



Realizing Value for Business Owners and Stakeholders

Driving Your Company's Value, Assisting Business Owners in Creating Wealth Winter 2007

A newsletter on the Strategic Benchmarking for Value (SBV) model and its Process Entry Points, ROSE Analysis, Mobley Matrix, DuPont Formula, and Management Education.

Dear Business Owner, Financial Manager, or Professional Advisor,

Timothy L. Rhine, PointeBreak Solutions, Inc.'s Founding Partner, Corporate Capital, Inc.'s CEO and President, and a Charter Member of the Strategic Benchmarking for Value Network, is pleased to present the Winter 2007 issue of Driving Your Company's Value, Assisting Business Owners in Creating Wealth.

In it, we discuss the Strategic Benchmarking for Value (SBV) model and its Process Entry Points; ROSE Analysis, a Process Entry Point that determines whether a company's value is going up or down, and why; Mobley Matrix, an analytical tool created to help business owners and managers use financial reports strategically; DuPont formula, an analytical tool that measures return on equity; and Management Education, a Process Entry Point that provides business literacy to management professionals for more efficient and effective leadership.

This newsletter also addresses these special points of interest:

- Create a company that is metrics managed, leading to a greater return on equity, increased cash flow, and greater value for a company.
- Use the DuPont formula to get a complete picture of a company's financial situation.

I invite you to call me directly at (800) 992-3776 to discuss the Driving Your Company's Value, Assisting Business Owners in Creating Wealth newsletter, as well as the practice of assisting business owners in creating wealth in general. As a PointeBreak Solutions and Corporate Capital principal, I will be glad to assist you in any way I can.

Sincerely,

Timothy L. Rhine

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CEO & President, Corporate Capital, Inc.

DRIVING YOUR COMPANY'S VALUE[®]

ASSISTING BUSINESS OWNERS IN CREATING WEALTH

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THIS ISSUE

The SBV Model	1
ROSE Analysis	1
Mobley Matrix	2
DuPont Formula	2
Management Education	2

SPECIAL POINTS OF INTEREST:

- ◆ Create a company that is metrics managed, leading to a greater return on equity, increased cash flow, and greater value for a company.
- ◆ Use the DuPont formula to get a complete picture of a company's financial situation.

Strategic Benchmarking for Value (SBV) is a structured process that assists business owners in creating, increasing, and realizing the value of their business. The SBV model creates a company that is metrics managed, leading to a greater return on equity, increased cash flow, and greater value for that company.

Because its developers understood that most privately owned companies do not possess the resources it takes to implement a performance measurement system in less than a year, the SBV model is comprised of different components, also known as Process

An SBV Process Entry Point, Return on Strategic Effectiveness (ROSE) is an effective method for measuring the success of a company's business strategy. In other words, ROSE – based on key performance metrics at the enterprise level – determines whether a company's value is going up or down, and why. ROSE can be quickly

The SBV Model

Entry Points, they can implement over a period of time. This makeup lets business owners enhance value via a series of small projects, focusing on each of their company's critical success factors at a time.



IMPLEMENTING THE SBV MODEL REQUIRES A "POINT OF ENTRY."

The model's 16 Process Entry Points include ROSE Analysis, Manage-

ment Education, KPI Identification, Corporate Governance, Strategic Risk Map, Personal Compensation Scorecards, SWOT Analysis, Profit Enhancement, CSF Identification, Strategic Planning, Organizational Effectiveness, Cash Flow Management, Strategic Audit, Value Chain Analysis, Cycle of Customer Interaction, and Employee Education.

These Process Entry Points let companies decide where and how to enter the SBV process, monitor the results, further customize the process to fulfill their needs, and decide when to enter into the next phase.

ROSE Analysis

installed in any firm (installation takes four to 10 hours, depending on the training provided), provides a basis to understanding how the three financial statements work together, can be used as a planning model, relates financial drivers to financial outcomes, and accounting professionals already understand its basic concepts.

For a company to be successful, its business strategy must increase investors' return on equity (ROE), and consistently increase the company's free cash flow over time.

ROSE uses the DuPont formula to monitor a company's ROE, and the Mobley Matrix to monitor a company's operating and free cash flows.

Mobley Matrix

The Mobley Matrix was created in the 1960s by Lou Mobley of IBM to help business owners and managers use financial reports strategically. The Mobley Matrix provides a guide to understanding integrated financial statements, showing relationships among the starting balance sheet, income statement, cash flow statement, and ending balance sheet.

All businesses need a cash flow statement and income statement to evaluate their performance, and the balance sheets tie both together at specified intervals to show the result of all business transactions. The Mobley Matrix is a simple one-page matrix that places the beginning balance sheet on the left-hand side of the page, the income statement next to it, the cash flow statement to the right of

the income statement, and the ending balance sheet on the right-hand side of the page. This arrangement of the financial statements reveals cause-and-effect relationships – the causes generate different effects depending on where they show up on the financials – which businesses can use to determine exactly what produced the changes from one balance sheet to the next.



THE MOBLEY MATRIX LETS NON-FINANCIAL EXECUTIVES COMMUNICATE WELL WITH FINANCIAL EXECUTIVES.

DuPont Formula

The DuPont formula is an analytical tool that measures return on equity (ROE), giving a much more complete picture of a company's financial situation than the traditional formulas of ROE, return on investment, and return on assets. Created to effectively differentiate between companies with different financial leverage and asset turnover rates, but with the same ROE, the DuPont formula says that ROE is

equal to the product of three ratios:

1. Profit margin (net profit divided by sales).
2. Assets turnover ratio (sales divided by total assets).
3. Leverage ratio (total assets divided by beginning net worth, which is approximately equal to one plus your debt to equity ratio.)

By increasing any one of the three ratios, a company

can increase its ROE. For example, if a company increases its net profit margin, generates more sales out of its existing assets, or increases its leverage or debt load, ROE will increase as a result. But if a company increases only leverage, it may cause long-term damage.

By using the DuPont formula, a company can determine what is happening to its ROE and why.

USE THE DUPONT FORMULA TO DETERMINE WHAT IS HAPPENING TO A COMPANY'S ROE AND WHY.

Management Education

Companies can use Management Education to enter the SBV process, providing business literacy – which includes fostering an understanding of teamwork, as well as of the relationship between company operations and ROSE Analysis – to management professionals for more efficient and effective leadership.

Management Education improves managements' ability to manage a company, gives management an equal knowledge base, gives companies the opportunity to teach SBV methodologies, and increases the speed at which value (revenue growth and improved profitability) is achieved within the company.

Management Education is an effective SBV Process Entry Point if management needs more financial and teamwork development training, needs more competency in business planning, is highly educated (engineers, scientists, etc.), but is not trained in business, or the business owner does not possess the ability to train management.



MANAGEMENT EDUCATION IMPROVES MANAGEMENT'S ABILITY TO MANAGE A COMPANY.