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trekking

practical strategic thinking and action
newsletter issue #87

getting paid twice

In a recent podcast, I combined a few important themes and called it, "**Getting Paid Twice: Intangible Capital and Exit Planning.**" (Getting paid twice for the owner is the increased distributions from improving cash flow and then a higher sale price from the buyer recognizing it.)

We discussed:

- Defining intangible capital - 80% of the value of the market capital of the S&P 500 is intangible
- Why the components of intangible capital - human, structural, strategic and relationship capital drive value
- Why identifying intangible capital components helps a seller show value and a buyer understand more clearly the sustainability and repeatability of both revenues and profits
- How measuring and tracking intangible components in a company can lead to improved management and increased exit value (getting paid twice)
- Why the term "intellectual capital" is often confused with "intellectual property" and why we selected "Intangible Capital" for our book title
- Why investment bankers can tell a company's story well, including the intangible capital story, but are often called in when the owner is ready to sell, too late to help build value (nor is growth consulting their job)
- How Trek builds an intangible capital analysis with interviews with a company's key internal and external stakeholders to come up with measures and qualitative insights
- How good description of your IC can lead to lower-priced, longer-term or less restrictive borrowing
- How tracking your I-Capex (spending on intangible capital) can help tell your value story better
- Owners can start the process with an self-examination, by taking an inventory of the IC in

their business

- How preparing your IC story and running a due diligence drill helps you know your number if an offer to buy for the business comes out of the blue

Link will be available next month.

Thanks to [Indigo Venture Law Offices](#) that asked me to do this "Expert Interview" around preparing a company for an ownership transition. And thanks to friend Cris Miller of Semaphore for the introduction (www.sema4usa.com).

announcements

Thursday, July 14 at Babson College, Wellesley, MA



XPX-Boston will hold a [breakfast meeting](#) on July 14 entitled, Owners' Perspective - Lessons Learned from the Sale of My Business". During this

panel discussion, moderated by Bonni Carson DiMatteo, CMC, we will hear from three business owners who have successfully exited their businesses. These entrepreneurs had businesses in a variety of sizes and industries and they are eager to share their lessons learned from the exit process.

Wednesday, July 20, Pyramid Club, Philadelphia



Philadelphia will hold an [evening networking event](#) with a special speaker -- Erin

Arvedlund, author of [Too Good to be True: The Rise and Fall of Bernie Madoff](#). In the book, Arvedlund



presents a sweeping narrative of Madoff's career-from his youth in Queens, New York to his early days working for his father in-law, and finally to infamy as the world's most notorious swindler. She presents a fascinating portrayal of Madoff, his empire, and all those who never considered that he

might be too good to be true.

Wednesday, August 4, Greenwich, CT



XPX-Connecticut will hold an [outdoor evening networking event](#) on the Withers Bergman dock on Greenwich Harbor. In the case of bad weather, the event will move

inside.

about trek consulting

Trek works with privately-held businesses to develop and execute action plans for growth, frequently by identifying, assessing and improving the intangible capital in a firm. Trek also works with the owners to prepare for their successful exit by coordinating the resources necessary to increase and preserve the firm's value, creating the succession plan and assembling the right transaction team, financing and post-transaction plan. Trek Consulting is one of the founding partners of the Exit Planning Exchange (**XPX**). Trek's principals co-authored **[Intangible Capital: Putting Knowledge to Work for the 21st Century Organization](#)**.

Our clients report improved market focus, greater revenues, better margins and increased profits. To learn more about Trek Consulting and how we can help you improve your company's results, visit us on the web at **www.trekconsulting.com** or call us at 781.729.1008.



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Trek Consulting | 400 Trade Center, Suite 5900 | Woburn | MA | 01801