Pipeline - Expected Value 🗎

Expected Value

The Expected Value (EV) of an opportunity is the value of the opportunity weighted by the probability of winning the opportunity. It is the key metric allowing you to measure the health of you Business Pipeline.

The EV of an opportunity is expected to evolve over time. If won the EV of an opportunity will be equal to the Total Value of the opportunity (probability equal to 100%).

$$EV = \$ \times \%O$$

Where

- EV - Expected Value
- $ - Total Value of the opportunity
- %O - Probability of the opportunity

Component of EV

The EV of an opportunity is composed:

- EV Margin - The part of the EV that is margin
- EV Revenue - The part of the EV that is expected to be used to execute the contract if won.

$$EV = EV_{margin} + EV_{revenue}$$

EV Monthly Average

The spread of the EV over the duration (in months) of the contract.

$$EV_{average} = \frac{EV}{duration}$$