Oaklins

How to strengthen your company's value: insights for long-term growth

SPOT ON | VALUATIONS | FEBRUARY 2026

DISCOVER KEY ISSUES AND HOW TO FIX THEM

As any business owner who has been through the sale of their company knows well, ensuring that a firm has clearly demonstrable value is essential — both for its ongoing success and for attracting suitable investors ready and willing to pay for it when the time is right.

Oaklins' latest webinar honed in on this theme, with two of its specialists exploring how companies can enhance their value to deliver long-term growth and increase their appeal to prospective buyers.

Costas Constantinou is a partner and head of valuations at Oaklins in the Netherlands. He has 20 years of experience across different sectors and covering valuations of shares and intangibles from tax to transactions, disputes and financial reporting, among others.

Joining him was Don Wiggins, principal of Oaklins Heritage, based in Florida in the USA. He has been associated with Oaklins and its predecessor organization since 1992, and prior to that he worked as an investment banker and university professor. In his career, Don has performed and supervised about 4,000 valuations, giving him extensive expertise and insights.

Read on for highlights from the session, and watch the full recording by clicking here.

Our webinar panel

DON WIGGINS
Principal
Oaklins Heritage

COSTAS CONSTANTINOU
Partner
Oaklins Netherlands

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When it comes to the value of a company, Don noted in his introduction, it's not just a question of performance. "For example, if you think about two companies, same industry, same size, but one of them has 100% concentration with one customer, and the other has no customer bigger than 10% of its revenues — those two companies are going to have substantial differences in values."

Issues such as risk, sustainability and confidence in future cash flows play an important role in establishing valuations. Equally significant is making sure that these factors are properly managed and communicated during a transaction process, so that buyers and investors get a full, accurate picture of a company's worth and prospects. Additionally, having a business ready to sell, with the owner and management team doing their homework in advance of the process, is also critical.

Don pointed out that while a lot of the webinar's discussion would be in terms of a transaction, its lessons apply to all business owners. "If you're going to sell your company tomorrow or if you're going to hold it for 25 years, whatever gives a potential buyer value, gives you value."

A SIMPLIFIED APPROACH TO VALUING A COMPANY

Don kicked off the first part of the session by comparing the concepts of enterprise value and equity value. "The easiest way to understand it is if you own a house that's worth US$250,000 [enterprise value]. It has a mortgage on it of US$150,000, so you have an equity interest in the house of US$100,000 [equity value]. You can talk about valuations either way. If I own this house, I could rightly say I have a US$250,000 house, or I could say I've got a $100,000 interest in a house."

Knowing this difference is important because the majority of transactions are based on enterprise value. As such, "we're going to concentrate on enterprise value, because almost all transactions take place where the seller gets the value for the company, and out of that, they have to pay off interest-bearing debt," Don explained.

However, he added, he'd heard of transactions (not involving Oaklins) where the buyer and the seller were talking about different concepts. "When it got close to closing, the CFOs of the two companies got together and realized that one was talking enterprise value, and the other was talking equity value — that's hard to believe, I know, but I've seen it happen. The key is, just make sure everybody's on the same page, and everybody's using the same definition."

> "You begin to see patterns in valuations, and you see the issues that occur again and again. Oaklins really serves as a public stock exchange for private companies. We help companies establish value, go to market, test the market and talk to multiple buyers."
>
> **– Don Wiggins**

VALUATION WEBINAR

Simplified valuation calculation

Enterprise Value = EBITDA x EBITDA Multiple
EBITDA = Earnings before Interest, Taxes, Depreciation and Amortization

That is the same as operating cash flow before capital expenditures.

The EBITDA Multiple is affected by company risk, expected growth and external market conditions. The multiple is derived from both public and private market transactions.

Equity Value = Enterprise Value – Interest-Bearing Debt

Companies usually sell based on enterprise value. The buyer pays a price based on that, and the seller is responsible for paying off interest-bearing debt.

EXPLORING THE VALUATION PROCESS

At this point, Costas took the floor to talk further about the valuation process. He started by looking at four broad steps that are part of every valuation Oaklins does:

1. Choose and apply valuation approach

2. Triangulate the outcomes

3. Sanity check the outcomes

4. Consider valuation adjustments

In terms of approaches, Costas talked through four different ones (outlined on the right). Market and income are essentially forward-looking, and tend to be more frequently used than the other two. "They derive the value of the company as it is today, taking into account the future expectations of its cash flows," he explained.

Market approach

- uses a multiple and the earnings, or another financial metric, of the company
- multiples are obtained either from comparable listed companies or comparable transactions
- a lot of subjectivity exists about what makes peers and transactions comparable

Income approach

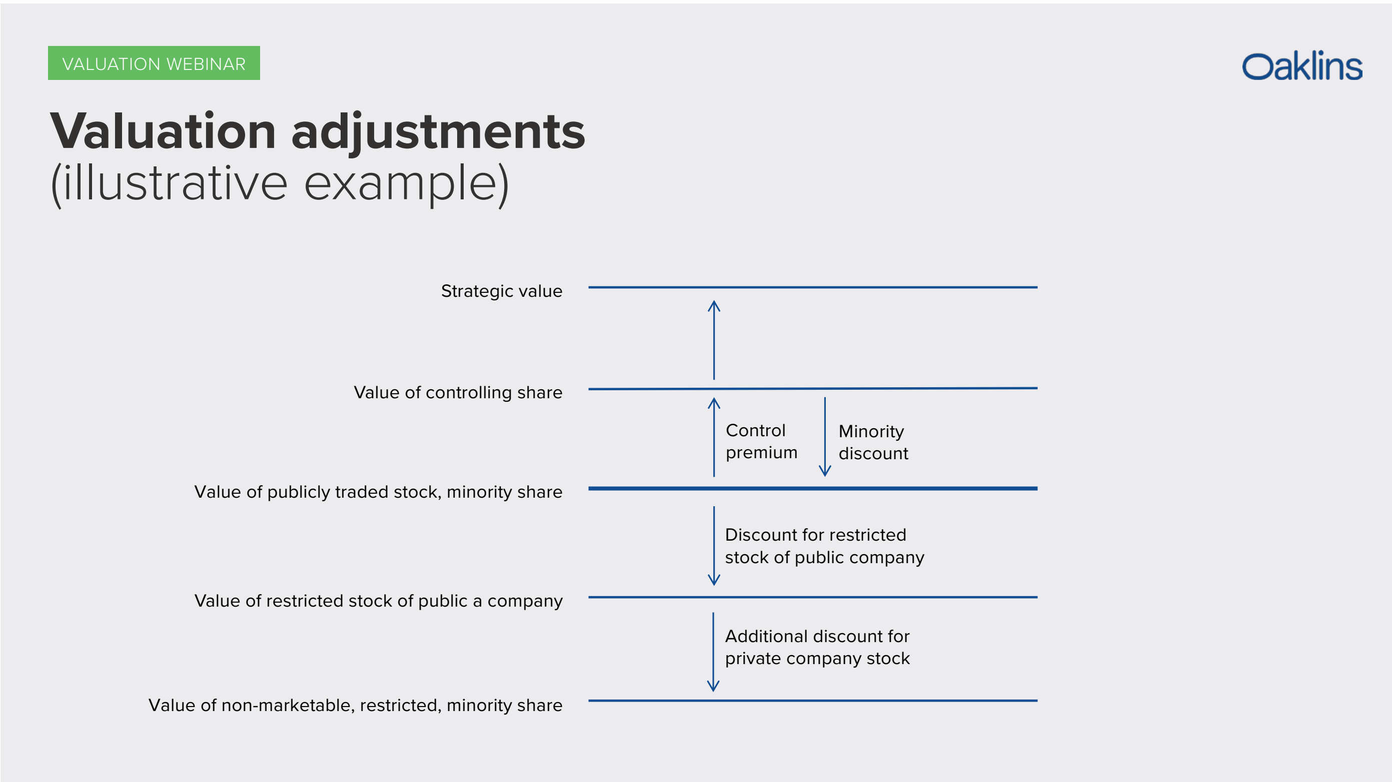
- known as the discounted cash flow (DCF) method
- effectively looks at the cash-generating capacity of a company, and makes an adjustment to those projections for risk and the time value of money
- used for a more detailed and granular outlook regarding the company going forward
- factors in investments, growth, downturns, losses, etc.

Asset-based approach

- usually used as a cross-check, or as the floor price that someone could obtain from selling their company
- liquidation or breakup value

Cost approach

- can be used to value, for example, a startup that doesn't have any revenues or profits, to get an indication for assigning it a value
- used for valuing intangible assets, e.g. the cost to replace or reproduce software
- also for valuing early-stage investments, such as what has been spent, as this may be the only indication of value available



Costas then looked at the step of triangulating the outcomes. He gave an example that used three of the approaches outlined above — DCF, market and asset-based — saying that they gave three different outcomes with notable variations. At this point, he said, "we start questioning the key assumptions that we have in our models. So, for example, you may question the peers or transactions that you used to obtain the multiple. You may question whether the financial metric that you applied in your market approach represents a run rate. Similarly, in the discounted cash flow method, you may question the forecasts. Are they too optimistic? Are they too pessimistic? Is the risk factor I have used representative of the cash flow risk?"

The key is looking at different areas to try and minimize these value differences, or to at least understand why big differences exist.

The following step is the sanity check. This involves asking a series of questions around value indications and the outcomes established through the different approaches:

- Has the company done any recent valuation reports?
- Are there any previous offers for the company?
- Has there been any recent investment from a third-party investor?
- Are there any analysts that cover the stock, and what do they say about the company?

The last stage in the valuation process is deciding whether any valuation adjustments are necessary. Using the graph shown on the previous page, Costas outlined the different premiums and discounts that can be used in adjusting valuation options.

Q&A: I would be very interested to hear your thoughts and considerations on what maintainable EBITDA is. It's a very important item in shareholders' agreements, but often not defined.

"The term I've seen more often than maintainable EBITDA is sustainable EBITDA," Don noted, "but those two terms are the same. It's a good question, because we run into this all the time. Buyers and acquirors will adjust the numbers to get repeatable revenues and cash flows. So, if in the company's history there's some unusual event, for example, when we had COVID and a lot of companies got PPP payments, as they're called in the US, we have to make an adjustment for that.

"Right now, we're working with a company that does contract food processing for outside customers. Two years ago, they had a big one-time order, which ran revenues, cash flows and profits up for one year, but they knew and we know it's not going to repeat, so an investor will discount that." This is really critical, Don explained, because companies need to know what is sustainable in the long run, without such unusual events.

"There's another element to that: time. Typically, you assume the company's going to be around for a long time. But we did a valuation of several companies that stored ships for the government, and the companies just had a five-year contract to store and maintain the ships, make sure they had power, do any necessary maintenance, keep them ready to go in case they were needed for an emergency, for example, a hospital ship. In that case, you couldn't use a multiple, because a multiple assumes the long term, so we did sustainable cash flows, but for a five-year period."

Costas added that the situation can be complex for fast-growing companies. "The problem might be considerably bigger than for mature companies or for companies that have more stable EBITDA." Companies that are growing fast can have significant growth in EBITDA, so it's important to consider what the maintainable EBITDA for them is. "You need to break down the problem," he said, "for example, by looking into comparable companies that are equally fast-growing."

PUTTING THEORY INTO PRACTICE

At this point, the conversation moved towards exploring five ways a company can enhance its prospects, and Don started with an example to highlight how buyers can differ over a firm's value. "We sold a laboratory in our area several years ago, and it was a very attractive company. We only talked to private equity groups and for the initial indications of interest, the range was from US$18 million to US$42 million. Thirty experienced investors looked at the same company and came up with a range that big."

> "By improving how the market perceives your business, you can claim a higher valuation multiple from a potential buyer."
>
> **– Costas Constantinou**

> "Every business owner dreams of a higher valuation but it's not just about performance; it's also how well you managed the risks behind your business."
>
> **COSTAS CONSTANTINOU, PARTNER, OAKLINS NETHERLANDS**

#1 — Improve a poor financial reporting system

"This is especially a problem with companies that have been founded by a person, a couple or a small group," commented Don, "and then been successful and grew. In a lot of cases like that, we see poor financial systems — the owner has kept their hands and eyes on everything, but the problem is when the company grows. In a lot of cases, the financial system has not grown with it. You've still got the same system as when it was a smaller company."

This is something a private equity group or a strategic buyer will look at before they're going to write a check for millions of dollars. "Due diligence is a very detailed, invasive process, and I've had people say, 'Well, we'll just dress up the financial statements. And the buyers will accept what we say.' The answer is no, they won't. They'll hire a large accounting firm or if they're a big strategic, they'll have their own internal team."

As a result, they're actively looking for problems with the company and looking for risk. If a firm doesn't have a good financial system, that has a knock-on effect through the rest of the company and any uncertainty will lower its value.

Buyers want really crisp, good financials through evidence of professionalized financial reporting systems, reduced spreadsheet dependency and timely delivery of reporting packs, for instance. "We advise our clients to get an audit done if there's time," Don added. "I know that's a lot of trouble, expense, headache and heartache, but it pays off in spades at the end of the day if you have audited financials, especially if they're done by a regional or national firm that has good credibility."

#2 — Improve the company's sales and marketing effort

Similarly, when companies grow they don't always develop their sales and marketing program because they've already got a good reputation and good customers. However, Don explained, "as you grow, it's more important to establish a sales and marketing approach. This goes back to what we talked about before — the more sophisticated your marketing process, then the more sustainable the flow of new business you have coming in. The challenge, and it is a challenge, is to develop good sales and marketing. Sales is tactical, marketing is strategic, so you want both of those.

"The mistake I've seen a lot of companies make is they'll have a superstar salesperson and then the sales staff grows to five, six, 10 people, so they need a manager. And the logic sometimes runs is 'Well, we've got a great salesperson, he or she knows what they're doing, they're out in the field, they've got a great relationship with customers and they do a good job, so let's make them the sales manager.' But the behavioral characteristics of a salesperson versus a sales manager are substantially different." The result is companies lose their best salesperson, and instead get a bad sales manager. Buyers want to see the right people in the right position, and that a company has the structure to generate that steady revenue stream.

> "You buy your company every day you walk in and don't sell it. You've decided that's where your money's going to be invested."
>
> **– Don Wiggins**

Q&A: When it comes to multiples, do you generally use a rule of thumb, say 15% or 20%, or base your discount on some studies for the discount for lack of marketability (DLOM)?

"The answer is, there's no answer!" said Don. "Because it's situational and you have to make a judgment. Again, I always tell people, there's a big difference between subjective and arbitrary. You have to make a subjective judgment, you don't have a choice. You're talking about the future, and anytime you're talking about the future, you're making assumptions. If you go to market, you'll get tested on that assumption, but I can't say there's a general rule of thumb that applies across situations."

"When you look at the DLOM studies," commented Costas, "there is a wide range — different studies, different metrics, different ways of building them. Then you're lost in a big range of discounts for marketability. One thing I want to say is that I personally choose to apply those discounts on the equity value and on the enterprise value, so not on the multiple, per se."

#3 — Reduce customer concentration

If you have customer concentration, "it can be fatal," remarked Don. Two companies can look identical in terms of revenue, profitability and cash flow, but they can have substantially different values if one is concentrated with one customer, and the other doesn't have any customer that represents more than 5% or 10% of its total revenue.

"I've seen companies that are 100% concentrated with one customer," he continued, "and while I can't say that you can't sell those companies, there are going to be two effects.

One, it's going to reduce the number of candidate buyers, because a lot of them reject out of hand companies that are totally concentrated, and the follow-on effect of that is it will reduce the multiple."

What's the solution? Diversify the customer base — not by walking away from a valued big customer, but by expanding any other customers the company may have. "It's easy to say, hard to do. A company can be very profitable with one customer, but when it comes time to sell, that's when you're going to run into the issue. In my experience, this is one of the biggest value killers that exists, along with supplier concentration."

#4 — Reduce owner dependency

Another factor that has a big impact on valuation is when a business depends on one key individual. "What buyers are concerned about in this context," said Costas, "is what happens if this individual, for example, has an accident and cannot run the business as normal. The risk there is that the company may lose customer relationships and business may be disrupted. That effectively put question marks on the business plan."

He went on to note that, due to the risks created by this dependency on one single person, buyers may make a discount on the real value of the company. "That's the only way that they can actually take into account the idea that the forecast of what they expect from the business might not be realized."

One way to address this is by empowering a second-tier management team, thereby transferring customer relationships to different groups of people over time and introducing different team members to customers. Additionally, formalize decision processes to help demonstrate that decisions, customer relationships and strategy are not fully dependent on only one person.

> "We have seen companies lose significant value because they didn't keep their products relevant in the market."
>
> **– Costas Constantinou**

#5 – Adapt to technological change

For many companies it's a challenge for them and their products to remain technologically relevant. "I assume we all know the companies BlackBerry, Ericsson and Nokia," Costas commented. "Those companies were market leaders, then Apple came. And the delays in adapting their technology to smartphones caused their products to become irrelevant."

He went on to say that what buyers want to see in this situation is companies that actually take technological change seriously and are agile in adapting to it — for example, with an innovation roadmap, ongoing investments and responsiveness to the market. Otherwise, it's unclear what multiple potential buyers would apply to a business that isn't keeping up with technology.

Q&A: Which of the five factors shown are the most common? Which one is easiest to implement, and which one is the most difficult?

"I would say the poor financial reporting system seems an easy pick," said Costas, "because you will give confidence to any buyer who comes to look at your financials that you actually have control over them. The investment here is also relatively less, and it will make the monitoring of the business even better."

He added that reducing customer concentration is not easy, but at the same time, it's important, because of buyers' perceptions. On one hand, it's a benefit to have one big customer, but on the other, it can be seen as a significant risk, so it will always come up as a discussion point. Buyers will implement a discount for too much concentration. "It's a matter of spending the right resources to get more customers in and diversify your customer base, but it takes time to apply."

"I agree, and the other one I would look at is technological change," added Don. "Because every single company, not just on this webinar, but every single company in the world right now is facing technology change with AI. Do you adopt it? How do you adopt it? What's the future of it?"

> "The bang for your buck can be substantial. If the you own or company you're looking at only has two or three of these issues, you can still get a substantial value improvement by addressing them."
>
> **– Don Wiggins**

Q&A: If I want to implement the changes in my company, what are the steps I should take?

"Well, the first is to develop a plan to identify them," said Don. "In almost all cases, you're going to be better off getting outside help, unless your people have a lot of free time — and this needs to be your top people, because what we're talking about here are fairly difficult things to identify and certainly implement. Develop a plan, determine your order of battle. You can't do all of them at once. You might do two or three at once, but have someone external driving that process. Too many times I've seen companies try to do this internally. They assign it to somebody and it gets put at the bottom of their pile of things to do, because they have their normal day-to-day responsibilities."

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Don provides strategic consulting, exit advice and sell-side and buy-side transaction services to logistics clients, including distribution, storage, trucking, moving, rail service providers, local delivery and logistics technology. He is also on the firm's supply chain team, which advises clients in the sale and acquisition of manufacturing and logistics companies. Don has completed many transactions for a wide variety of companies with both strategic acquirors and private equity buyers. Recent transactions include the sale of Mittauer & Associates and SprayEZ, and the acquisition of US Legal by an affiliate of CCW Safe.

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Costas leads the firm's valuations advisory team. He brings over two decades of expertise in valuing companies and intellectual property across various industries and geographies. His primary emphasis lies in valuing companies within the context of shareholder disputes, fairness opinions and valuations of companies undergoing financial restructuring. Costas also has extensive experience in valuing investments held by private equity firms as well as expertise in tax and financial reporting-related valuations.

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> "Identifying and addressing value killers in a company is the single most valuable process for an owner to go through, whether the company will be sold in six months or held for 20 years. This webinar outlines the process for identifying potential value killers and shows how they can affect value, so owners can see the tangible results of mitigating or eliminating their effects."
>
> **DON WIGGINS**

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