protect the value of their business now** and **help reduce the risk of an involuntary exit** from the business (e.g., through death, disability, divorce, or disagreement between owners).

Financial Professional's role: take a leading role in this risk mitigation phase as it typically involves insurance planning. The Financial Professional can also work with the business owner on employee benefit programs if they will enhance the attractiveness of the business.

3

Builds the value of the business so the owner can get a "best-in-class" multiple for the business.

- Develop a plan with specific steps and milestones to help hold everyone accountable.
- A scorecard may be used to show the impact of implementing actions that may increase business value.

Financial Professional's role: engage with the business owner (and family) on in-depth financial planning, estate planning, strategic philanthropy, and family communication.

Working together after exit:

When a business owner decides to sell, their Financial Professional and the Value Growth Advisor will bring exit options to the table and help steer them through that process.

How does a Value Growth Advisor help increase the value of a business?

Value Growth Advisors work with business owners to improve functions and drive scale in areas like financials, sales, marketing, leadership, recruiting, and productivity. This, in turn, **drives value through the Four Intangible Capitals: Human Capital, Customer Capital, Structural Capital, and Social Capital.**

Concentrating on these 4Cs also allows the owner to improve their company today and should be valued, measured, and benchmarked annually.

According to some private equity groups, these Four Intangible Capitals, make up between **80 and 90%** of the company's value.

(Source: Exit Planning Institute, 2024.)

Four Intangible Capitals drive the majority of a company's value

Human Capital
Strong talent = increased enterprise value

Human Capital is the value of the talent in a company.

- If there is a strong mix of talent, experience, resilience, and motivation in the team, the value of the company should increase.
- All things being equal, the stronger the Human Capital, the more value the market may place on the company.
- For example, if there is owner concentration in the business, a Value Growth Advisor can work to decentralize the owner and help them build a leadership team.

Customer Capital
Deep relationships + diversified customer base = increased enterprise value

Customer Capital is the measure of the strength of relationships with the company's best customers.

- Deep, integrated, tenured relationships, recurring revenue, contractual relationships, and diversified customer bases are all things that can contribute to strong Customer Capital and increased value.
- For example, if a company relies on one or two customers for 80% of its revenue, that can be a red flag for potential buyers and may increase the risk of an acquisition.
- A Value Growth Advisor can work with the company to diversify its customer base, potentially making it more attractive for a potential sale.

Structural Capital
Ability to scale business = increased enterprise value

Structural Capital is the back-end infrastructure of the company such as its processes, financials, strategies, information technology, patents, and other intellectual property (IP).

- Structural Capital connects people to knowledge so it can be shared to help enable the business to scale, which can make a company more valuable.
- Many companies do not have formal documentation in place, so a Value Growth Advisor can work with the business owner and their team to create it.
- Often, helping the business owner "clean up" their financials is also critical – many owners run personal expenses through their businesses.

Social Capital
Strong social capital = increased enterprise value

Social Capital, or company culture, is what elevates a company to be "best-in-class", as it is the optimization of the other three capitals.

- How people communicate, what they believe in, and how they operate internally and externally are key components of a company's culture.
- How the company contributes to its community matters. Social intelligence can be a great predictor of the success of a business, and translate directly into increased enterprise value.

How is a Value Growth Advisor compensated?

- The business owner will typically engage in a subscription agreement where they are paying a monthly fee to the Value Growth Advisor.
- Fees are usually based on the scope of work and the size of the company.

Tip: Make sure you understand the pricing models of the Value Growth Advisors you decide to partner with.

How do I find Value Growth Advisors?

There are national firms as well as local firms. Go to the EPI website (exit-planning-institute.org) and click on Find a CEPA to search for Value Growth Advisors who also have a CEPA® designation. You can also search for these professionals in your local community. One way you can do that is to join a local EPI Chapter if there is one nearby. Chapter meetings and events may provide you the opportunity to network with exit-planning professionals in your local community, including Value Growth Advisors. More information on local chapters is available on the EPI website.

Do your due diligence:

- Dig into their firm, background, experience in exit planning, and people.
- Understand the process they employ.
- Find out how they collaborate with Financial Professionals and where they fit into their process.
- Understand their capacity and national footprint.
- Learn how they price their services.

When a business owner might want to consider working with a Value Growth Advisor:

- They have received a business valuation that is less than they want/need it to be in order to exit the business.
- They need a business valuation and a partner to help create a succession plan.
- They feel like their company has hit a plateau (e.g., across sales, customer base, products, marketing, etc.) and they are searching for innovative ways to help identify new opportunities for growth and expansion, further assess current business risks, and create actionable strategies for both the short and long term.
- They are looking for an objective, holistic business partner to help unlock the wealth that's trapped in the business (without that partner getting a percentage of the eventual sale or commission like M&A professionals or business brokers).
- They recognize they are central to the business and the potential complications this may bring to the sale of the business.
- They have a three- to five-year time horizon and want to focus on enterprise value creation.

More information

For more information, contact Manulife John Hancock Investments at 800-225-6020 or visit jhinvestments.com

Manulife Investments | John Hancock

John Hancock Investment Management Distributors LLC, Member FINRA, SIPC, 200 Berkeley Street, Boston, MA 02116, 800-225-6020, jhinvestments.com

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