

Don't stand on the sidelines

With primary season now over, election season is officially in full swing, barreling toward that second Tuesday in November. I'm reminded of this because a member of the security industry, Michael Morrison, is running for a seat in the California State Assembly (see story, page 6), wanting to do more than complain about controversial topics like licensing requirements for security officers.

I'm sure he's not the only one in the industry who's thrown his or her hat in the ring. As a whole, the industry is made up of a great many civic-minded individuals, some of whom have served in the military or police ranks, others who simply see keeping people safe as their civic duty. But I do wonder if many of you have seriously considered running for public office,

whether it's for your local school board or the U.S. House of Representatives. Today, many politicians run unopposed for their seats, often not because they're particularly popular, but only because no one has taken the plunge to oppose them. It's commonplace for primaries to be a mere formality. Yet, where is the universal approval of the jobs these people are doing representing us that would lead to this complacency? I haven't come across it in any of my travels.

Rather, people of most any political persuasion seem to feel underrepresented, even ignored, as citizens with hopes and desires for the direction of their country, state, or local municipality. It strikes me that security industry members—be they

chief executives at successful corporations, with large and complex budgets, or simply security professionals who've learned their communities' needs through keeping them safe—might be well suited to representing the needs of the common citizen: to feel secure in the pursuit of life, liberty and happiness.

Who's up to the task?



L. Samuel Pfeifle

CLARIFICATION

The name of security company F.E. Moran, Inc. Alarm and Monitoring Services was inadvertently shortened to F.E. Moran in a brief that appeared in the June issue of *Security Systems News*. The two are different companies. This inaccuracy was brought to our attention by Ron Davis of Davis Marketing Group, who represented Grosse Pointe Alarms in its sale to F.E. Moran, Inc. Alarm and Monitoring Services.

Thinking of selling?

Don't go into life's most important transaction blindly

Acquisition multiples are on the upswing. Acquisition activity is on the increase. If you own a security company, the sale of your company's assets will be the most important transaction you'll ever undertake. Act wisely. Prepare your company for sale and maximize its value by following a few simple pointers.

BE PREPARED

It's more than just the motto of the Boy Scouts. It's the best way to run your business. Prepare your business for exit from day one. Do things right the first time. Maintain records meticulously. Obtain signed contracts for every account. (Every company has accounts without contracts. Identify and address yours before a potential acquirer does.) Continually update records and systems, including accounting and customer records. Make sure business data is readily exportable into Excel. Review data and systems periodically to ensure compliance. Most importantly, premise daily business decisions on what's best for the company in the long run, not what's expedient in the short run.

If you do so consistently, you will reap significant benefits when you sell your business.

SHOULD I STAY OR SHOULD I GO?

In life, timing is everything. When should you sell? You must resolve at least two threshold issues to answer this question. First, do you *want* to sell? This is an emotional issue. If the answer is yes, then determine if it makes financial sense to sell. This is an economic decision. If you must continually reinvest your recurring revenue profits into the business, it may

be the best time to exit, particularly if you can earn as much working for an acquirer. (Don't make the mistake of bleeding to death slowly while eating away at your free cash flow.) Many operators are good at selling or installing systems, but do not have the capital or financial acumen to succeed over time. Be realistic. Have you hit a ceiling? Can you go further? You may not be able to continue to support the growth necessary to achieve real, long-term profitability. On the other hand, can you make the transition from owner to employee? This sort of analysis does not lend itself to a gut decision. It requires an impartial professional to guide the process.

DO YOUR HOMEWORK

You'd be amazed what sellers don't know about their businesses, including sellers with first-rate reputations in the industry. I've seen operators who didn't realize they had accounts with qualified recurring monthly revenue until *after* closing, when the buyer discovered the accounts. Retain an industry consultant to analyze your account base thoroughly before you market your company to potential



Eric Pritchard

GUEST COMMENTARY

buyers. (Consider undergoing this sort of process periodically, far in advance of selling your company.) Seller-initiated due diligence invariably leads to the resolution of issues early in the process. The associated expense usually pays ample dividends in the long run. Buyers, like anyone else, don't like sellers who over-promise and under-deliver. Know what you have to sell and sell what you have.

RETAIN COMPETENT PROFESSIONALS

Your local attorney may be a competent trial or estates attorney, but how many

alarm companies has she purchased or sold? Does she really understand the intricacies of a performance guaranty or the account-related representations and warranties? If not, do you want to pay her hourly rate so that she can learn the issues while on the job? I often marvel at how a seller's counsel, without industry experience, misses the important issues, leaving money on the table and exposing sellers to unnecessary liability. Similarly, your long-time accountant may be able to prepare your tax returns, but does he know what is necessary to determine what your company is really worth and to maximize your company's value? You get what you pay for in life. Your most important transaction is not the time to look for bargains. Retain competent professionals familiar with the industry and how smart buyers and sellers in the industry get good deals done. That's the best way to make sure your deal gets done without a hitch.

COMMIT TO SELL

In the end, selling requires a significant economic and emotional commitment on the seller's part. Most entrepreneurs take a great deal of pride in what they've created. They feel a strong personal bond to their customers. The purchase and sale of a company or its assets follows a specific process, which often takes on a life of its own. As a seller, you must maintain a commitment to the process and ride the emotional roller coaster. There are likely to be moments when you're sure the deal won't get done. However, if you've made the decision to sell and you've followed these pointers, you should be able to see the deal through to the end.

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