

# KNOW YOUR NUMBERS

Three numbers & potential gaps owners should know & close to meet your goals



ALFA Advisory helps entrepreneurs, business owners and executives protect their personal wealth, optimize the growth and value of their business, and create a meaningful and lasting legacy.

**With more confidence, options, and resources, you will scale your wealth and impact faster.**

*Three Gap framework courtesy of the Exit Planning Institute*



**Profit You're Sacrificing by Not Operating at a Best-in-Class Level**

= *Your Actual Profit vs. (Your Current Sales X Best-in-Class Profit Margin)*

In this context, profit is defined as earnings before interest, taxes, depreciation, and amortization (EBITDA). To ensure a fair comparison, your EBITDA should be adjusted for extraordinary one-time items, expenses above or below market rate such as rent or compensation, and discretionary expenses tied to the owner.

**What good could you do in the business with the additional cash flow?**

**Business Value You're Sacrificing by Not Operating at as Best-in-Class (BiC)**

= *Your Current Value vs. (Current Sales X BiC Profit Margin X BiC Multiple)*

Best-in-class value is the result of best-in-class profit and a best-in-class market multiple, which is driven by the strength of 4 intangibles: your team, operational excellence, customer relationships and culture/brand. Improving these 4 factors will close both the profit gap now, and the value gap at sale.

**How quickly would narrowing your Value Gap close your Wealth Gap?**

**Additional Wealth You Need to Accumulate to Meet your Personal Goals**

= *Your Net Worth Goal vs. Current Net Worth (not including your business)*

For this purpose, business value is excluded because 1) it is not easily converted to cash, and 2) you may or may not convert it into cash depending on what you decide to do with it. As you consider your net worth goal, identify what you truly need to live your desired lifestyle and what you want to prioritize in your life.

**How will you bridge this gap and achieve your ideal outcome?**

*For help calculating your gaps or increased financial clarity & control,*

**[Click here to schedule a call with ALFA Advisory](#)**