

Service with Integrity & Commitment

If you own an alarm company or fire company, you may be interested in selling your company today or forming an exit strategy for the future. If so, below are some thoughts on how to achieve the best combination of price and terms for your business.

Q. Do you have contracts for your accounts and have you kept your contracts current to meet legal requirements?

A. If you don't have contracts almost every buyer will walk away or offer you pennies on the dollar.

Q. Does your contract have a limitation of liability clause?

A. Buyers fear that without a limitation of liability clause that damages awarded can be very large and therefore the transaction is not worth the risk.

Q. Do you own your receiver lines?

A. If your accounts are on mixed phone lines, almost every large buyer will walk away. The buyer can choose to either keep the accounts at the current central station or swing them to his central station. If your accounts are not on your own toll free number, now is the time to begin that process.

Q. The big question is: WHAT IS MY COMPANY WORTH?

A. The sale price is based on a multiple of your monthly recurring revenue, with the multiples increasing as the size of the recurring revenue increases. Currently, companies sell between 30 and 42 times this recurring revenue.

Q. What about a holdback?

A. Almost all transactions in the alarm monitoring industry have holdbacks. Running your company such that attrition is low allows you to get back the greatest amount of your holdback money.

Q. Will the buyer keep my people?

A. In today's market, all types of buyers exist. Some want only accounts, some want whole companies but don't need many people, and others want almost all the people. If the buyer wants a new market he will keep all the salespeople and technicians to service the market. The market is so flush with buyers right now that a seller can usually pick and choose the scenario he wants for his people.

Q. Is the purchase price just a multiple of the monthly recurring revenue or do balance sheet items bring extra value?

A. Balance sheet items such as accounts receivable, inventory and vehicles have value. Some buyers will offer a total price expressed as a multiple of monthly recurring revenue and others will offer value for the recurring revenue and balance sheet items separately.

THE BOTTOM LINE: IT IS CURRENTLY A SELLER'S MARKET. FAR MORE BUYERS EXIST THAN SELLERS, WHICH DRIVES MULTIPLES UP AS THE BUYERS COMPETE FOR THE SAME ACCOUNT BASES.

IF YOU HAVE ANY QUESTIONS REGARDING SELLING YOUR COMPANY, PLEASE CALL ME AT 972-740-2740 OR EMAIL ME AT bepstein4@sbcglobal.net.

Barry Epstein, President of Vertex Capital, represents buyers and sellers throughout the Life Safety sector. With over 20 years of industry experience, he has completed numerous acquisitions in areas that include monitoring, integration, fire, guard and medical alert. He is a frequent industry speaker on growth through acquisitions, exit strategies and the current state of the acquisition marketplace. Vertex represents buyers ranging from public companies and private equity firms to super regional's and local buyers. The company represents sellers of all sizes, from SDM 100 companies to local dealers.

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