



Strategic Planning Overview

Is the Business Owner working to increase the value of their business? Is the Business Owner approaching retirement or planning to do something else?

If the answer is yes, Stony Hill Advisors shares strategies based on building value through financial engineering and operational improvements. Stony Hill works with business owners to improve business valuation and maximize their value even in the current challenging market. The approach: no Frills - Fluff - just tried, true, and effective strategies and their execution.

Stony Hill knows three different companies with the same financial profile can have three very different valuations. While there are not as many reasons as one may think for valuation disparities, most can be improved upon to increase a business's value proposition. Increasing the value proposition to buyers, investors, bankers, or clients is based upon the development of a robust strategic plan.

Some of the key points:

- 1- Review profitability by addressing waste, efficiency, and redundancies.
When dealing with professional investors, first impressions are key. A messy bookkeeping system can lead investors to perceive your business as sloppy, increasing their perception of risk and decreasing its value. On the other hand, having audited financials, organized contracts, and easily accessible financial information can lead investors to believe you run a tight ship, ultimately increasing your company's overall valuation. Remember, first impressions matter!
- 2- Improve data collection for more accurate financial reporting, budgeting, and projections.
Business having a strong track record of generating profitable revenue growth will decrease the perception of risk in your business.
- 3- Review how to increase sales efforts.
Business owners become complacent later in their company lifecycle not realizing they are sapping the value of their company. Invest in branding marketing and sales support.
- 4- Review customer concentration.
This creates significant risk in the company's future cash flows if something happens to that customer, or the company's relationship with

that customer, the company's future cash flows will be significantly disrupted.

- 5- Review suppliers and vendors to address supply risks.

We have learned just how fragile the supply chain can be based on health emergencies and geopolitical stressors.

- 6- Strengthen your team.

When a business is heavily dependent on the owner, the company's future cash flows become very risky. This is because the critical operations of the business, such as overall operations, sales, customer relationships, or product development, rely heavily on the owner. If the owner exits the business, the company's cash flows could be significantly interrupted.

The above and more are part of a Strategic Plan

Section I - Executive Summary

The Executive Summary is the most important part of the plan. Because if it doesn't interest readers, they'll never even get to the rest of your plan.

Start your Executive Summary with a brief and concise explanation of what your company does. Next, explain why your company is uniquely qualified to succeed. For example, does your management team have unique competencies? Do you have any patents? Are you the first mover in your market? Does a huge, unmet market opportunity exist? Etc.

Finally, include a synopsis of your financial projections in your Executive Summary. Specifically, include your expected revenues, expenses, and profits for each of the next five years, how much funding you are seeking, and the key uses of these funds.

Section II - Company Overview

The Company Overview section provides a brief history of your company.

Here you will answer questions such as when and how your organization was formed, what type of legal entity you are, and accomplishments to date.

Importantly, your past accomplishments are perhaps the best indicator of potential future success, so be sure to identify and include all key milestones your company has achieved to date.

Section III - Industry Analysis

Your Industry Analysis section has two sub-sections as follows:

Market Overview

The Market Overview section discusses the size and characteristics of your market. For example, if you are a restaurant, you would include the size of the

restaurant market, a brief discussion of sectors (e.g., fast food versus fine dining) and market trends.

Relevant Market Size

The relevant market size is a much more specific calculation of your market size. It is the annual revenue your company could attain if it attained 100% market share. Your relevant market size is calculated by multiplying 1) the number of customers who might be interested in purchasing your products and/or services each year and 2) the amount these customers might be willing to spend, on an annual basis, on your products and/or services.

Section IV - Customer Analysis

Your Customer Analysis section has two sub-sections as follows:

Target Customers

Your Target Customers section precisely identifies your current and/or intended customers. Include as much demographic data on your target customers as possible, such as their gender, age, salary, geography, marital status and education.

Customer Needs

In this section of your the plan, specify why customers want or need your products and/or services. For example, do customers care most about speed, quality, location, reliability, comfort, price, value, etc.?

Section V - Competitive Analysis

Your Competitive Analysis section has three sub-sections as follows:

Direct Competitors

Direct competitors are companies that fill the same customer need you fill with the same solution. For example, if you operate an Italian restaurant, other Italian restaurants would be direct competitors.

In this section of your the plan, outline who your direct competitors are, and their strengths and weaknesses.

Indirect Competitors

Indirect competitors are companies that fill the same customer need you fill with a different solution. For example, if you operate an Italian restaurant, a French restaurant would be an indirect competitor.

In this section of your the plan, outline who your indirect competitors are, and their strengths and weaknesses.

Competitive Advantages

Importantly, identify your Competitive Advantages in this section. Specifically, state what it is about your company that will allow you to effectively compete (and win) against both direct and indirect competitors.

Section VI - Marketing Plan

Your Marketing Plan section has four sub-sections as follows:

Products & Services

Here is where you give the details of the products and/or services your company offers.

Pricing

Detail your pricing here. Discuss, in specific, how your pricing relates to competition. For example, are you the premium brand? The low cost brand?

Discuss your expected branding based on your chosen pricing model.

Promotions Plan

Your promotions plan details the tactics you will use to attract new customers. For example, you might choose radio advertising, or online pay-per-click ads, or press releases, and so on. In this section, detail each form of promotions you will use.

Distribution Plan

Your Distribution Plan outlines the ways in which customers can buy from you. In many cases, they can only buy directly from you, perhaps at your physical location or web address. In other cases, you might have distributors or partners who sell your products or services. In such a case, detail this structure.

Section VII - Operations Plan

Your Operations Plan section has two sub-sections as follows:

Key Operational Processes

Your Key Operational Processes are the daily functions your business must conduct. In this section, you will detail these functions. For example, will you maintain a Customer Service department? If so, what specific role will it fill?

By completing this section, you'll get great clarity on the organization you hope to build.

Milestones

In this section of your business plan, list the key milestones you hope to achieve in the future and the target dates for achieving them.

Here is where you set goals for specific and critical undertakings, such as when a new product will be created and launched, by when you plan to execute new partnerships, etc.

Section VIII - Management Team

Your Management Team section has three sub-sections as follows:

Management Team Members

This section details the current members of your management team and their backgrounds.

Management Team Gaps

Particularly if you're a startup venture, you will have holes in your team; roles that you'd like to fill later. Identify such roles here, and the qualifications of the people you will seek later to fill them.

Board Members

If you maintain a Board of Advisors or Board of Directors, detail your Board members and their bios in this section.

Section IX - Financial Plan

Your Financial Plan section has four sub-sections as follows:

Revenue Model

As simple as it seems, this section of your business plan gives clarity on how you generate revenues. Do you sell products? Do you sell advertising space? Do you sell by-products, like data? Do you sell all of the above?

Financial Highlights

Your full financial model (income statement, balance sheet and cash flow statement) belongs in your Appendix, but in this section, you'll include the highlights. For instance, include your revenues, key expenses, and projected net income for the next five years.

Funding Requirements/Use of Funds

If you are seeking funding for your company, detail the amount here, and importantly for what you will use the funds.

Exit Strategy

Particularly if you are seeking equity funding, detail your expected exit strategy. The most likely exit strategy is to sell your company to a larger firm. If so, detail the types of firms that might be interested in purchasing you and why. List the specific names of potential acquirers if applicable.

Section X - Appendix

Supporting Documentation:

Historical Financials P&A and Balance Sheet (3 to 5 years)

Proforma Financials (3 to 7 years)

Confidential Information Memorandum