

Episode 27

FS Thrive: Democratizing business valuation with BizEquity

We chat with FS Thrive partner BizEquity on the benefits of accurate, accessible business valuation for business owners and their financial advisors.

Kyle Simpson (00:11):

Welcome to our next FS Thrive episode of the FireSide podcast. I'm Kyle Simpson, head of field strategy at FS Investments. If you're unfamiliar with FS Thrive, let me quickly explain. FS Thrive is a collection of value-add programs and content that extends the culture of FS, our innovation, our creativity and our civic engagement, the financial advisors and their clients. This FS Thrive series of the FireSide podcast is just one of these resources. Each episode, we'll sit down with interesting and inspiring people across a variety of organizations to better understand what they do, what drives them each day and what helps them thrive.

Kyle Simpson (00:58):

So today, I'm joined by Jason Early and Mike Gola, president and head of enterprise accounts respectively, for BizEquity. BizEquity is the world's largest provider of business valuations, they valued over 33-million businesses. We hear from so many advisors and RIAs who want to attract and retain business owner clients, and luckily we have some great friends at BizEquity who are helping advisors understand how to best have those conversations. We cover a ton of ground in today's episode, so let's jump right in.

Jason Early (01:37):

We could use this, I know you I sent you, I think I sent you an email on it, but I saw on LinkedIn we could use this to promote your big Member-Guest win. I think two FS Investments' people, you and Brian, winning the Philadelphia Cricket Club Member-Guest is a big, that's a big win.

Kyle Simpson (01:53):

That is a big win for me and for Brian, my partner, personally, but I would say it's a win for the area of Philadelphia and probably for the nation, because I think Brian has told just about everyone in the country that we won the Philly Cricket Member-Guest.

Jason Early (02:12):

I was surprised to see that on LinkedIn the way that I did, but I was glad I saw it.

Kyle Simpson (02:17):

Actually, I think I saw it on page-four of the New York Times, but by that Monday morning, I had gotten no less than 20 phone calls from people I didn't know saying, "Congratulations, I heard you won the Philly Cricket Member-Guest." And I had to start every conversation with, "I'm sorry, have we met before?" It was such a ... But it was a blast, we had a really great time. So thanks, guys, for making the long commute from the suburbs into ... Well, you're not in the suburbs.

Mike Gola (02:51):

I'm in Center City, yep.

Kyle Simpson (02:52):

You're in Center City, Philadelphia, and Jason, you are?

Jason Early (02:55):

I'm in Berwyn, so blue route to 95 and quick trip and here we are.

Kyle Simpson (03:01):

Just a short trip over.

Jason Early (03:02):

Yeah, exactly.

Kyle Simpson (03:03):

We get to do this in person, which is nice, because I've been staring at you guys from the shoulders-up for the last year or so. So it's nice to see you three dimensionally.

Mike Gola (03:15):

I was telling Jason, I think this is my first in-person meeting in two years.

Kyle Simpson (03:19):

Seriously?

Mike Gola (03:20):

Seriously, yeah.

Kyle Simpson (03:23):

Oh, man.

Jason Early (03:23):

I've been sprung a little bit more. So we have an office at Broad and Samson at 123 South Broad, and so we've certainly done, Mike's been in the office there, we've pulled some folks in. Some conferences are coming back online, so we've been out a little bit, but it's nice to feel the energy and be back in person for sure. But yeah, Mike and I joke all the time, our clients are a lot, financial services in New York and nobody's real interested in having us in the office.

Kyle Simpson (03:54):

It's very regional, even still. There's some places where showing up in person's just nonstarter, others that will say, "Well, we'll meet you out for coffee or something." Other places they're like, "Yeah, come on in. We'll do breakfast, lunch and dinner, no problem." It definitely varies based on where in the country you are. Well, it's nice to have you guys in the office and this has been a long time coming. We've been talking about having you on the podcast for several months at this point, so I'm excited to have you here.

Kyle Simpson (04:27):

For those of you listening, we've got Jason Early, who's the president of BizEquity, and Mike Gola who's the vice president of enterprise sales for BizEquity joining us today. I'm really excited about the discussion that we're going to have, because this is a topic that when I'm talking to advisors and our folks out in the field, they're always asking, "How do I better work with business owner clients? What's the secret?" So that's what you guys do, and we've been trying to get this program off the ground for the better part of the last year, I'm excited that we now have an

offering through our FS Thrive program to partner with you all on bringing some of what you guys do to the advisors that we work with. So I'm delighted to have you here and thanks for joining us.

Jason Early (05:22):

Super excited to be here, and I look forward to the discussion.

Kyle Simpson (05:26):

So let's start, for those who are listening that don't know the BizEquity name, why don't you give just a brief introduction, Jason, to what you guys do and your expertise.

Jason Early (05:40):

Absolutely. So we at BizEquity are a cloud-based business valuation platform, so our mission has always been to democratize business valuation knowledge for the business owner. So when you think about the owners of private companies, to value themselves traditionally is offline, it's very expensive, it's intrusive, it's time consuming, it's all these things. So the net result is they just don't do it. As the statistics go, 98% of privately held companies don't value themselves.

Jason Early (06:14):

We weren't okay with that, and so again, we've long been on this mission to democratize valuation knowledge and we do so by putting our technology in the hands of those that serve the business owner. So our clients are financial advisors, bankers, accountants, M&A folks, et cetera, who will license the software and be able to value their client's business in real time. So when you think about the marketplace dynamics in 98% of privately held companies not knowing what their business is worth, yet 78% of business owners say that they're going to fund their retirement through the sale of their business, that's a scary proposition.

Jason Early (06:55):

So by putting the technology in the hands of those that serve the business owner, they're able to provide that service, but more importantly, advice around that. So when you step back and think about certainly the financial advisors that you all serve and work with, how could you provide advice to a business owner if you don't know the value of the business? Be it retirement planning or personal financial planning or risk management or succession planning, capital structure, whatever it might be, knowing the value of the business is critical to all that. So we're laser focused on helping advisors and our clients better engage with business owners, and ultimately provide better advice.

Kyle Simpson (07:32):

That's excellent. How do those conversations usually start with advisors? How are they having those conversations today, absent what you guys do, or maybe they're not having those conversations? Then, how does that start, how does that conversation start when they come to you all to say, "Okay, I need help?"

Jason Early (07:52):

Well, I think anecdotally, we see this all the time. I may walk into a business, and Mike and Kyle own the business, and I say, "Guys, what's the business worth?" You look at each other and say, "I don't know, \$5-or-\$10-million bucks." So we say, "Great, we'll use seven and a half for the plan." That's traditionally how the planning process begins if business owners don't know that value.

Jason Early (08:18):

The market I would say is moving towards us from the standpoint of more and more advisors are focusing on the business owner today than ever before. Traditionally, you'd hear this notion in the marketplace perhaps that, "Well, why work with business owners? All their wealth is tied up in the business." I think what you've seen over the last decade or so is, as businesses transition or business owners exit, there is a tremendous opportunity for those in the advice business to manage those assets and so on. But if you show up knocking on the business owner's door when they exit to try and capture those assets, you're too late.

Jason Early (08:59):

So I think what advisors and the institutions are realizing is that we've got to be providing advice to business owners long before they think about exit. So more and more advisors are serving the business owner and so back to your question, how do we fit in? I think that our platform helps them engage with the business owner really early on. So knowing the value at exit time is one thing, the market's going to tell you what the business is worth at that time, but knowing it three or five or 10 years prior so you can understand what the value drivers are and grab hold of what that value is and what I need it to be, or what I desire it to be, our platform helps advisors do that.

Kyle Simpson (09:46):

It goes beyond just the assets and liabilities of a business too, when you think about valuation, there's insurance, there's succession, there's team composition and you guys take a lot of that into consideration when you're working with these advisors who are working with the business owner clients, is that right?

Jason Early (10:06):

Yeah. So when you think about our platform, advisors license the technology, they get their own white-labeled version of the platform, and so we're less a consulting firm, we're not engaged with the advisor and/or the business owner. Certainly, we support them as needed and have a team to do so, be it our client success team or the valuation team, but the advisor is really managing the software and pulling the business owner through it. You're exactly right, I think there's 143, correct me on that, Mike, data elements that go into the inputs. Which sounds like an awful lot, and you're certainly right, the financial data is critical, so you can collect three years' worth of financials, you can certainly do it with just one, but it goes much beyond that. So customer concentration, there's a lot of growth and operational metrics as well that we use sliders to determine the transferability of that business, the importance of the owner, things like that. So there's a lot of elements that impact the value.

Kyle Simpson (11:10):

Mike, I know you're spending a lot of time day to day talking to advisors who are either interested in using the technology or who are already using the technology, how do the best advisors that you all work with start and maintain these conversations with these clients?

Mike Gola (11:32):

Yeah, totally. So like you said, I'm working with advisors day to day and seeing how they're operating actually out in the field and engaging with the business owners, and I think it's really twofold. The advisors who have a big bulk of existing business owners, they're using it, number one, as a value-add. It's a way to give someone a valuation without them having to pay \$10, \$15, \$20,000, and they get that engagement and then from that engagement, now they can plan around that valuation, as Jason talked about. Anything under the financial planning spectrum we think you can do more effectively by knowing the value.

Mike Gola (12:09):

But then conversely, really I think this is probably the most widely used cases is using it as a marketing and engagement tool to attract new business owners. Because 98% of them don't value themselves, it's a huge opportunity to differentiate yourself as an advisor out in the field. If you're going up and saying, "Hey, I want to sell you some life insurance." The business owner's probably not going to bite on that. But if you go to them and say, "Hey, we offer complimentary valuations of your business," that's a little bit more of a warmer engagement and something that they probably haven't been approached about before. So it's just a huge differentiator simply because it's their most prized asset, but it's something they're probably not talking about on a day to day basis.

Kyle Simpson (12:51):

Yeah. I think one of you were sharing this story on a past call we've been on about if you asked a room of 100 advisors who worked with business owner clients and 80 hands might go up, and then you say, "Okay, how many of you work with more than five business owner clients?" There's three hands left. This is something that everybody says they do, they want to do, but there's very few people that specialize in it or that it makes up a core part of their business. So it sounds like some intentionality and strategy around how to have the conversation is maybe what separates those that make it a core part of their business from those that do it opportunistically, is that fair?

Mike Gola (13:38):

That's very fair, that's very fair. Yep, yep.

Jason Early (13:41):

We just reiterate the point early about the market moving this direction, and obviously we're biased, but we talk about this opportunity all the time. There's \$13.2-trillion dollars in business owner wealth that's set to transition over the next decade. So you think about whether it's 27 or 30 million, the statistics vary, but however many business owners there are domestically here, 10 million of those are Baby Boomer owned. So when you start to think about everybody's going to exit their business someday, some way, and so however that looks, there's a tremendous amount of wealth that's about to transfer and advisors need to be there today and need to have a strategy today to capture those assets over that timeframe.

Kyle Simpson (14:27):

You all have a really unique and interesting tool to help advisors find business owners in their area, that's right?

Mike Gola (14:37):

We do, we do. Yeah. We like to call it Zillow, but for small businesses. So it's a database of about 30 million or so small businesses that we've pre-valued or put an estimated value on, so essentially getting public data and then serving up an estimated value. Then within those contacts, there's also individuals with their key contact information. So for example, if you're an advisor in Philadelphia and you want to look up dental practices estimated between \$2 and \$10-million dollars, you plug it in and it pulls up your list, and then you click on each prospect and it gives the key contact information, for some it's one individual, for others you can see up to 20, and then it has that estimated value.

Mike Gola (15:16):

So what makes it unique is really not the key contact information, you can get that from Google or other marketing software, what makes it unique is that valuation estimate, where someone could reach out to a prospect or even a current client and say, "Hey, we see here you're

estimated at \$4.2-million dollars, mister and missus business owner, that may or may not be correct, but what I'd love to do is sit down and get you a full comprehensive valuation of your business."

Kyle Simpson (15:39):

Is there a target size for a business owner client to best take advantage of what you guys do? Is it a \$5-million dollar revenue business, is it a \$100-million dollar revenue business? Is there a sweet spot for you guys?

Mike Gola (16:01):

I don't think ... Well, yes and no, and not to sound wishy-washy. So we see valuations come in every day all across the spectrum, you'll see some for a couple-hundred-thousand, we'll have some nine-figure ones come in. But I think if we're talking sweet spot and it doesn't mean it's necessarily the best, it just means it's the most widely used is probably in that, what, \$5 to \$25-million revenue range or somewhere in that window.

Jason Early (16:23):

Yeah, I think Mike's right on it. The reality is it's a function of who our clients are, so it's who are the advisors on our platform serving? I think we see most of those businesses are in that \$5 to \$50-million dollar valuation range. Now, to Mike's point, we have businesses that come through several-hundred-million dollars quite often, we have businesses that come through several-hundred-thousand dollars quite often. But that \$5 to \$50-million dollar range is what we see most.

Jason Early (16:51):

That doesn't mean that's what the software is designed for, I would say the software, we cover over 800 industries on the platform and so the software is built for privately held businesses, period, full stop. So regardless of size, we can value the business right, provided that the data's right.

Kyle Simpson (17:12):

Yeah, that's great. Jason, why don't you give the audience a sense for your distribution footprint, who you all are working with and where you're seeing success.

Jason Early (17:23):

So our business model is such, again, that we license our technology to the financial services base, 99% of our revenue is driven from subscription software fees to that space. So banks, wealth management, insurance, accounting firms and the like, and we go at it a couple ways. So we've got individual subscribers at the advisor level, and then certainly we've got enterprise relationships. But our client is anybody that serves the business owner. So when you think about the ecosystem of folks that provide some sort of financial advice to the business owner, a lot of people say to us, "Well, I'm not really in the valuation business." We are not trying to launch you into the valuation business or make you a valuation specialist, people are utilizing our platform to, I think as Mike said earlier, differentiate themselves in the marketplace, to add additional value and equip themselves to provide better advice.

Jason Early (18:25):

Because again, when we're being brash and we're talking to advisors, it's insane to us that you would provide advice to a business owner without knowing the value of their largest asset. So our platform enables you to understand that information and then provide advice around it. So as a result of that, most of our clients are in the financial advice business. So we work with several of the institutions on the wealth management and/or insurance side, and then we work

with thousands and thousands of the independent advisors. I think that's where we see the most success, we've got some very large banking clients, we certainly work with a lot of accountants, we certainly work with some M&A folks, but I think most of our success stories come from the financial advice space. I think Mike's certainly got some great examples of success stories of advisors engaging with business owners on valuation and creating good outcomes.

Mike Gola (19:20):

Yeah. So we have, as Jason mentioned, dozens and dozens of success stories from our advisors. One that comes to mind that I share all the time, probably too much, but it's a pretty powerful use case, was an advisor, wirehouse advisor out of Pittsburgh had this client for a long, long time, trucking company, the ownership was four siblings, one of which was his client. These siblings could never quite get on the same page about the value of this business, and he became a partner of ours about three and a half years ago or so, and the very first call he made was to one of the brothers who was his client and said, "Hey, I've got this software, BizEquity, we've become partners, I think we can finally get you an appropriate valuation, let's get everyone together."

Mike Gola (20:04):

So they sat down, ran it through the platform, turns out it's about \$193-million dollar trucking company. From there, the result of it was he increased the buy-sell insurance, I think it was from \$5-million to about \$30-million, generated about \$160-million in assets under management, generated a corporate planning fee, and a lot of other benefits. But the key to the story and the part that I like the most is that he only had one of the four siblings as a client before, after this engagement he now works with all four of them. So he has now a \$190-million dollar company, but he now has three new clients that he didn't have before, just simply from that engagement and getting them a valuation.

Jason Early (20:45):

I think what's exciting about that and what gets us out of bed every morning is, we think about it in terms of outcomes and the outcomes that we create. So not only, obviously it was a great outcome for the advisor, but it was really a great outcome for the business and the four family members. So this is a business that obviously, and this is a larger case or business, but this is four family members that couldn't agree on the value of the business, they've come together, they've agreed on the value of the business, and the planning that was set in motion as a result of that, that was the blocker to executing on critical financial planning for four individual family members and the business. So the planning that resulting from them agreeing on the valuation was huge. Again, the outcomes that come from businesses understanding the value of their business is what excites us and that's what gets us out of bed every day.

Kyle Simpson (21:39):

It was that story I remember when we were talking about this a year-plus ago, made me think this is something we absolutely have to include a part of this Thrive program that we've created here at FS. Because not only do we hear it from the advisors that we work with that this is something that matters to them, that they're thinking about all the time, but when you hear an actual success story like that, and to your point, Jason, it is a great success for the advisor and an equal, if not greater story for the individuals and the business. That's the type of program that we're trying to bring more to our advisor base. So it's an awesome story, I think what you guys are doing is really unique and differentiated. So maybe talk a little bit about what interested you all in partnering with us on bringing this to our advisor base.

Jason Early (22:47):

Yeah. I think, look, we are driven by that mission that I talked about and the democratization of valuation knowledge for owners, so any way that we can get our software and/or valuation reports in the hands of more business owners, we love. What you all do in how you partner with advisors and specifically Thrive, the value-add program that you provide to the advisors that you work with is a tremendous opportunity for us to get in front of more people. The more advisors that we're in front of is ultimately the more business owners that we're in front of, and ultimately the more people that we can help.

Jason Early (23:26):

So I think that we're tremendously excited to be a part of this program, I think advisors that are forward thinking and thinking about their practice, and I love the word you used earlier about intentionality, so advisors that are going to market with intention and trying to help business owners, we serve a very small niche, but we are a high impact partner in that regard. So we're thrilled to be partners with FS and Thrive and excited about the impact we can have.

Kyle Simpson (24:04):

Any other thoughts, Mike?

Mike Gola (24:05):

That was pretty good.

Kyle Simpson (24:10):

How about any final recommendations for advisors who are thinking about starting to talk to more business owner clients, anything that they should be weaving into those conversations or just any considerations they should have as they maybe go from dipping a toe into that pool to diving head first?

Jason Early (24:34):

For me, I think that advisors, a lot of times it's like the shoemaker's shoes, advisors need to have a plan, so to have a comprehensive plan of attack to go after the business owner market. So if you're not in that market today, I think you need to sit down and think about some key relationships that you have that you can leverage to get into that space. I would say for starters, don't overthink it. It can be dead simple in terms of, you very certainly have some accountants that you know that have business owner clients, you very certainly have some personal relationships in your life that own businesses, start with a couple conversations and start to talk to some business owners or accountants that might be centers of influence for you about the value of their business and how they think about that today.

Jason Early (25:20):

So if you want to start to use BizEquity and/or whatever it is as a door opener, start to have those conversations around business value. Then I say, once you get comfortable in some of those conversations, I think that the successful advisors that we see go really deep into specific niches, they don't serve every industry, they're laser focused on one, perhaps two industries, that they can build some domain expertise around and really be an expert.

Kyle Simpson (25:56):

Great advice. Yeah.

Mike Gola (25:57):

To go with that, Jason mentioned earlier the fact that we don't expect anyone to be an expert, so I would encourage everyone, don't hesitate to reach out to business owners, whether it's a prospect or a current client, because business owners right now, they may not know they need

help, but they do. They're looking for that guiding light right now. Unfortunately, everyone's gone through a tough two years, business owners most especially, and their time for exiting the business has been condensed now. Maybe it was 10 years, now it's maybe three to five years, it's accelerated. So they need that help now. I would encourage everyone, don't hesitate, they need help and you'll be pleasantly surprised I think the type of response you'll get in offering to give them the value of their most prized asset really.

Kyle Simpson (26:41):

That's a great point. The environment for, I'm sure many industries, looks drastically different now than it did 24 months ago, so I'm sure those conversations have changed significantly as people are thinking about what's the future of my business amidst the times that we're in? Yeah, that's a really good point. So guys, you know the FS Thrive mission is to help advisors thrive at home, thrive at work and thrive in their communities. So we are creating a whole host of programs and content to deliver to advisors to help them do that. Curious how you all thrive, I think we've talked a lot about how you're thriving at work, so maybe how you thrive at home or in your communities, how you keep your balance amidst some really busy day jobs.

Jason Early (27:39):

Mike, I suppose I'll go. I think it's a great question and certainly love the mission of what you all are doing. Look, over the last couple years, we touched a little bit about the pandemic, as a software company it was a fairly easy transition to remote for us, and so that's certainly brought a lot of the work/life balance stuff I think for a lot of folks, brought it clearer for folks. For me, I'm a new dad, I've got a 20-month old and so I really realized that sleep makes me thrive and I'm missing that big time. But no, this is awesome, so great to be here and be a part of it.

Kyle Simpson (28:20):

Regular sleep schedule. Mike, how about you?

Mike Gola (28:23):

I have no children, I sleep very well, eight hours every night. What helps me thrive, and it may sound very simplistic, but my friends and family and more so just being able to communicate with them every day. You get off a great call, you can call a friend, "Hey, it went awesome." Or maybe you're having a bad day, you can pick up the phone, call a friend or family member, try to keep me balanced and keep me going. So I rely heavily on my friends and family, sometimes they're a personal psychiatrist, so to speak. So it's great having good people around you, I think that's very, very important.

Kyle Simpson (28:57):

Love that. Yeah, that's great. I'll share mine today, I'll get to do this every episode, so I'll have to come up with a new one each time. But today, thriving, I'm definitely feeding off the in-person energy. We've all been seeing each other virtually through screens for the last two years, so it's nice to be face to face. You all are in Philadelphia, our home office is in Philadelphia, so this was a great excuse for us to leave our houses and come meet up in the office and record face to face. So definitely getting a lot of energy from that, so appreciate you guys making the short drive over.

Kyle Simpson (29:36):

For those of you listening, if you want more information on BizEquity and the programs that we're offering, you can go to the FS Thrive website, it's FSInvestments.com/FS-Thrive. You can also go to the BizEquity website, they've got plenty of information, tutorials, whitepapers, blog posts, if you have just more questions about valuation, about what they do, definitely check



that out, that's a great resource. But we hope to be hearing from you soon and hoping to bring one of these events to your area. So with that, Jason, Mike, this was a pleasure, enjoyed having you out, and looking forward to the next episode.

Kyle Simpson (30:27):

If you enjoyed today's episode, be sure to like and subscribe to the podcast.