

# BUILDING A HIGH-VALUE BUSINESS

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**SIX KEYS** TO UNLOCKING  
POTENTIAL IN YOUR BUSINESS

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# Your Customers Can Sleep at Night Knowing Their Homes and Families are Safe and Secure

## WOULDN'T IT BE GREAT IF YOU HAD THE SAME LUXURY?

Home security companies can face some difficult issues during the lifecycle of their businesses... in particular when owners begin to ask themselves the following questions:

- If I decide to sell some accounts and take cash out of my business, or even exit my business, would I be able to get a good price?
- How might I go about finding the right buyer?
- If I find a buyer, what kinds of information will that buyer will require?
- How easy or difficult will it be for me to provide the information they request?

**If any of these questions have crossed your mind, this eBook is for you!  
The following pages outline and highlight the keys to getting ready...so YOU can sleep at night!**

# Six Keys to Building a High-Value Business

## INCORPORATING THESE INTO YOUR OPERATION WILL YIELD MAJOR LONG-TERM BENEFITS

- 1 Plan Your Growth and Exit Strategy**  
*When you know when and where you want to get off, it's easier to find the exit ramp.*
- 2 Monitor and Manage Attrition**  
*It may not seem like a big deal, but it can ruin a big deal.*
- 3 Adopt and Follow Sound Standard Operating Procedures**  
*Developing SOPs can be fun! (Well, not really, but they're incredibly important).*
- 4 Make Sure Your Accounts Have Valid Subscriber Agreements**  
*Sure, there's paperwork, but keeping up to date can minimize attrition rates and protect your company.*
- 5 Manage Installations and Monitoring to Facilitate Account Transfer**  
*More (difficulty) can sometimes mean less (value).*
- 6 Mitigate Risk with the Right Type and Amount of Insurance**  
*The most important thing is protecting the most important thing.*

# Key #1

## Plan Your Growth and Exit Strategy

Sometimes, when you get so busy running the daily operations of your business, it can be hard to take a step back and consider your future. Clarifying the lifestyle you want down the road will help you get there. For example:

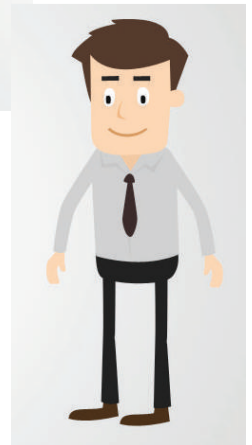
Meet Harold, Susan and Larry. Harold is nearing retirement and **wants to sell** his alarm business. Susan also wants to sell, use the capital to start a new venture, but **wants to retain part of the company** to maintain a steady income. Larry's company is young and growing like wildfire, but he **needs a partner to help handle the business**.

Although they are at different stages, and they have different ideas for the future lifestyles they want to achieve, they all have the same issue. Each of them needs an acquisition partner, and to do that they must build a high-value company. Your strategy should include the following elements:

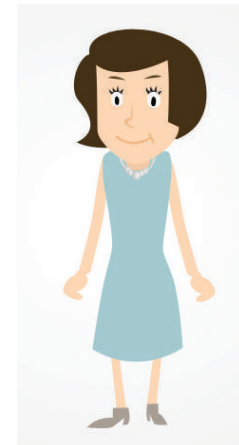
- **Short and long-term goals, business and personal**
- **Steps to reach those goals**
- **Challenges you anticipate along the way**
- **Tentative timeframe**



HAROLD



LARRY



SUSAN

# Key #2

## Monitor and Manage Attrition

Attrition is a key metric in determining whether or not you have a high-value company. It directly impacts how much potential buyers are willing to pay for your accounts. To calculate your attrition rate:

$$\frac{\text{Accounts lost over the past year} + \text{Accounts over 90 days past due}}{\text{Total number of accounts owned over the last 12 months}}$$

**= Gross Attrition**

**As a quick example:**

$$\frac{90 \text{ Accounts lost} + 10 \text{ Accounts over 90 days past due}}{1000 \text{ accounts owned over the last 12 months}}$$

**= 10% Attrition Rate**

*An accurate attrition rate provides a buyer with both significant comfort in your record keeping and a general picture of the economic health of your company.*

## Key #3

# Adopt Sound Standard Operating Procedures

**Sound standard operating procedures help your company provide excellent customer service for your subscribers, which can lower attrition rates and increase revenue.**

They help you run your business in an efficient and cost-effective way. Your company's standard operating procedures should include:

- Maintaining accurate subscriber and business records
- Reconciling accounts with your central station on a monthly basis
- Adopting and following sound billing and collections practices.



## Key #4

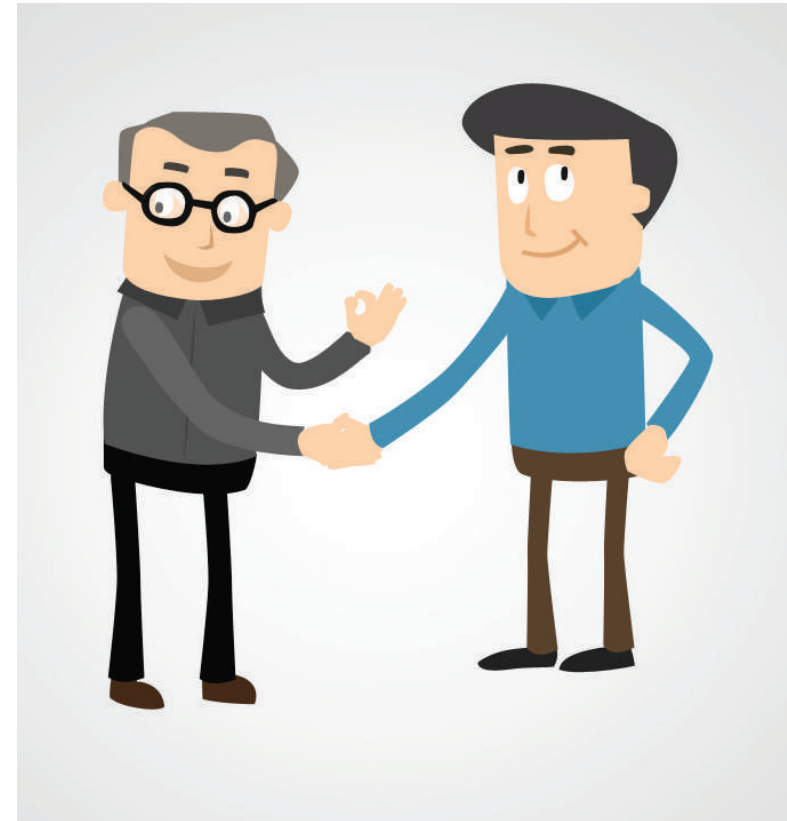
# Make Sure You Have Valid Subscriber Agreements

**Harold made all of his agreements with a shake of the hand. This practice worked out for him, but made an acquisition partner view his accounts as a much riskier investment, therefore lowering their value and eliminating most potential buyers.**

At a minimum, each and every account you want to sell must:

- have a valid subscriber agreement, dated and signed by the subscriber and your agent.
- include all of the necessary information about the account: the date, the subscriber's name, site address, monthly billing amount, and phone number.

The best subscriber agreement is assignable to another company and written simply and clearly.

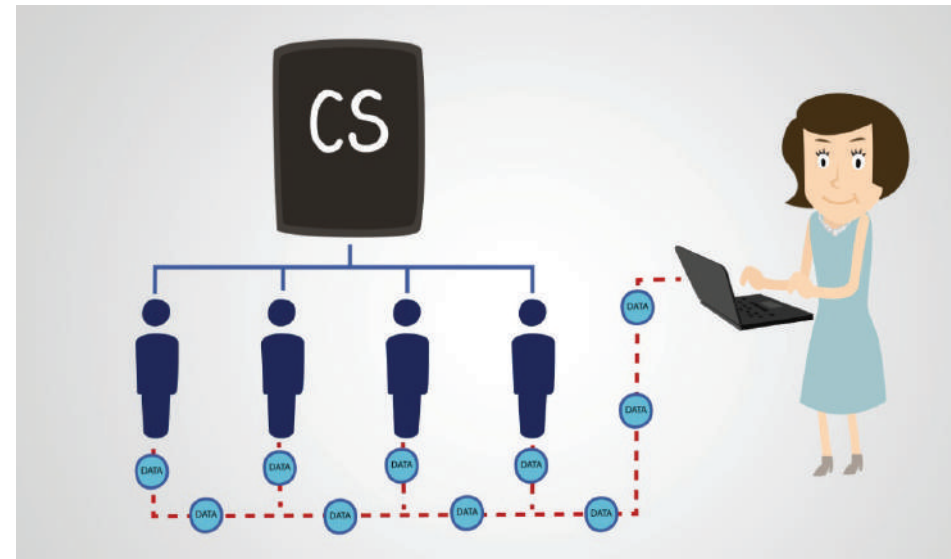


## Key #5

# Manage Installation & Monitoring to Facilitate Account Transfer

**The more difficult it is for a buyer to transfer and integrate your accounts into its monitoring station, the less the buyer will be willing to pay for those accounts.**

Contracting with your central station to have dedicated receiver lines, those that handle only your company's signals, is essential to ensuring that your potential buyer will not encounter any technical issues in transferring your accounts to its central station.





## Key #6

# Mitigate Risk with the Right Type and Amount of Insurance

**A comprehensive insurance and risk management program provides invaluable protection for your company.**

The best way to make sure you have the right type and amount of insurance is to use a professional agent who will help your company put together a comprehensive insurance program. One that will not only pay for claims and losses, but may also, if need be, pay for lawsuits against your company.

Remember, you want an insurance program that adequately protects you, the company, and your potential buyer.

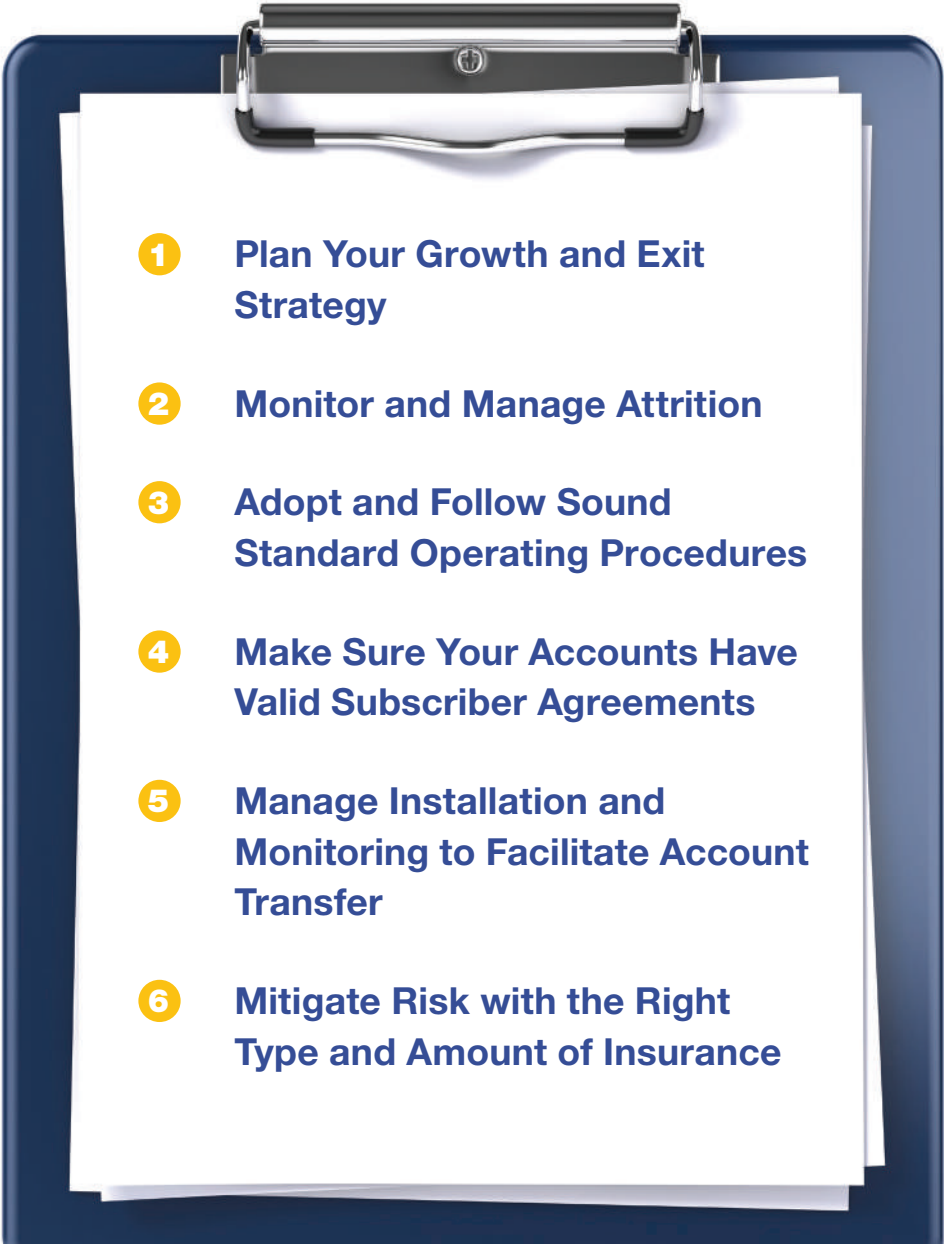


# Are You Ready?

## **BUILDING A HIGH-VALUE BUSINESS TAKES TIME, PLANNING, AND COMMITMENT.**

**No matter what your goals or timeline, it's never too early to begin considering your liquidity options and taking action to get your accounts and your company in top shape.**

Using this checklist will not only help you attract a trusted and experienced purchaser, but will help you build a solid company that will increase revenue for you until that time.

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- 1 Plan Your Growth and Exit Strategy**
  - 2 Monitor and Manage Attrition**
  - 3 Adopt and Follow Sound Standard Operating Procedures**
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  - 5 Manage Installation and Monitoring to Facilitate Account Transfer**
  - 6 Mitigate Risk with the Right Type and Amount of Insurance**

# Selecting Your Business Partner

**WHETHER YOU'RE LIKE HAROLD, SUSAN OR LARRY (OR SOMEWHERE IN-BETWEEN!), ALARM CAPITAL ALLIANCE IS HERE FOR YOU.**

We ensure that the process is simple, the model is transparent, and the agreement is equitable. We take your pride of ownership to heart, so you can move forward with confidence that your business will be supported with the kind of integrity, superior service, and customer focus you've worked so hard to deliver.

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