

# Business Growth Optimization

## Exit Strategies – Selling at the Highest Valuation

*Presented by :*

 ITGlue

 Kaseya

 GRAPHUS

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# Selling Recurring Revenue Services Changes... EVERYTHING!

Value Proposition

Products/Services

Bundles/Tiers

Pricing

Marketing

Sales

Delivery/Maintenance

Increases Valuation

# 11 Metrics Every SaaS Company Should Care About\*

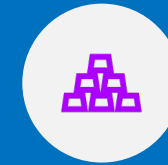
*...and you should too – as it affects your company valuation!*



CUSTOMER  
CHURN



REVENUE CHURN



CUSTOMER  
LIFETIME VALUE  
(CLV)



CUSTOMER  
ACQUISITION  
COST (CAC)



MONTHS TO  
RECOVER CAC



CAC TO CLV  
RATIO



CUSTOMER  
ENGAGEMENT  
SCORE



QUALIFIED  
MARKETING  
TRAFFIC



LEADS BY  
LIFECYCLE  
STAGE



LEAD-TO-  
CUSTOMER RATE



CUSTOMER  
HEALTH SCORE

\*Source: Hubspot's 11 Metrics Every SaaS Company Should Care About  
<https://blog.hubspot.com/service/saas-metrics>

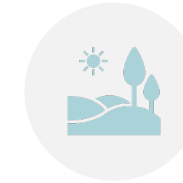
# Why Sell?



YOUR BUSINESS IS AT A  
HISTORICAL HIGH  
POINT



IT'S A BUYER'S MARKET  
– AN OFFER YOU CAN'T  
REFUSE



RETIREMENT



LIFESTYLE CHANGE –  
TAKE RISK OFF THE  
TABLE



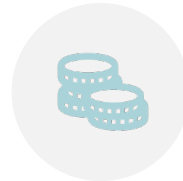
OTHER BUSINESS  
OPPORTUNITY



PARTNER PROBLEMS



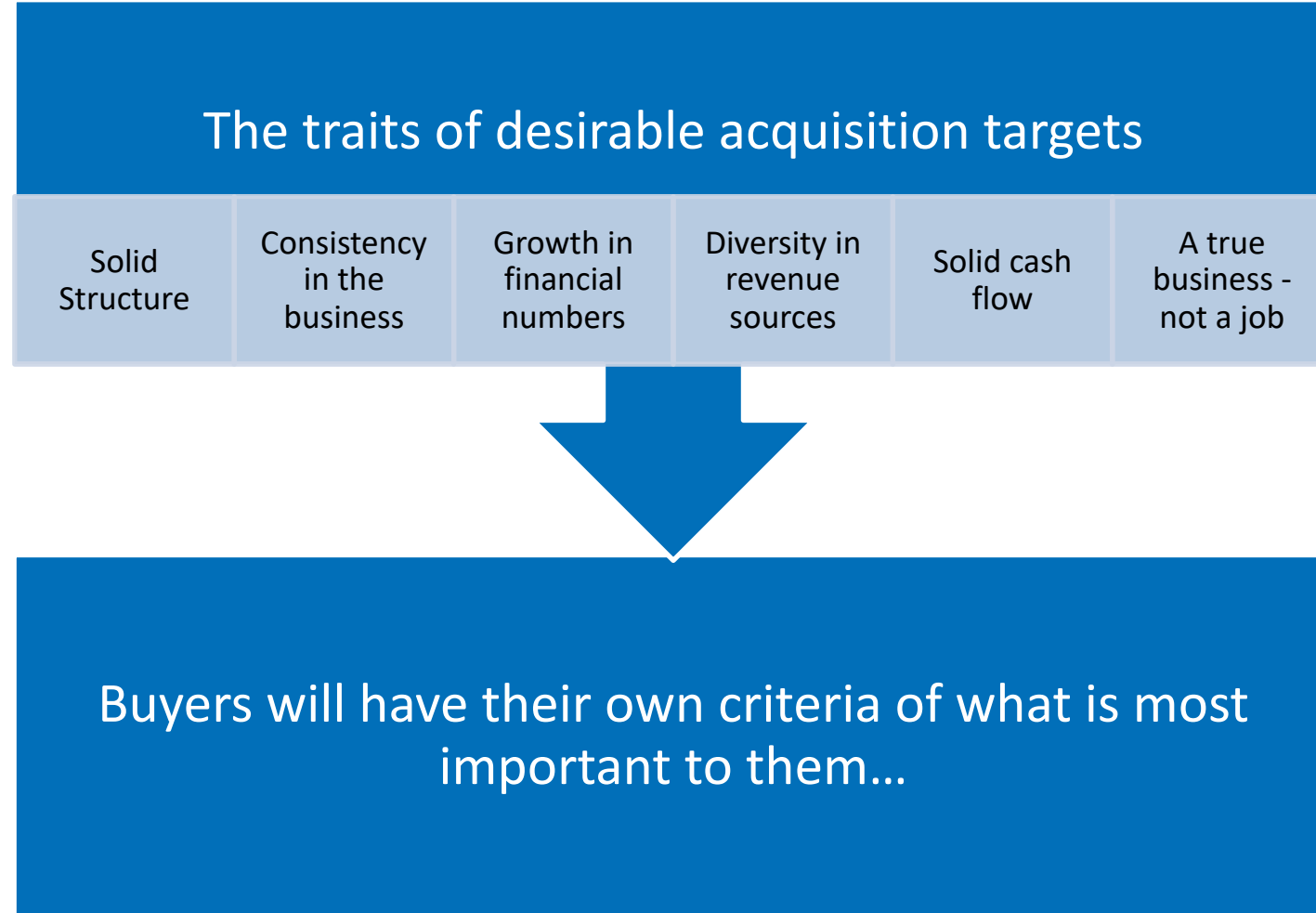
HEALTH OR OTHER  
PERSONAL ISSUES



GROWTH IS STAGNANT  
– YOU'VE TAKEN THE  
COMPANY AS FAR AS  
YOU CAN

Courtesy of Jay McBain - Forrester®

# What are Buyers Looking For?



Courtesy of Jay McBain - Forrester®

# What is a Business Worth?

- Valuation Can Be Significantly Influenced by the Type of Buyer
  - Financial Buyer
  - Strategic Buyer
- 2 Important Factors
  - Valuation
  - Evaluation

- Business valuation is not just based on gross revenue but on profit and cash flow
  - Typically, an industry-based multiple of EBITDA
  - Gross revenue multiples used if profits match
  - Other methods possibly used are discounted cash flow (also known as income capitalization) and MRR
  - Normally 2 or 3 methods involving 3 years of financial data are implemented and an average taken

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization

*A measure of a company's financial performance, acting as an alternative to other metrics like revenue, earnings or net income. In its simplest form, EBITDA equals a company's Net Profit + Interest + Taxes + Depreciation + Amortization.*

# High Performer Gross Margin Targets



## Gross Margin Goal

Target = >60% for Services &  
Subscriptions, 30% for  
Hardware

Higher is Better



## SG&A Goal

Target = <30%

Lower is Better



## EBITDA Goal

Target = 18%

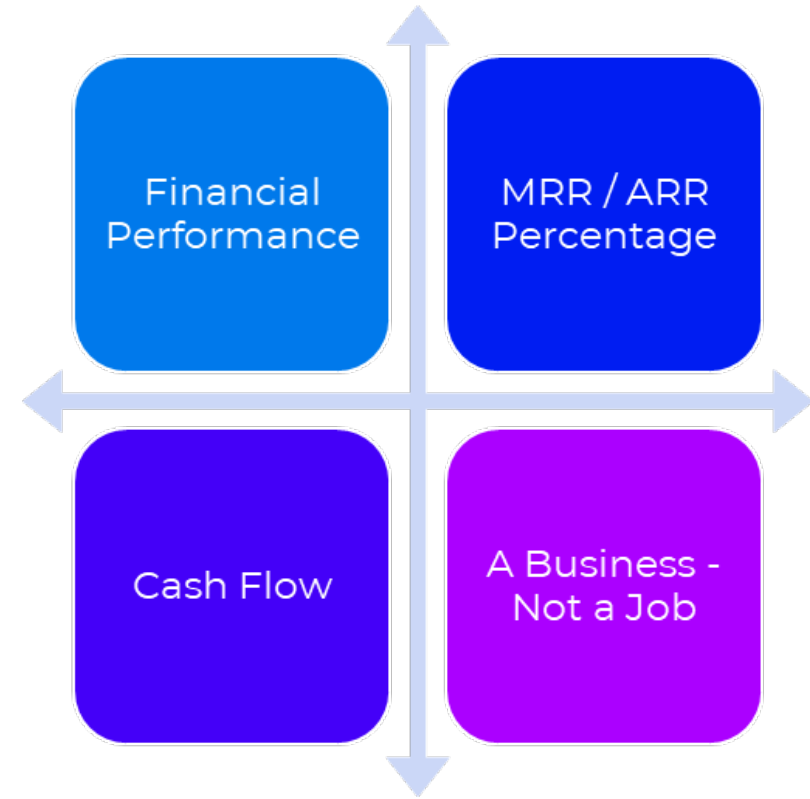
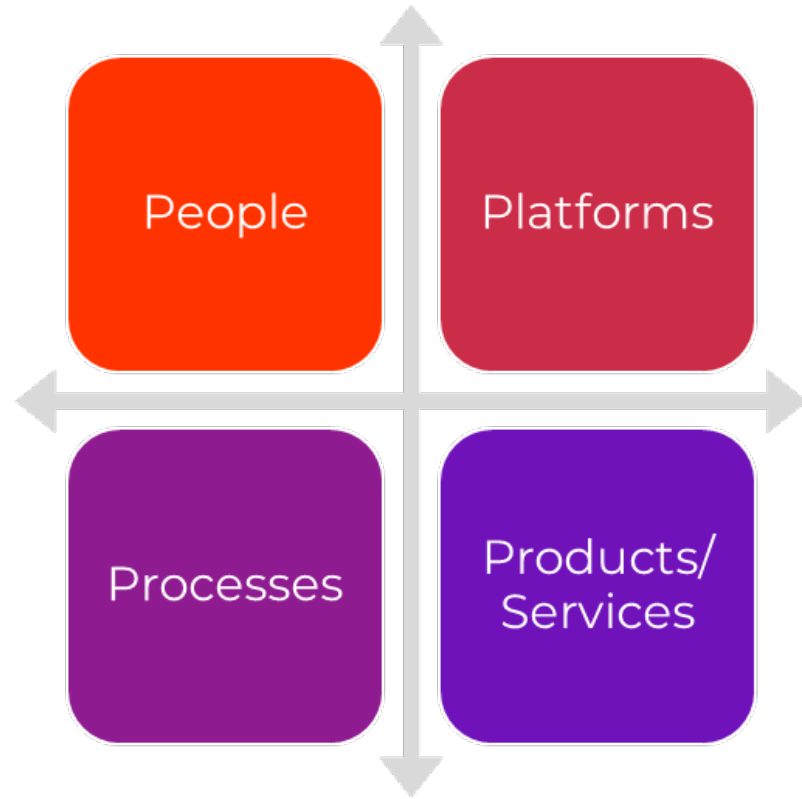
Higher is Better



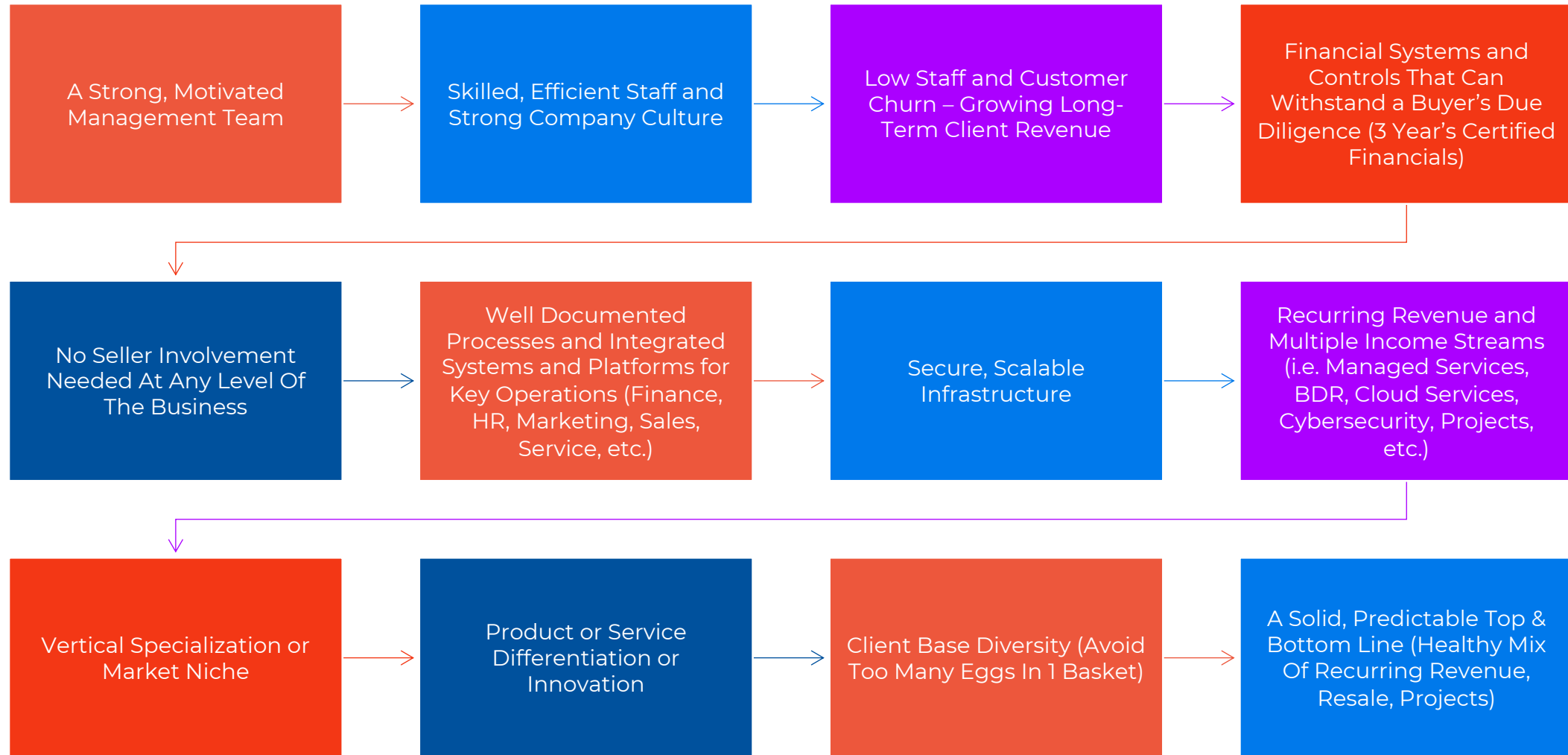
# How Will Your Business Be Valued?

Valuation Basis	Non-MRR/ARR Business Model	MRR/ARR Business Model
Revenue Multiple	0.2-1.5x	2-6x
EBITDA Multiple	2-2.5x	5-14x

# What is the Business Evaluation Criteria?



# How Can You Maximize Your Business Value?



# What Else Influences a Higher Business Valuation?



Profit is maximized



Time is used productively and is well managed



Business does not rely on the owner to function on a day-to-day basis



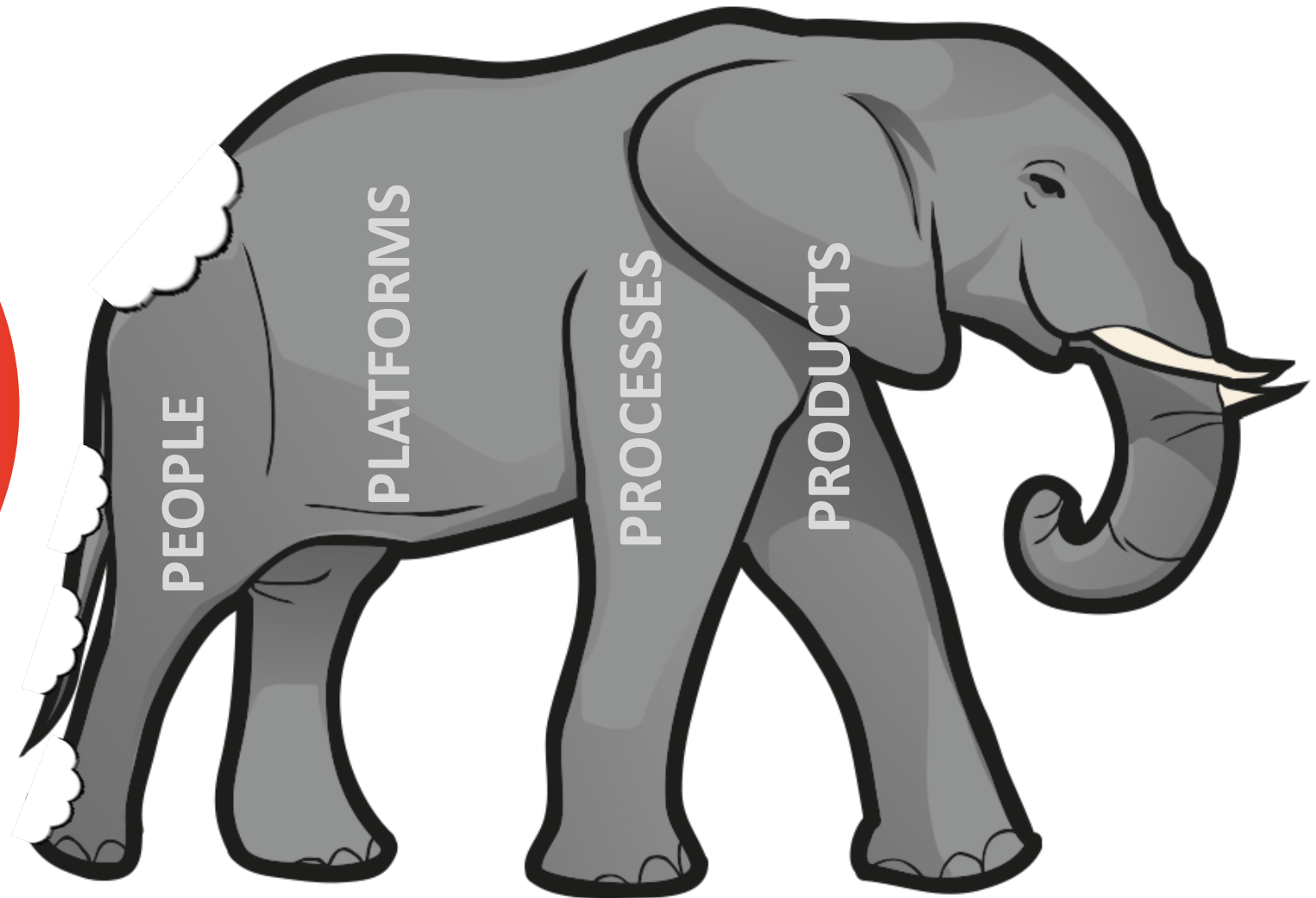
Operational functions of the business are predictable, systematized, and/or automated



Clients are more ideal & well managed minimizing the need for constant new clients

# The Four “Ps”

Eating The  
Elephant –  
Growing  
Business Value  
One Bite at a  
Time



# Maximizing People Value



## Behavioral Assessment

DISC, Motivators, Leadership,  
Morale, Role Suitability



## Talent Management

Hiring, Performance, Comp Plans,  
Training, Mentoring,  
Competencies, Utilization, KPIs,  
Profitability, "Seat on the Bus"



## Capacity Planning

Org Chart, Tiering, Resource  
Allocation, Succession Strategy,  
Help Desk, Sales, Back-Office

# Maximizing Platform and Systems Value



## Internal PSA, RMM, Documentation Systems

Integration  
Optimization  
Automation  
Reporting



## External 3<sup>rd</sup> Party Services and Solutions Systems

Deployment  
Management, Maintenance and Updating  
Security, Scalability, Reporting

# Maximizing Process Value



- It's All About Documentation
  - Provisioning, Service Desk, Call Center, NOC, Dispatch, Incident Mgmt, Change Mgmt, Communication Mgmt, Risk Mgmt, Lifecycle Mgmt, Project Mgmt, Alerting, Escalation, Q/C, Ticket Closure, Documentation, Reporting, R&D, Security, Backup, Business Continuity, Disaster Recovery, Vendor Mgmt, QBRs, New Customer On-Boarding, Internal Meetings, Marketing, Sales, Hiring, Events



# Maximizing Product and Services Value

Services	SLAs	Agreements	Vendor Partners
Pricing	Exclusions	Profitability	Security
Liability	SOWs	Outsourcing	Applications

# Financial KPIs



# Marketing KPIs



Marketing Activities



Sales Revenue Generated



Number of Marketing Qualified Leads Generated (MQL)



Number of Sales Qualified Leads Generated (SQL)



Cost Per Lead (MQL, SQL)



Customer Acquisition Cost (CAC)



Customer Lifetime Value (LTV)



Marketing ROI

# Service Desk KPIs

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Tickets Received

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Tickets Resolved

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Time to First Response

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First Contact Resolution Rate

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Average Resolution Time

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Customer Satisfaction

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Cost Per Ticket

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Profit Per Ticket

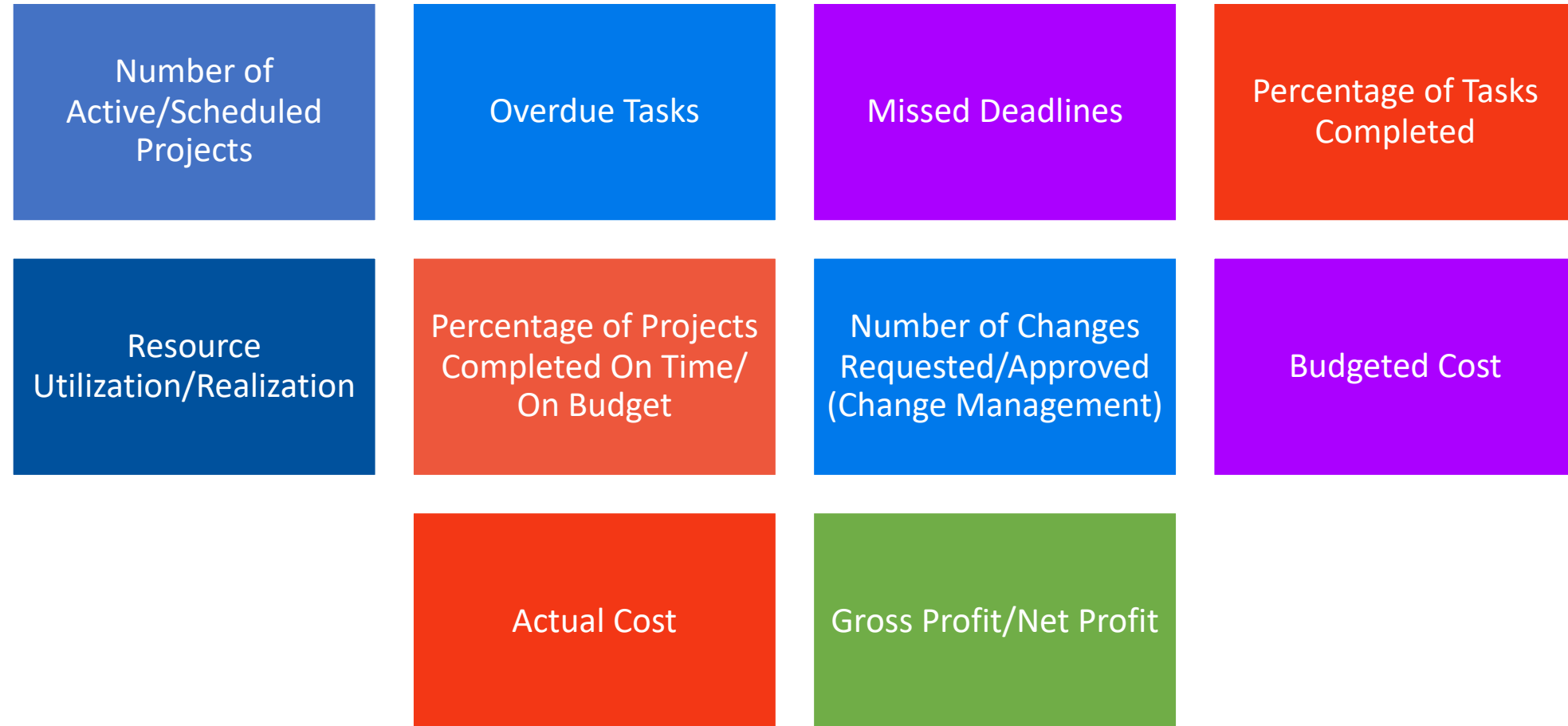
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SLA Success Rate

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Technician Utilization/Realization/Profitability

# Project Management KPIs



# What Does the Buying/Selling Process Look Like?

- A Confidential Information Memorandum (CIM) is created to interest buyers
- A Potential Buyers/Sellers List is created and marketed to
- NDAs and Confidentiality Agreements are Signed, CIMs are Sent to Interested Buyers
- Interested Buyers Will Send an Indication of Interest (IOI) or Letter of Interest (LOI) Detailing Initial Valuation and Deal Structure Parameters Should Due Diligence Support CIM and Business Performance Representations (Price, Earn-Out, etc.)
- Due Diligence Phase - Valuation & Evaluation Occurs (operational, financial and legal history is scrutinized along with management and staff, customer information and agreements, marketing, sales and service processes, etc.)
- Negotiation – Where the Post-Sale Transition Details are Hammered Out Between You and the Buyer (Purchase and Sale Agreement, Transitional Service Agreement, Non-Compete Agreement, Transition Agreement are Finalized)
- Purchase is Completed and the Post-Sale Transition Process Begins

# Expect To Provide Prospective Buyers:

Last 3 Years of  
Bank Statements,  
Certified Financials  
and Tax Returns

Corporate Records

Current Year  
Financials with  
Variance  
Explanations

A/R, A/P Aging  
Report

Fixed Asset and  
Inventory Reports

Property Leases

All Insurance  
Policies, Licenses  
and Permits

Employee Benefits  
Policies

Org Chart,  
Employee Resumes  
and Compensation

Customer  
Agreements

Vendor  
Certifications and  
Agreements

Operational  
Processes, Policies  
and KPI Reports

Sales Pipeline

Intellectual  
Property

**The most  
complex sales  
transaction in  
your life**

**Don't go it  
alone!**



Financial  
Accountant /  
CPA



Tax CPA /  
Lawyer



Experienced  
M&A Attorney



M&A Advisor,  
Broker, or  
Banker



M&A Coach?