A VILLAGE GATHERING

Drivers in Equity Value from an Investor's Perspective
September 30, 2014

THREE PRIMARY DRIVERS OF EQUITY VALUE:

1. EBITDA
2. Net Debt
3. Exit Multiple

	EBITDA
X	Exit Multiple
	Enterprise Value
–	Net Debt
	EQUITY VALUE

ONE: EBITDA

Drivers of EBITDA

1. Sales growth
2. Margin
   (Gross and EBITDA)

TWO: NET DEBT

Drivers of Net Debt (Cash Flows)

1. EBITDA
2. Capital Expenditures
3. Working Capital

THREE: EXIT MULTIPLE

Primary Drivers of the Exit Multiple

1. Growth – historical track-record and projected
2. Margins: a measure of
   a) how the product/service is valued;
   b) the quality of the business model; and,
   c) efficiency
3. Cash Flows: a measure of
   a) capital efficiency;
   b) payback period; and
   c) leverage potential for some buyers (i.e., an ESOP)
4. A clear and consistency strategy that is broadly understood and pursued
5. Unique and differentiated model
6. Quality of management and depth of bench
7. Quality of culture and people (low turnover, high employee loyalty, etc.)
8. Quality of infrastructure, including for example information systems
9. Quality of information flow and transparency into performance
10. Customer loyalty
11. Condition of stores / facilities (no or limited "deferred maintenance")
12. Diversification of earnings
13. Growth potential
14. Consistency in earnings year-to-year
15. Performance against competition
16. Market share

These are the tangibles and intangibles which can enhance the "exit multiple", or the quality and sustainability of the Company, if carefully and strategically built on over time.