

# Creating a Sales Organization to Maximize Value



# Agenda

- **The Sales Management Group Introduction**
- **HiTech Case Study**
  - **New Sales Organization**
  - **Financial Projections**
  - **Valuation**

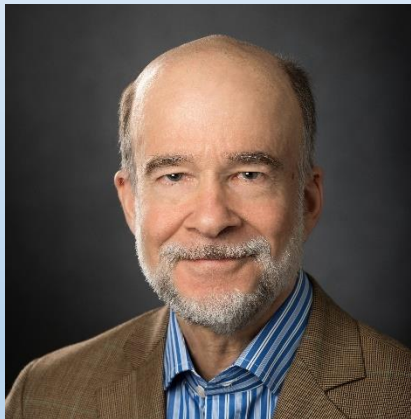


## Who We Are



**David Wallace** – 30+ year career in sales and sales management at large, medium and small companies, including IBM & GE Capital. Closed over \$500 million of sales over career.

- Georgetown University – BA, Economics
- Columbia University – MBA, Marketing/Finance



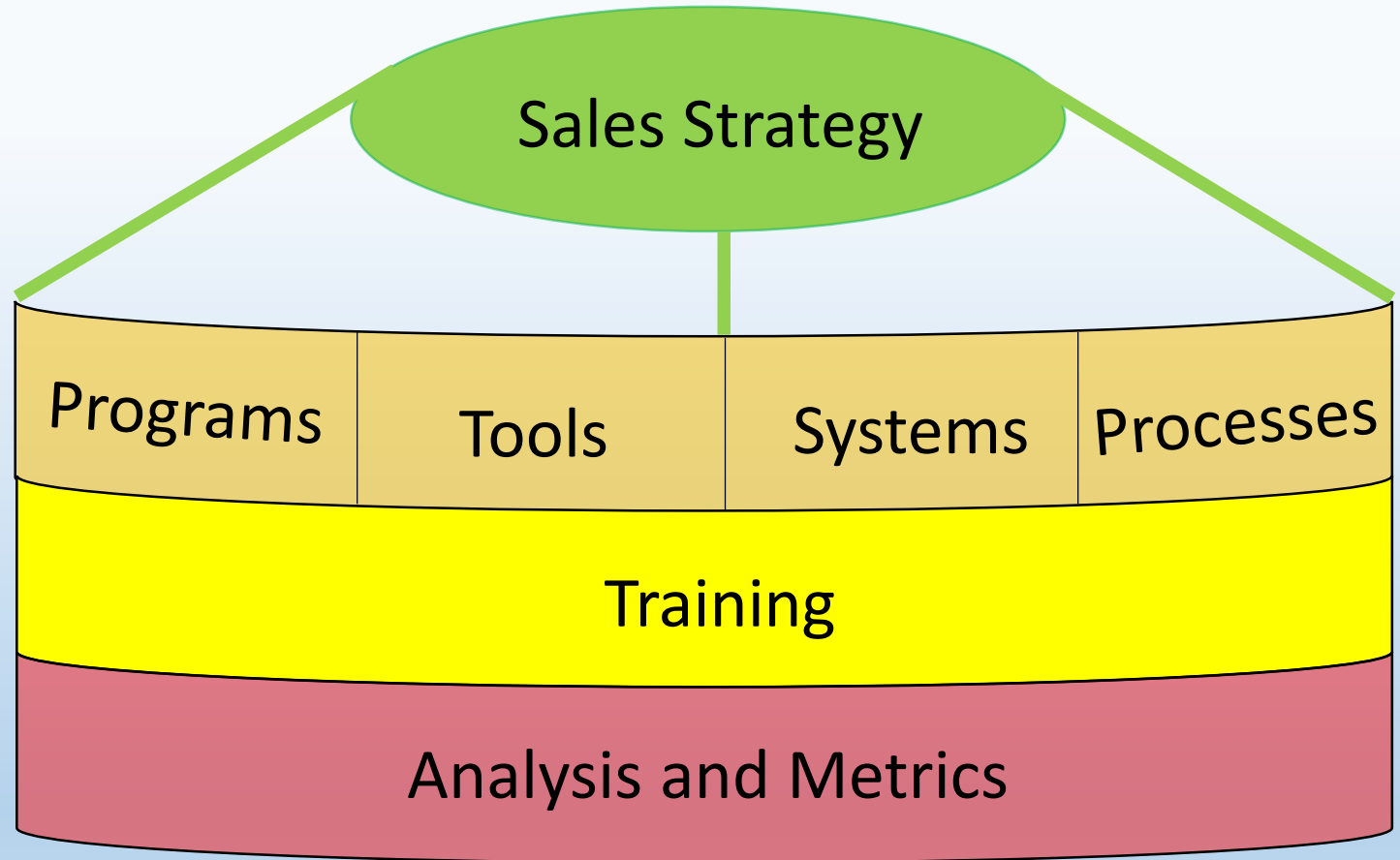
**Peter Helmer** – Over 25 years of sales and marketing experience with both established and startup companies. Improves client sales through professional coaching, clear messaging and efficient processes.

- Hobart College – BA
- The Ohio State University – MS, Journalism
- Columbia University – MBA, Marketing/Finance

**The Sales Management Group** works with clients to create sales strategies to find and close their best opportunities.

We also help our clients to put the sales programs, systems, tools, and metrics in place so their team can sell effectively and efficiently.

## What We Do





# Key Objectives

- Increase HiTech's valuation
- Increase HiTech's likelihood to exit

How can HiTech accomplish these objectives?



# HiTech's Risk Factors

- Dependence on owners for sales
- No formal sales organization/structure
- High reliance on a single product line (70% of sales are HP)
- High customer concentration (single customer = 20% of sales)
- Rapidly changing market dynamics (technology changes)



# Proposed HiTech Sales Strategy

- Diversify beyond HP product market
- Protect and grow existing customer base
- Systematically penetrate the global “server farm” marketplace
- Expand market presence with inside sales and digital marketing
- Build a sustainable and repeatable sales process

# How do you do that?

The 5 elements for a  
successful sales effort.







# Implementing the Sales Effort

- Create sales strategy
  - Reach broader market
  - Diversify product offering
- Create sales management team
- Recruit/train sales and marketing team
- Put systematic sales processes and tools in place
- Ensure sales team is compensated fairly



# Benefits of a Professional Sales Organization

- Significantly increase revenue
- Ability to effectively penetrate new markets
- Create sustainable sales growth
- Eliminate dependence on owners for sales
- Sustainable / on-going organization (post exit)



# Proposed HiTech Sales Structure

- Key Goals: Grow existing market and penetrate new ones
- Build sales and marketing organization
  - Sales VP
  - Sales and Sourcing
  - Lead Generation
  - Marketing
- Estimated \$2 million incremental annual cost in 2017 and beyond



# Growth Scenarios

## Base Case

- HiTech meets 2017-19 projections (10% revenue growth)
- Revenue growth slows to 7% in 2020-21

## Growth Case

- Base Case + Incremental Growth
- Incremental Growth
  - Expand product lines to additional vendors
  - Penetrate “server farm” market at increasing rate over five years
  - Establish professional sales organization



# Assumptions

	Base Case	Incremental Growth
Sales Growth	10% - 2017-19 7% - 2020-21	
Deal Size		\$250K
Number of Deals		25 deals in 2017 <i>growing to</i> 90 deals in 2021
Gross Margin	27.5%	27.5%
Expenses	6.5% increase per year	\$2 million-plus incremental annual expense beginning in 2017

# Projection – Current - 2021

\$ in Millions	Today	2019	2021
Base Case			
Sales	\$ 34.8	\$ 46.3	\$ 53.0
EBITDA	\$ <b>5.3</b>	\$ <b>7.6</b>	\$ <b>8.8</b>
Growth Case			
Sales	N/A	\$ 63.8	\$ 75.5
EBITDA	<b>N/A</b>	\$ <b>10.5</b>	\$ <b>12.6</b>



# Valuation Assumptions

- Current valuation: 4X EBITDA
  - Risk factors
  - Uncertain growth path
- Target valuation: 5X EBITDA after 5-year track record
  - Broader product mix
  - Sustainable sales growth path after owners exit
  - Structured sales organization

# Valuation Scenarios

\$ in Millions	EBITDA	MULTIPLE	VALUATION
Today	\$5.3	4X	\$21.3
Base Case – 2021	\$8.8	4X	\$35.0
Growth Case – 2021	\$12.6	5X	\$63.2
Valuation - Growth Case vs Base Case			+\$28 Million + 79%



# Buyout Scenarios

	Base Case		Growth Case	
	Likelihood of Exit	Value	Likelihood of Exit	Value
Today	Low	\$21.3		
2019	Low	\$30.4	Med	\$42.0*
2021	Low	\$35.0	High	\$63.2†

\* 4X multiple - 2019

† 5X multiple - 2021



# Conclusions

- **Benefits of creating a strong sales organization**
  - Increased revenue base and growth potential
  - Dramatically reduced risk
  - Ensures that growth can continue when owners exit
- **Impact on valuation and exit**
  - 79% increase in valuation over base case
  - Increased likelihood of exit

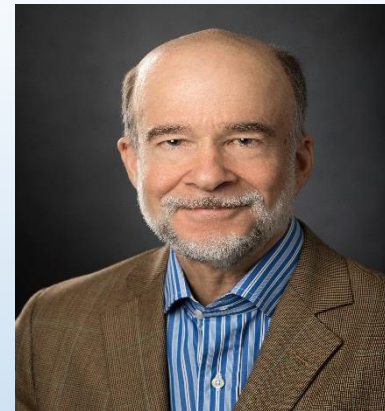
THE SALES  
Management Group



*building effective  
sales teams*



David P. Wallace  
(203) 856-9400  
dwallace@salesmgmtgroup.com



Peter H. Helmer  
(203) 273-9451  
phelmer@salesmgmtgroup.com

5 River Road, Suite 112  
Wilton, CT 06897  
[www.salesmgmtgroup.com](http://www.salesmgmtgroup.com)