



A Private Software Company Hires B2B CFO® to Improve Cash Flow, EBITDA, and Value To Sell For Millions

OVERVIEW

A Wisconsin-based software and professional services organization was struggling financially in the face of customer attrition and market headwinds. They were armed with a sophisticated software product and a strong brand reputation, but during the fourth quarter of 2012, the company CEO, Nancy, was notified that a major customer was electing to not renew their contract. This customer accounted for 45% of the company's 2012 annual revenue. Experiencing market share pressure, excessive debt, lack of cash flow, a negative net worth, and a looming retirement, the owner knew she needed to act quickly to save the company from further decline.

The company needed growth strategies to reassert profitability in the short term while at the same time positioning the business for a possible sale. But they lacked the internal experience and business advisory support to meet their objectives.

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APPROACH

For financial guidance to steer the company in the right direction, Nancy contacted Brian Christian, a seasoned finance executive, and B2B CFO® Partner in the Milwaukee area. Brian is a CPA with over 20 years of financial management and operational experience ranging from start-ups to large, mature entities. Since joining B2B CFO® in 2009, Christian has taken advantage of the extensive tools, resources, and training provided by the firm. He has also earned the Certified B2B EXIT® Advisor designation – a certification program offered through B2B CFO® that equips partners to assist business owners in the preparation and execution of a business sale.

To provide strategic business guidance, the first step in the process is to engage with the owner and key players within the company to understand the whole journey – where they started, where they are today, and most importantly, where they want to go. Brian calls this, “beginning with the end in mind.” For Nancy, her goal was to pay off debt – which had escalated to \$700,000. Additionally, she wanted to reduce her active involvement in the company and exit the business in six years. With a clear vision established, Brian developed a playbook of agreed-upon key initiatives.

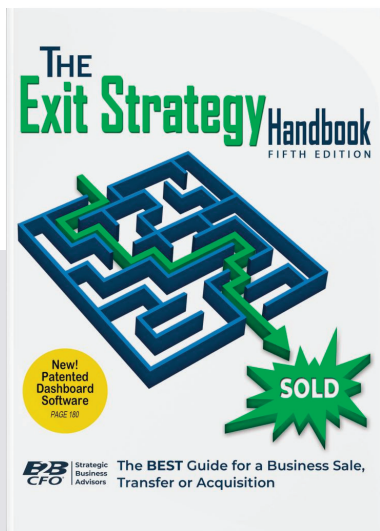
Using the B2B CFO®, Gap Diagnostic Analysis™, a tool partners use to delve into a company’s financial data, Brian was able to diagnose major financial hurdles. He discovered daily cash flow was a struggle as the company was near the top of its \$300,000 line of credit.

Developing and implementing a multi-year growth plan would position the company for profitability, scalability, and an eventual business transaction at the maximum price. By creating a monthly report called the valuation metrics, Brian unveiled opportunities to help the company maximize profitability by introducing recurring revenue streams. By upselling software subscriptions and offering professional contracted services, this new business model created an additional \$360,000 in revenue without adding a new customer.

Additional process improvements and revenue generation strategies were implemented, including creating a share appreciation rights plan for the President/COO. By changing his compensation plan from salary and commission to salary plus bonus based on meeting or exceeding goals, the performance of the company sales dramatically improved. Brian created a quarterly customer-by-customer profitability analysis and improved the company’s accounts receivable processes to weed out inefficiencies, which further improved cash flow. To help Nancy plan with the end in mind, Brian gave her a copy of ***The Exit Strategy Handbook***, by B2B CFO®. The handbook guides owners on the steps needed to drive value when selling a business. It outlines intricacies throughout the process and helps to identify and minimize obstacles before they derail the deal.



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RESULTS

Within a few years of implementing the strategic financial advisory action plans, this software company's profitability soared, its net worth increased, and the company was functioning on its own.

In 2020, Nancy decided it was time to sell the business. Referring to **The Exit Strategy Handbook**, the first step was to assemble the Success Team™. Nancy and Brian worked with experts including, attorneys, accounting firms, investment bankers, and M&A advisors. In 2021 the software business was at its peak health and due to healthy cash flow, the company was now debt-free and ready to sell.

The M&A firm acted as sage counsel uncovering a universe of potential buyers. They secured pre-Letter of Intent bids from four different potential buyers. The Success Team™ was instrumental in helping seize the right opportunity when it presented itself. In October 2021, the Letter of Intent was executed to the finalist and about thirty days later, the owner closed on the sale for \$11,500,000 in cash. Based on the 2021 EBITDA, the owner realized a multiple of 12.65.

A B2B CFO® Partner not only serves as a strategic advisor to their clients during the exit planning process, they act as a confidential sounding board and problem-solver offering a high level of integrity and expertise. From barely breaking even and bleeding cash to becoming a flourishing business that sold for multiples, it was a winning scenario for Brian and his client.

Brian has forged and maintained a rich relationship with this client over the eight years of working together. In addition to his compensation for strategic business advisory services during the M&A transaction, the owner offered to compensate Brian with an additional \$50,000 over his fees for his dedication throughout the years.

Becoming a B2B CFO® Partner in 2009 was a pivotal point in Brian's career. It has been transformational for him personally, professionally, and financially. The firm truly equips partners with solid processes, tools, and resources to be successful and to bring success to each business owner served.

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To learn more about careers at B2B CFO®, visit career.b2bcfo.com or call 480.397.0591