



REVENUE MIX, BACKLOG, & SUSTAINABILITY

DESCRIPTION

- **Revenue Mix:** The diversity of revenue sources. A balanced mix reduces risk and increases stability.
- **Backlog:** The total value of unfulfilled orders, showing future revenue potential.
- **Sustainability:** The long-term viability of revenue streams and market position. Sustainable businesses adapt to market changes and maintain stable cash flow.

WHY PRIVATE EQUITY CARES

- **Revenue Mix:** PE values diversified revenue for stability and growth. Heavy reliance on one product/customer adds risk.
- **Backlog:** A strong backlog indicates future revenue, reducing uncertainty and improving forecasting.
- **Sustainability:** PE prefers businesses that can weather market shifts and sustain long-term growth, as they offer predictable returns.

IMPACTS ON SELLER

- **High Stability:** Higher valuation, attractive to buyers with less perceived risk.
- **Moderate Stability:** Moderate discount, potential for adjustments based on future growth or operational risks.
- **Low Stability:** Significant discount due to future uncertainty and buyer concerns over risk.

EXAMPLE

Factors	Low	Medium	High
Revenue Stability	<10% fluctuation	10-25% fluctuation	>25% fluctuation
Valuation Impact	+0-10% of EV	-10-20% discount to EV	-20-40% discount to EV
Buyer's Risk Perception	Low	Moderate	High

