

### Deal Summary

<b>Asking Price:</b>	\$2,995,000	<b>Listing ID:</b>	AVTL
<b>Working Capital:</b>	\$300,000*	<b>Company Type:</b>	S Corporation
<b>FF&amp;E:</b>	\$55,000*	<b>Location:</b>	Dallas County
<b>Inventory:</b>	\$155,000*	<b>Adjusted EBITDA:</b>	\$604,000
<b>Total Assets:</b>	\$510,000*		

Adjusted EBITDA is defined as EBITDA + Owner's Salary + One-time and Discretionary expenses
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\* Included in Asking Price

### Terms

This opportunity has been pre-approved by an SBA banker and is eligible for an SBA loan. For full approval, a buyer will need to meet the standards of both the SBA and the bank's credit team.

The seller will retain all the cash and retire any long-term debt. Assuming a 10-year SBA banknote in the amount of \$2,695,500 (excludes any SBA and/or deal fees) and an interest rate of 7%; the monthly loan payments would be approximately \$33,100 or \$397,200 annually. The SBA loan will be personally guaranteed.

### Legal Organization

<b>Type of Corporation:</b>	S Corporation	<b>SIC Code:</b>	541990
<b>Year-End:</b>	December	<b>Accounting Method:</b>	Accrual

### Top Things to Know About This Business

- **Business Model:** The Company sells and maintains cloud and premise-based telephone systems and provides periphery telecom services for small-to-medium businesses primarily located in the Dallas / Fort Worth Metroplex and surrounding areas.
- **Multiple Streams of Revenue:** The Company currently has six different revenue streams generated from their core clientele of over 5,000 customers. For details on each of these revenue streams, please see Key Strengths below.
- **Recurring Telco Revenue:** The Company currently has over 300 clients under contract for "telco" and Cloud services paying commissions and residuals monthly. The Company has seen an increase over 35% in the last five years, with residuals in 2019 totaling almost \$450,000.
- **Recurring Maintenance Agreement Revenue:** In addition to clients billed on a "Time and Materials" basis, the company currently has over 150 clients with premise-based equipment under high-margin Maintenance Contracts generating recurring revenue. In 2019, Maintenance Agreements generated more than \$200,000 in revenue.
- **Client Base:** Of the company's 5,000 clients, no client represents more than 10% of revenue.
- **Turnkey Operations:** Company is guided by well-defined systems and processes.

- **Longevity:** Established in 1987, the company has been an industry leader for 30+ years.
- **Client Types:** 94% Commercial Accounts | 4% Government Accounts | 2% Other
- **Service Area:** 95% Dallas / Fort Worth | 4% Texas | 1% United States
- **Clean Books and Records.** The owners do not run any personal expenses through the business.
- **Employees:** The company has 37 employees.

## Business Activity

Established in 1987, for the past 30+ years, this award-winning company specializes in furnishing and installing phone systems as well as peripherals such as software-based call accounting systems and call recording systems. The company is also an agent for a range of telephone service providers which the business coordinates with the customers to meet their data and phone service needs. In addition to the premise-based systems, the company sells and services cloud-based hosted telephone systems.

### Future Growth

There is an opportunity to cross-sell other products to the company's loyal customer base (i.e. proprietary products, I.T. services, etc.) to increase revenue and profits. By selling to the existing base, marketing costs decrease dramatically. Also, the closing ratios along with the profit margins increase substantially in most cases.

## Key Strengths

1. **Multiple Streams of Income.** The company has multiple income streams from a large customer base, including:
  - a. Recurring monthly contract residuals on phone lines and internet services sold to customers with premise-based telephone systems
  - b. Recurring monthly residuals from customers with cloud-based systems that were sold on long-term contracts
  - c. Premise equipment system and parts sales
  - d. Time and Material service income from a large diversified customer base
  - e. Recurring revenue from monthly maintenance agreement contracts
  - f. Substantial contract work for phone companies across the country
  - g. Significant and rapidly growing income from a cabling team that specializes in voice and data cabling, including fiber optic cable installation and termination
2. **Strong Management and Employee Base.** The company employs a very strong technical team that is well-versed in the company's service offerings and the company has a strong management team in place. Additionally, there's very little turnover.
3. **Sales Team.** The company has a very experienced and highly motivated sales team in place. Many members of the sales team have been with the company for many years and there's little turnover.

### Possible Weaknesses

1. The company does not sell any proprietary products.
2. The company would be in a better strategic position with an IT/data operations team to offer more services to customers.
3. The company does not have a strong marketing presence.
4. There is a need for more in-house technology to streamline work order processing.

### Marketing Strategy

The company currently has both an outbound and inbound sales team. The outbound sales team consists of six highly skilled and tech-savvy salespeople. The inbound sales team consists of two experienced salespeople who specialize in generating in-house proposals primarily for existing customers among their other duties.

Most new customers are obtained through Search Engine Optimization (SEO) as well as Microsoft (Bing) and Google AdWords programs. These programs direct prospects to multiple project-specific websites owned by the company.

### History

The Company was started in 1987 by the current owner. The business has been in its present location for over 20 years.

#### Days and Hours:

Monday - Friday: 8:00am to 5:00pm.  
 Saturday - Sunday: Closed.

### Sales and Adjusted EBITDA

Fiscal Year-End	Revenue	Adjusted EBITDA*	As a % of Sales
2019 **	\$ 4,569,000	\$ 604,000	13.2%
2018	\$ 5,294,000	\$ 1,143,000	21.6%
2017	\$ 5,454,000	\$ 1,045,000	19.2%
2016	\$ 5,294,000	\$ 804,000	15.2%

\* All adjustments to EBITDA were provided by the seller.

**\*\* *The Reasons for the Decreased Revenue and Adjusted EBITDA in 2019***

In 2019, the company transitioned some of its sales that would have customarily been premise system sales into cloud-based sales. Because cloud sales show profits to the bottom line spread out over a number of years as compared to premise sales which show all of their profits in the year of the installation, the bottom line of 2019 shows a considerable decrease as compared to prior years. However, the decrease to the bottom line is very deceiving as cloud sales are almost always more profitable than premise system sales. Here is why. Since these cloud sales show their profits over the term of the contract and beyond, the years 2020, 2021, and beyond will reflect profits from the sales of cloud systems from 2019. In addition, since the company absorbed all of the selling costs, coordination costs, and installation costs associated with these sales in 2019, the monthly income from the sales for each of the following years goes directly to the bottom line as there are no additional costs or expenses incurred. The projected income from the hosted sales in which the majority of the costs were incurred in 2019 totals over \$250,000. The basis for this is a very conservative estimate of 60 months of service per sales.

In addition, the 2019 bottom line was negatively impacted by one-time expenses incurred in the cloud transition. In 2019, the company had upfront costs such as product research, technical training, sales training, inventory updating, and all of the other expenses necessary when opening a new product line.

**Employees**

The Company has a total of 37 full-time employees. The key employees include a Vice President of Operations, three senior outside sales representatives, and a senior field engineer.

**Assets and Liabilities**

Included in the asking price is \$55,000 of furniture, fixtures, and equipment as well as \$155,000 in inventory and \$300,000 in net working capital (Accounts Receivable – Accounts Payable).

The seller will retain all cash and all debts on the company will be paid off by the Seller at closing.

**Facilities**

The business occupies 12,657 sq. ft. of leasehold space. The company's lease is a triple net lease (NNN) with a base rent of \$5,590 per month. The payments for taxes, insurance, and common area charges are approximately \$2,200 per month. In all, a buyer can expect to pay approximately \$7,790 for rent-related expenses.

On September 1, 2020, the base rent will increase to \$5,760 per month. Assuming the triple net expenses remain consistent, the overall rent expense will be approximately \$7,950. The current lease agreement expires on August 31, 2021.

### **Support and Training**

The Owner genuinely desires an effective business transition with seamless customer service to the buyer. They will train a buyer for 30 days. An additional consulting contract can be obtained.

### **Reason for Selling**

The co-owner's wife retired in 2019 and he would like to retire and travel with her. The other co-owner prefers not to continue in the business without his partner. Ownership feels the company is in an excellent position to further excel with the right technology and knows selling the business at this point will be best for employees.

# CORPORATE/INVESTMENT GROUP CONFIDENTIALITY AGREEMENT

**Type of Company: Semi- Absentee B2B Telecom / VoIP Company - \$600K in Recurring Revenue**  
**Sale Price & Down Payment: \$2,995,000**

1. For good and valuable consideration, the receipt and sufficiency of which are acknowledged, the undersigned ("The Recipient") enters into this Confidentiality Agreement with and for the benefit of The Vant Group ("the Broker").
2. The Broker has attached hereto or has provided or may subsequently provide to the Recipient in connection herewith certain technical, financial, and/or business information (collectively the "Information") regarding the Company (as above designated) to facilitate an evaluation by the Recipient whether to acquire the Company or stock or assets thereof. The Recipient acknowledges that the Information is highly confidential and proprietary to the Company.
3. The Recipient shall not at any time, without prior written consent of the Company, furnish, copy, reproduce or distribute, in whole or in part, directly or indirectly, the Information to anyone, except Recipient's financial advisors and investors, who may be furnished with the Information for the sole purpose of advising the Recipient as to the structure of any proposed purchase of the Company (or its stock or assets), and it will keep permanently confidential the Information and will use the Information only for the purpose set forth above. The Recipient shall be under no obligation to maintain as confidential any information which (a) Recipient can show by legally sufficient written evidence was in its possession prior to disclosure by the Broker and/or the Company; or (b) becomes generally available to the public in tangible form other than by acts or omissions of Recipient; or (c) is lawfully obtained from a third party. The Recipient shall not contact the Company to discuss the sale or purchase of the Company or the Information without prior written consent of the Broker.
4. The Recipient hereby indemnifies and holds harmless the Broker, and its agents, representatives, employees and attorneys, from and against any and all claims, liabilities, actions, causes of action and damages, arising from or relating to any injury or loss arising out of, from, or attributed to the transactions or matters subject hereof, or the actions, omissions, wrongful conduct or other breach of this Confidentiality Agreement by Recipient, which indemnification shall include, without limitation, reimbursement of attorney's fees and expenses incurred by the Broker in connection herewith.
5. The Recipient shall not enter into any agreement for the purchase of the Company or its stock or assets unless said agreement contains a provision wherein the parties thereto acknowledge that the Broker is the procuring cause of such agreement and the Broker is entitled to a broker's commission as agreed upon by the Company and the Broker.
6. While the Information is believed to be accurate, it is subject to change, error or withdrawal of offering, without notice. The Company and the Broker expressly disclaim any and all liability for representations or warranties, expressed or implied, contained in the Information, or, for omissions from it. The Company reserves the right to require the return of the Information at any time.
7. A facsimile transmission of this document is legal and binding.
8. The Recipient warrants that the undersigned is a duly authorized by the company to enter into binding legal contracts on its behalf.
9. This Agreement contains the entire agreement between the parties hereto with regard to the subject matter hereof. If one or more of the provisions contained herein shall be held to be invalid, illegal or unenforceable, the balance of this Agreement shall remain in full force and effect. This Agreement shall be binding upon the parties' heirs, successors and assigns, where permitted. This Agreement may not be assigned by the Recipient without the prior written consent of the Broker. No ambiguity herein shall be resolved presumptively against any party. This Agreement shall be construed in accordance with the laws of the State of Texas, and the obligations of the parties are performable in Dallas, County, State of Texas, where venue shall lie for any actions brought hereunder.

**RECIPIENT:**

_____	_____
Company Name	Street
_____	_____
Signature	City State Zip
_____	_____
Print Name	Phone
Date: _____	_____
	Fax