The Leith Value Accelerator™ Process

Using fundamental **Value Drivers** to help you understand, protect, and grow the value of your business with practical advice and support

Leith

MERGERS & ACQUISITIONS

What Determines What Your Business is Worth?

In the UK mid-market and SME M&A environment, buyers — whether PE funds, trade acquirers, or strategic buyers — don't just look at your profit number. They assess value through two broad lenses:

Operational Quality

The risk, scalability, and sustainability of your business model

Financial Performance

Cash generation, margin quality, and capital structure

The formula buyers use is straightforward:

Valuation = EBITDA × Multiple

Operational drivers determine the **multiple**. Financial performance determines the **base value**. The average UK mid-market multiple is c5× EBITDA — but strong businesses can achieve significantly more.

The **Leith Value Accelerator™ (LVA)** uses this exact framework to show you where you stand today, and what to do about it.

The Value Driver Framework

LVA structures its assessment around the same value drivers that buyers and their advisers use when evaluating UK SMEs. These fall into two categories, each with specific, measurable sub-drivers.

Operational Value Drivers

These determine the multiple applied to your earnings

- Revenue Quality
- Growth Profile
- Management & Key Person Dependency
- Customer & Revenue Concentration
- Competitive Position & Market Dynamics
- Business Model Scalability

Financial Value Drivers

These set the base value that the multiple is applied to

- EBITDA Level & Margin
- Cash Flow & Working Capital
- CapEx Requirements
- Size & Scale
- Balance Sheet & Debt Capacity
- Sector & Market Comparables

LVA maps your business against every one of these drivers, giving you an honest, buyer's perspective of where you stand.

Operational Value Drivers

These are the biggest determinants of the multiple a buyer will apply to your earnings, and often represent the greatest opportunity for owners to improve their position before going to market.

Revenue Quality

Recurring revenue, long-term contracts, and low churn reduce buyer risk. High recurring revenue can command **1.5–2.5× higher EBITDA multiples** than project-based peers.

Growth Profile

Consistent, scalable growth attracts premiums. A revenue CAGR of 15–20% can add **~1–2× multiple premium**; declining revenue significantly reduces multiples.

Management Independence

Founder-dependent businesses trade at discounted multiples. Those with strong second-tier management and a proper succession plan achieve **higher valuations**. and a smoother exit.

Customer Concentration

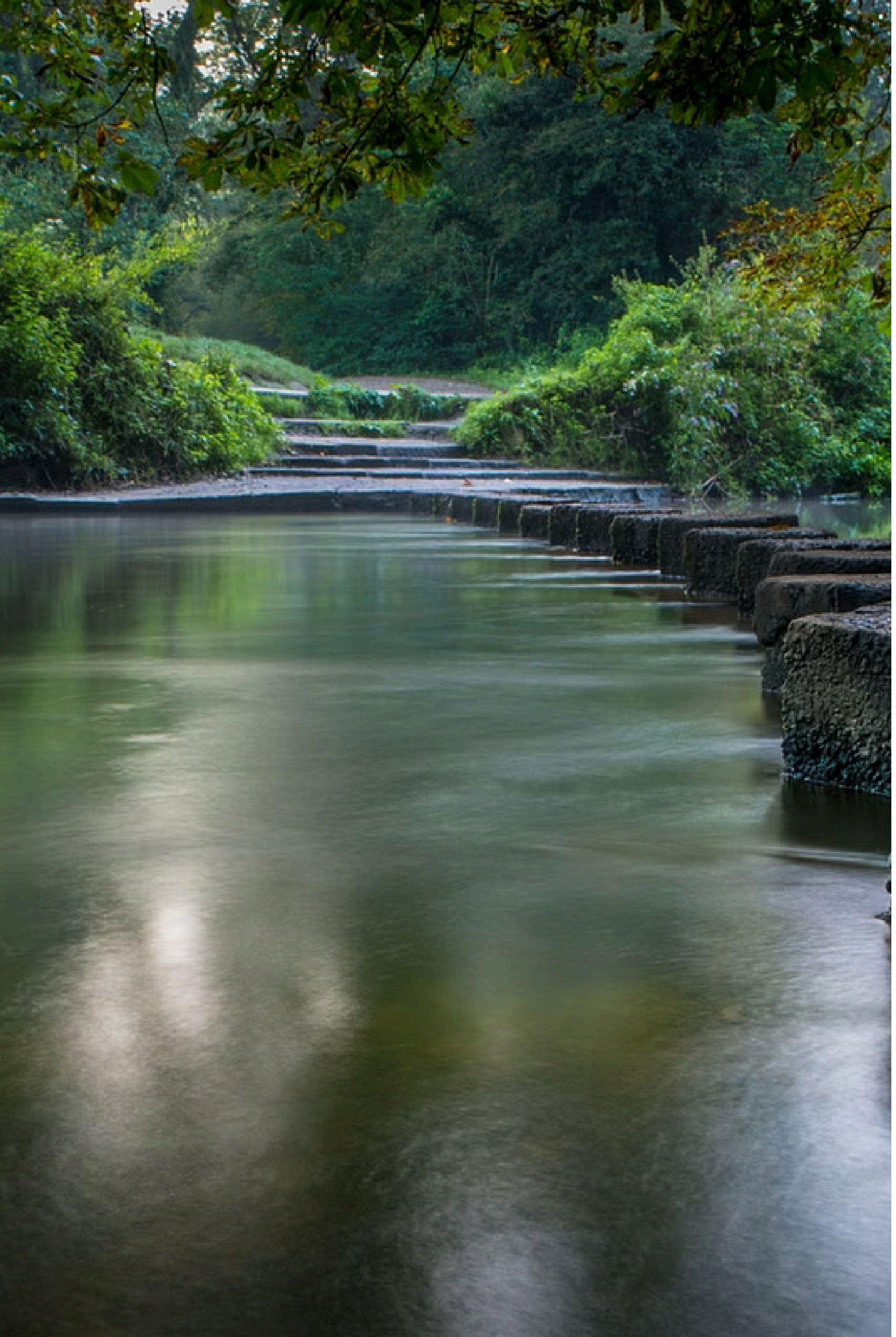
A single client representing 15–20%+ of revenue signals high risk. Top 5 customers exceeding 40% of revenue typically triggers a **valuation discount**.

Competitive Position

Market share, barriers to entry, IP, and regulatory advantages. Businesses with strong moats command **higher multiples**.

Scalability

Low marginal costs, high gross margins, and digital or platform models. Software and IT services attract **higher multiples** due to scalability.



Financial Value Drivers

These influence the base valuation figure and the business's ability to support acquisition financing. Buyers scrutinise these alongside operational factors.

EBITDA Level & Margin

The primary valuation metric for most UK deals. Higher margins signal operational efficiency and pricing power. Average UK mid-market EV/EBITDA ≈ **5×**.

Cash Flow & Working Capital

Buyers focus heavily on cash conversion. Low working-capital requirements attract higher multiples because **more profit converts into distributable cash**.

CapEx Requirements

High-CapEx businesses (heavy machinery, manufacturing) typically trade at **lower multiples** because profits must be reinvested to maintain operations.

Size & Scale

Multiples increase meaningfully with company size: **£200k EBITDA ~ 3×** vs **£10m EBITDA ~ 8.5×**. Larger businesses demonstrate diversification and resilience.

Balance Sheet & Debt Capacity

Stable cash flows that support debt financing attract higher prices from leveraged buyers. Buyers assess net debt / EBITDA and covenant capacity.

Sector Comparables

Typical UK ranges: Software/SaaS **8–15×**, Healthcare **6–10×**, Professional Services **3.5–7.5×**. .

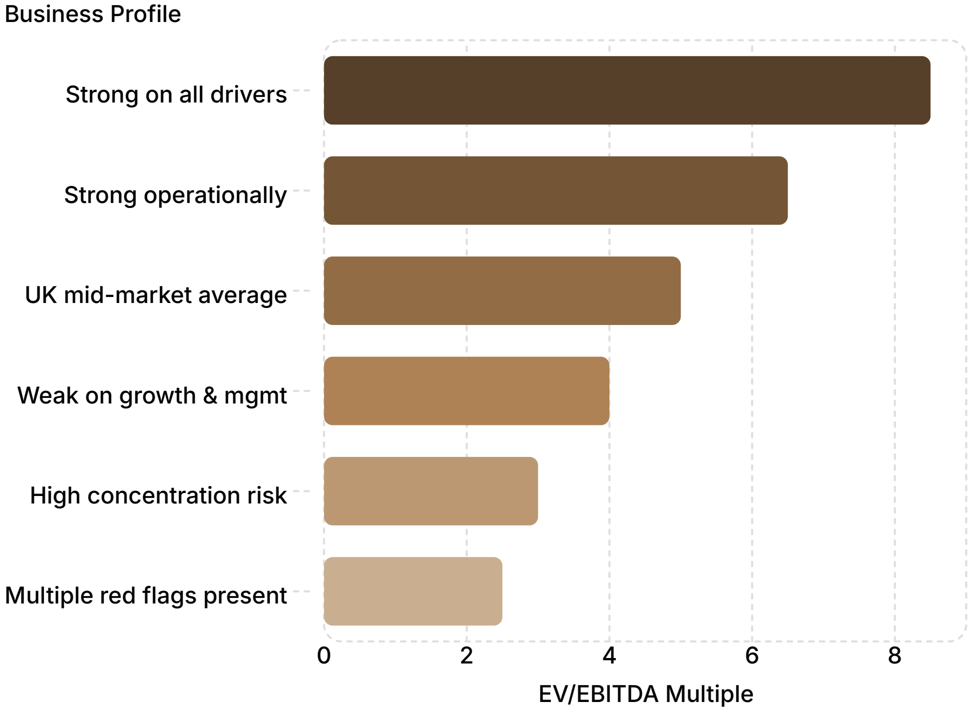
What Good Looks Like — and What Doesn't

To bring the value driver framework to life, here is how buyers differentiate between a high-value SME and a discounted one across the key drivers. **LVA maps your business against each of these dimensions.**

Value Driver	✅ Strong Position (Multiple Premium)	🔴 Weak Position (Multiple Discount)
Revenue Quality	70%+ recurring revenue from long-term contracts; low churn; forward revenue visibility	Predominantly project-based or transactional revenue; unpredictable pipeline
Growth Profile	15–20%+ revenue CAGR; consistent EBITDA growth; strong pipeline	Flat or declining revenue; no clear growth strategy or pipeline visibility
Management Dependency	Capable second-tier management; documented processes; business runs without the founder	Founder controls key relationships, knowledge, and decisions; no succession depth
Customer Concentration	No single customer >10% of revenue; diversified across sectors or geographies	One client >20% of revenue; top 5 customers >40%; limited new business pipeline
EBITDA Margin	Stable, improving margins; strong cash conversion; normalised EBITDA clearly evidenced	Volatile or declining margins; high owner costs obscuring true profitability
Cash Flow	Low working capital requirement; fast cash conversion cycle; minimal debtor days	High debtor days; cash tied up in WIP or stock; EBITDA doesn't convert to cash
Competitive Position	Clear market differentiation; proprietary systems, IP, or accreditations; pricing power	Commoditised offering; easily replicated; competing on price only

Visualising the Gap: Multiple Impact

The difference between a well-prepared SME and a poorly-prepared one is not marginal — it can be worth millions. The chart below illustrates how operational and financial driver quality translates into valuation multiples in the UK mid-market (2024–2026).



Why This Matters

On a business generating **£1m EBITDA**, the difference between a 3× and an 8.5× multiple is **£5.5m in enterprise value**.

Most of the drivers that move a business up this scale are **within the owner's control**, but they take time to improve. That is exactly why the LVA process exists.

Practical rule of thumb:
Operational drivers determine the **multiple**.
Financial performance determines the **base value**.

LVA works on both.

How LVA Uses Value Drivers

The Leith Value Accelerator is structured directly around the value driver framework. We assess your business against each driver, score your current position, and identify the most impactful improvements.

1

Assess

Map your business across all operational and financial value drivers

2

Score

Identify your multiple-enhancing strengths and multiple-discounting weaknesses

3

Prioritise

Rank improvements by ease of influence and valuation impact

4

Roadmap

Deliver a clear 3, 6, 12 and 24-month action plan tied to buyer appeal

The result: you know exactly which levers to pull — and in what order — to move your business up the multiple scale before going to market.

What LVA Delivers Against Each Driver

LVA doesn't just identify the problem — it gives you practical, commercially realistic recommendations for each value driver, linked to buyer priorities in the current UK market.

Revenue Quality: grow and protect recurring revenue

Recommendations to increase contract retention, extend contract length, improve renewal rates, and build subscription or retainer-based revenue — directly addressing the driver with the greatest multiple impact.

Management Independence: reduce founder dependency

Actions to strengthen second-tier management, document key processes, and create a business that operates — and presents — without the founder at the centre of everything.

Customer Concentration: diversify and de-risk revenue

Strategy to reduce reliance on large customers, accelerate new business development, and demonstrate a balanced, resilient revenue base to acquirers.

Financial Performance: improve cash conversion and margin

Practical steps to reduce debtor days, improve working capital efficiency, normalise EBITDA, and ensure financial performance is presented clearly and credibly.

Competitive Position: build and evidence differentiation

Work to identify and reinforce your defensible advantages — whether through specialisation, accreditations, geography, or technology — and communicate them in buyer-ready language.

The LVA Outcome

Instead of wondering what a buyer would think, you'll know — and you'll have a plan to change it.

Clarity on current value

An honest, buyer-eye assessment of what your business is likely worth today — and why

Potential value identified

A realistic view of what your business could be worth with targeted improvements across the key drivers

A prioritised improvement roadmap

Clear actions ranked by ease of influence and valuation impact — so you focus on what actually moves the dial

Buyer-ready positioning

A business that is easier to sell, commands a stronger multiple, and faces fewer challenges during due diligence

Leith Value Accelerator gives you a structured route from **today's business** to **tomorrow's value** — built entirely around the framework buyers actually use.

Why Leith M&A

Leith M&A is a specialist, partner-led advisory firm with deep experience in the UK mid-market and SME sector. We combine rigorous M&A expertise with hands-on operational experience to help you achieve the best possible outcome.

David Nelson

Managing Director

Over twenty years of UK mid-market M&A expertise, advising clients and leading successful exits across a diverse range of sectors, including buy and sell-side mandates in fire & security, building services, and technology, with the unparalleled success rate and level of client satisfaction that Leith was founded to provide.

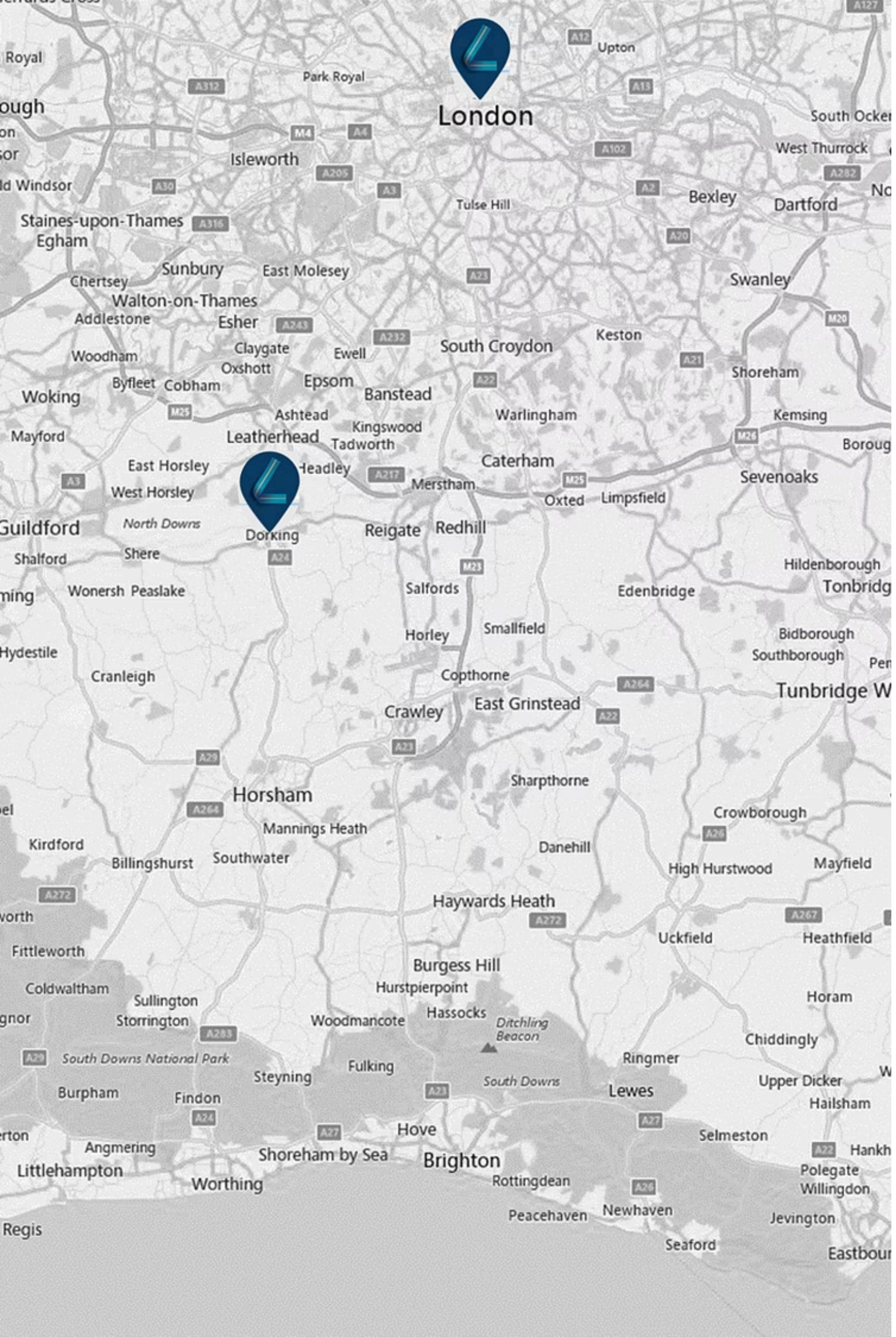
James Wakefield

Director

25+ years building and scaling organisations across multiple sectors and geographies in CEO, Chair, and director capacities, specialising in leadership, succession-planning, organisational structure, solving problems, and operational value enhancement.

Our approach is:

- Independent and conflict-free
- Partner-led from start to finish
- Selective and highly personal
- Grounded in commercial reality and market intelligence



Start the Conversation

The **LVA** process begins with a free and confidential consultation, no spreadsheets to prepare, no obligation to proceed.

We will then give you a realistic current valuation estimate, so you know the starting point, before proposing a process that is tailored specifically to your objectives and timeframes.

This process starts with an honest assessment of where your business sits across the value driver framework, and what it will take to improve your position before a sale.

We then work with you to provide practical advice and support in line with the process and timeframes agreed.

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