

# Seven Actions Alarm Companies Can Take to Increase Their Value

By Jim Wooster

The team from Alarm Financial Services has been involved in hundreds of acquisitions over decades in the electronic security industry. As buyer, seller, lender and advisor, we have seen all aspects and all angles of the process, most of the time with our own money at stake.

In contrast, for the owner of a security and life safety company, the sale of a business may occur only once in a career. There may be only one chance to get it right. So, purposeful preparation ahead of a company sale is essential to increase the value and ensure a smooth process. What, then, should a company owner focus on? AFS identifies seven actions you can take to maximize the



value of your company and avoid the all too common misfortune of leave money on the table.

In no particular order:

1. Clean Up Customer Contracts – First, consult an industry attorney to make sure the versions you are using currently and over the years conform to industry standards. Then clean up missing, ineligible, un-signed, non-assignable contracts.
2. Address Accounts Receivable – Are you on top of collections efforts? Customer accounts that are significantly past due (over 90-days or maybe even 60-days late) will be thrown out of a deal. In some cases, we have seen poor record keeping and bookkeeping practices make the AR look worse than it actually is.
3. Measure Attrition – For as important a measure as attrition is for recurring revenue companies, it is surprising how few alarm companies actually measure it each month. And don't just analyze the rate of attrition, capture the reasons why customers cancel. You can't manage what you don't measure.
4. Get Familiar with Your Financial Statements and Key Metrics – We often see alarm company owners provide a narrative about how they run their business, what the customer base looks like and what kind of products and services they sell. But they are unable to provide the numbers behind that story. Attrition Rate, Creation Costs, ARPU, RMR, EBITDA, COGS. Buyers want to see numbers.
5. Show Me the Money – One of the biggest laments from sellers is that buyers are only interested in their RMR (Recurring Monthly Revenue) and don't consider non-recurring revenue in the purchase price calculation. This will happen unless the seller specifically documents where the buyer will earn profit when it acquires the business. You have a profitable access control division which doesn't have a lot of RMR? Document those profits (or better yet turn the revenue into RMR).
6. Assemble Your Team – Key advisors include an alarm industry specific accountant, attorney, broker and especially a tax advisor/estate planner. Too often, sellers are not aware of the tax consequences of a company sale and fail to do proper tax and estate planning, undermining the hard work that went into building a successful business.
7. Review Central Station Reports – Identify Late to Test accounts, runaways and trouble signals. Make sure contact lists are up to date and communication paths (cell, radio, receiver lines) are transferable.

Of course, there are many more actions alarm company owners can take to improve the value of their business, and the tasks may seem overwhelming in addition to the day-to-day demands of running a business. So, start with one task, but start now! Even if you are not ready to sell today, your company will realize greater efficiencies and profit in the meantime.

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