



**Strategic
Business
Advisors**



CASE STUDY:

B2B CFO® Partner Provides Financial Transformation, Multiplying Client's Company Worth

Overview

Bringing strategic business skills and a breadth of financial leadership experience, Randy Walther, B2B CFO® partner, assisted the CEO of a multi-million-dollar security services company contending with cash flow, market growth, and business valuation challenges. He did this by revitalizing the company's financial processes, maximizing market strengths, implementing corrective actions, securing funding, and improving EBITDA. Walther provided weekly financial reports, scenario-based modeling and developed a comprehensive financial dash-board, resulting in improved cash flow, massive market expansion and a company valuation that tripled in a short two-year period.

Randy Walther is an accomplished Senior Financial Executive and CFO with over 30 years of experience in financial management for corporate, start-up, turnarounds, and non-profit organizations. His deep experience provides CEOs and business owners with a roadmap to financial success. Walther serves companies as a B2B CFO® partner, a strategic business advisor whose acumen, expertise and leadership enhance the long-term value of businesses.

Situation

In 2019, Walther was introduced to Tim, the CEO of a Boston-based multi-million-dollar facilities and events security provider. The business was in its tenth year and Tim was in the early stages of exploring his exit plan and business sale, but knew he needed to make changes to improve the company's valuation. The business was comprised of static security guard services for personal protection, hospitals, hospital wards, entertainment venues, and even security detail for events such as the Boston Marathon. At that time, the company was hitting \$12 million in annual revenue, how-ever, their growth was limited by a restricted



**Randy Walther,
B2B CFO® Partner**

"The sales price was \$25MM, almost 7.5 times EBITDA."



Situation (Cont.)

cashflow. Like many businesses, they offered services to different customer segments, but lacked the financial analysis to maximize segment growth potential. In order to successfully manage profits and cash flow, the company needed to shift the focus to their most profitable customer base and consequently increase the lifetime value of these customers.

Tim had employed a CPA and an accountant, but he needed a strategic business advisor and B2B CFO® whose financial acumen and experience would not only help equip the company with objective decision-making, but also help improve the company's value to provide Tim with a financially sound retirement. Additionally, Tim needed a financial champion to work with his team to provide the financial strategies to help them overcome growth plateaus and expertise in cash flow management, financial reporting, and budgeting/forecasting as well as the macro components of analyzing the company's greatest business segments of opportunities.

The Challenge

Cash flow challenges impeded the company's ability to take on new, major clients given they lacked the cash to hire more staff and make the investments needed to broaden the company's geographic footprint. At the time, the company often struggled with making payroll.

Additionally, Tim's five-year goal was to retire with the hopes of selling the business for roughly \$4 million to \$5 million. But, at that time, the business valuation hovered around \$2 million, significantly less than desired.

Walther shared –

“My greatest joy is getting to look in the review mirror and see the path to success I helped pave for my clients.”

Significant Findings and Recommendations

Walther developed financial dashboards, scenario planning, and financial metrics to measure profit margins, sales and gross margins by business segment, operation ratios, debt to equity ratios, operating cash flow, accounts receivable turnover, and customer profitability.

Walther helped the company pivot by assessing their strengths and weaknesses, analyzing the financial impacts of the current economic environment, developing a long-term vision, and creating agreed-upon milestones.

To this end, Walther was able to see that the first course of action had to be establishing a larger line of credit with the company's financial institution to allow for growth. This would allow Tim's company to ascertain more of their capital and access funds when needed to improve the cash flow to invest in new markets and expansion opportunities.

Next was evaluating each customer's risk profile and improving the company's EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization) which helped improve the company's valuation. The company was experiencing \$500,000 per year in EBITDA and, with Walther, were on track to raise it to \$2 million.

The Pandemic Strikes

In March of 2020, everything changed. The pandemic crippled a portion of Tim's business literally overnight, where he lost 15% in revenue. Most of the event detail security and a large portion of the static security business dissolved. With deep concerns regarding the other business segments, Walther and Tim had to strategize ways to pivot the organization based on new needs resulting from the pandemic.

After considering multiple scenarios and weighing all options, Walther decided the best course of action was to apply for the Paycheck Protection Program (PPP loans) created to provide forgivable loans to help businesses make payroll and cover other expenses during the pandemic. Tim's company qualified for \$2.1 million in PPP funding which they later learned was forgiven and the key to the company's financial transformation. Helping with scenario-based modeling, Walther knew the PPP loan could provide a runway for the company to strategically reinvest money back into the business.

Financial modeling helped:

- Identify innovations that would make the business stronger post-COVID-19
- Launch new segments to gain market share
- Seize opportunities to improve EBITDA and overall value

B2B CFO® provides resources for:

- Additional capital to fund growth
- Increase operational efficiencies
- Execute a broader market strategy

"My one and only goal is to support my client all the way until their vision is fulfilled," Walther said. "Companies need professionals whose strategies not only improve their financial footing but also sustain it."

Adjusting the Sails

It was also time to shift the business and dive head-first into the hospital security services customer segment, which was the greatest growth opportunity resulting from COVID-19. The next step was to expand beyond Boston, and throughout the hospital systems in New England including Boston, Western Massachusetts and New Hampshire. The fast pivot and focus on this the hospital security business segment played a significant role in improving the company's cash flow, revenue, profits, and valuation. After investing in additional employee training to meet hospital regulations as well as expanding temporary contracts at construction sites, the company revenue doubled in the span of just two years. Though the company was experiencing healthy growth, Walther kept a close eye on the financial metrics and dashboards to be ready to make changes fast if circumstances changed.

After overcoming some major pandemic-related obstacles in the Spring of 2021, it was time for Tim to revisit the discussion of selling the business. Working with a reputable valuation and M&A firm, Beacon Equity Advisors, they assessed the company's assets to identify opportunities and to set a realistic price. Walther and Tim learned that the company's value skyrocketed. The preliminary valuation was at \$12 million. It was time to put the process in motion and set growth targets to create healthy income streams and multiple revenue sources to improve the overall performance of the company in order to ultimately further improve the business value.

Walther helped his client come to the closing table with a clear understanding of the company's competitive position in the market, a realistic asking price, and knowledge of the potential buyer's suitability well before they sat down to negotiate. In October 2021, the letter of intent was executed at \$25 million – 7.5 times the current EBITDA. The sale was complete in March 2022.

Results

B2B CFO®, which specializes in providing strategic business advisory services, provided an experienced B2B CFO® to help this client transform his company and retire with millions. B2B CFO® partner, Randy Walther, focused on increasing cash and company value. The needs of all stakeholders were met, and the business sale was successfully completed. Subsequent to the sale, Walther agreed to \$375,000 in additional compensation for his strategic advisory services and was able to assist with the post-transition accounting integration, financial team onboarding and training, and financial leadership.

Your business may be your most valuable asset. Building a successful company can take years of time and effort. If you're considering selling your business down the road, B2B CFO® provides multiple resources, tools and our talented strategic business advisors who will walk alongside you throughout the entire process.

As an owner of a privately-held company, you are constantly faced with challenges: optimizing and cash flow, maximizing profitability, accelerating growth, and planning your exit strategy. B2B CFO® partners work with you as a strategic financial advisor to develop a game plan to help overcome financial and business challenges you face.

Start the conversation today.
Visit b2bcfo.com or call (480) 397-0590.