










Business Overview

RE: IT System Design & Migration with Records Mgmt

Specifications

 Price \$1,550,000	 Profit Margin 25%	 Employees 5 in Omaha
 Location Omaha - virtual office!	 Service Area Nationwide clients	 Intangible Assets Extensive software knowledge & experience, proven process and software certifications
 Equipment \$24,000	 Valuation \$1,567,590	 Down Payment 10%



SUMMARY OF THE BUSINESS –

The current owner is **not** responsible for **any** billable hours, and only devotes 10 – 15 hours a week on this IT system design & migration company. With 2018 secured contracts at \$610,00 with the potential as of 3.1.2018 being \$708,950 in contract revenue, the year is expected to resemble 2016 in Gross Sales and Cash Flow. As such, the company has been valued on a 3-year average Cash Flow.

A virtual office is run out of Omaha, and clients across the nation consult with this business to best manage their ECM software, design, and implement systems, and work to upgrade software and migrate data. Depending on a buyer's needs, the seller is willing to transition for 2 - 4 years to keep the company strong and the clients in place.

Services are completed by employees either remotely or on site for clients. All employees are extensively experienced and trained in legacy systems, but still work to stay up-to-date on the industry changes. Additionally, a support team of 5 operate out of Asia, focusing mostly on development work.

At any given time, the company has between 4 and 5 open contracts, many of them with repeat clients. This is an excellent chance to take charge of an unsurpassed company with great growth potential. Priced at \$1,550,000, a buyer should see a first year's profit of \$191,433 after debt payments.

Business Highlights

- Years in Business: 10+
- Location and Service Area: Omaha, with clients nationwide
- Clients: Fortune 500 companies, state and local governments, and more
- Services: System design & implementation, upgrades, content migration, records management
- Reason for Selling: Retirement strategy
- Employees: 5 in Omaha, 5-man support team in Asia
- Seller Training Period: Seller will stay on for 2 years at only \$40,000/year
- Growth Opportunities: Hire salesmen and add more employees
- Current Owner's Responsibilities: Seller works 10 – 15 hours/week paying bills, monitoring accounts and working on deals

Financial Highlights

- List Price: \$1,550,000
- Gross Sales:
 - 2018 - **Secured Bids as of 3.1.18 \$610,000**
 - 2017- \$734,181
 - 2016 - \$1,380,698
 - 2015 - \$1,220,734
 - 2014 - \$1,123,571
- Cash Flow:
 - 2017 - \$180,438
 - 2016 - \$673,256
 - 2015 - \$487,792
 - 2014 - \$450,046
- YOY Growth Trends: 2017 was an anomaly year. 2018 sales are already back to 2016 levels with 2018 pipeline (\$708,950 potential as of 3.1.18)
- Assets Included in Purchase:
 - Equipment: \$24,000 in servers, software, etc.
 - Contracts: 2018 secured contract \$610,000
 - Intangible Assets: Extensive software knowledge & experience; proven process; software certifications

**amounts may vary*

Cash Flow Analysis

Description of Financial Statement	Tax Return	Tax Return	Tax Return	Tax Return	Notes
	2017	2016	2015	2014	
GROSS SALES	\$734,181	\$1,380,698	\$1,220,734	\$1,123,571	
Net Income Shown on Financial Statement	\$47,055	\$555,198	\$-130,398	\$-111,721	
ADDBACKS					
Compensation to Owner	\$12,777	\$13,000	\$265,000	\$260,000	
Other unrelated Salaries	\$25,988	\$29,000	\$35,000	\$25,000	Wife's salary
11% Tax on total W2 Salaries	\$4,264	\$4,620	\$33,000	\$31,350	
Depreciation	\$6,992	\$11,139	\$31,870	\$15,022	Non-cash item
Interest	\$910	\$1,187	\$1,226	\$709	Non-onward going expense
Meals & Entertainment	\$2,528	\$2,718	\$4,217	\$2,742	Personal expenses run through the business
Rent Adjustment	\$27,000	\$27,000	\$12,978	\$6,825	\$2,500/month
Employee Benefit Program	\$0	\$0	\$48,201	\$0	Owner's personal benefits minus \$6,700 to staff
Owner's Pension/Profit Share Plan	\$46,078	\$20,241	\$173,604	\$203,358	Personal cash account/profit sharing
Auto-Personal Use	\$2,630	\$2,705	\$10,594	\$14,261	Personal expenses run through the business
Gas & Oil	\$4,216	\$3,948	\$0	\$0	Personal expense run through the business
Owner's Long Term Care Insurance	\$0	\$2,500	\$2,500	\$2,500	Personal expenses run through the business
TOTAL ADDBACKS	\$133,383	\$118,058	\$618,190	\$561,767	
Seller's Cash Flow = Total Addbacks + Net Income	\$180,438	\$673,256	\$487,792	\$450,046	
Profit Margin	24.58 %	48.76 %	39.96 %	40.04 %	

- 49% Profit Margin in 2016 with an 11.5% increase in sales from 2015
- 2-year sales growth between 2014 and 2016 equates to 18%

Barrier to Entry

- Historical software & industry knowledge

- This company is known for its ability to work on older systems and migrate old systems to newer systems
- As such, the company has developed its own adjustable migration systems to assist in this area
- Furthermore, most larger companies are staying with “legacy” systems for their utility and reliability, and will need special help with upgrades or troubleshooting
- Specialized products/area
 - This is not an industry in which a business can start up and gain customers without already having sufficient knowledge and experience in the area
 - Many clients are gained through industry contacts from IBM and FileNet
- Skilled employees
 - Employees have years of training/experience and are cross trained to handle multiple arenas
 - The seller and employees work to stay up-to-date on industry trends to gauge how to best handle software changes and stay ahead of client needs
- Partner relationships
 - Company works with 5 to 6 partners across the U.S. and Canada for contract jobs
 - Partners may be contracted by government entities or large companies for software work, but need the help of this company for more specialized or intensive services

Employees

- Lead Architect (1)
- Systems Analyst (2)
- Infrastructure Specialist
 - Manages company servers
- Administrative Assistant
 - Works 20 hours/week at \$20/hour
 - Handles day-to-day needs, manages employee paperwork, and assists vendors, partners and customers

Lead Architect and Systems Analysts are contracted out to clients, generally working on-site at client locations. Contracts vary in length, but many are negotiated for months at a time with options for renewal.

Additionally, while employees are contracted out, smaller projects are also taken for employees to work on outside of their contracted work.

Fees generally run between \$110 - \$180/hour. Fixed bids are also taken, and it is not unusual for a month's work to bid between \$40,000 - \$50,000.

Seller does day-to-day accounting, i.e., making payments and issuing checks. The seller also scans in bids and bills, tracks expenses, and working with partners on deals.

Typical Clients

- National Highway Traffic Safety Administration
- AAA Missouri
- Mutual of Omaha
- First National Bank Omaha
- John Morrell Food Group
- Kings County Washington
- Department of Justice
- Axa Financial
- Texas Department of Transportation
- And many more Fortune 500 and government entities

Services

Support

- Tailored support packages
- System administration
- System performance monitoring

Implementation

- In-place upgrades
- Multi-platform across continents
- Image Services
- Content Manager P8

Migration

- Proprietary content migration
- Legacy IBM/FileNet repositories
- IBM content manager
- ECM Documentum
- SharePoint

Consulting

- Design & implementation
- Upgrades
- Data/content migrations
- Records management

- Datacap
- Business process design

Growth Opportunities

- Hire more employees
 - A buyer should consider hiring more skilled employees to take on more contract bids
 - While the figures most likely will fall into the six figures, higher paid employees capturing more contracts should still profit nicely
- Hire salesmen
 - There are currently no sales personnel on staff to actively seek out new contracts
 - A buyer not wanting to handle sales could pay commission-only salesmen to help grow the business
- Even without adding staff, a buyer could still keep employees 50% occupied and mostly likely break even
- Stay in line with industry trends
 - Continue to update and educate employees on newer systems so that they are prepared for implementation/services to clients
 - Work with partners to gauge where the industry is going
 - Not all system knowledge will lead to worthwhile jobs

Valuation Details

The Firm Business Brokerage used a Cash Flow Valuation methodology to determine the Purchase Price of the business.

The formula used is as follows:

$$\text{Cash Flow} \times \text{Prescribed Multiple} = \text{Fair Market Value}$$

Cash Flow is the sum of business net income plus any owner perks and any non-onward going expenses.

A multiple is prescribed by a 20 question, 100-point parameter ranking system that is used to analyze the current business health. Each question is based on a scale from 1 to 5: 1 being low, 2 below average, 3 average, 4 above average, 5 high. The average of the responses sum is the business' prescribed multiple.

For this business, a 4-year average Cash Flow was used with a prescribed multiple of 3.5. With this information, the computation is as follows:

$$\$447,883 \quad \times \quad 3.5 \quad = \quad \$1,567,590.1$$

The Fair Market Value found above positions the business List Price at **\$1,550,000**.

To receive a full financial package and specific information regarding this business:

1. Complete the Qualified Buyer Documents (Non-Disclosure Agreement and Buyer Questionnaire) [on our website](#) or print, scan and return the attachments to info@TheFirmB2B.com
2. Call The Firm Business Brokerage at 402.998.5288 to schedule an appointment or conference call with a Broker.

The Firm currently has over 90 cash flowing businesses available. If you find that this is not a fit for you, please let us know and we would be happy to provide you with other opportunities.

The Firm makes no warranties or representation in consideration to the information provided above. All communication regarding this business must occur directly with The Firm Brokerage, LLC.