

HOW TO DOUBLE YOUR MSP'S VALUATION



Greg Sharp - former MSP owner, and Founder & CEO of ZenContract - shares the first steps he took to get his MSP sale-ready, which ultimately led to a successful sale of at **double** original EBITDA.

SIX STEPS TO TAKE BEFORE YOU CONSIDER SELLING YOUR MSP

Understand the planning & toolsets you'll need to make your MSP attractive to potential acquirers.

#1 THINK PEOPLE *FIRST*

It's time to formalise how your team is managed. Every team member needs a proper position description and clear success criteria. They must be unique for each person – or at a minimum, per role.

They also need to be incentivized with KPI's to hit, or a remuneration structure that rewards the good behaviours that you want repeated in the business.

#3 GET YOUR CLIENT CONTRACTS IN *ORDER*

Most MSPs have a portion of clients under handshake agreements, informal or expired contracts.

Uncontracted revenue needs to be on a contract – preferably on a term, even if short. The longer the term, the more valuable, however any current contract is still worth 2x that not on a contract.

#5 CREATE A *VAULT*

Create a digital data room (i.e. a Vault) – such as a Sharepoint folder, that contains all documentation in a logical folder structure. This needs to house business plans, HR documentation, policies & procedures, financials, sales plans, marketing campaigns.

Basically, any material you are using to run & advance the business, so that the potential new owners may use this if they buy – this all adds tremendous value.

#2 PRIVATE EXPENSES *NEED TO GO*

Shift into the mentality of “What should this business look like if I was to sell it?”

For many SME business owners, this means a cleaner separation of personal and business finances.

Remove any personal car expenses, private holidays, directors slush accounts etc.

#4 PREPARE YOUR *ACCOUNTS*

You'll need to have 2-3 years of accounts (preferably audited).

Ideally these show growth, however if not, prepare commentary around any slumps. Similarly, you'll need to justify spikes, too.

Study these accounts inside & out, as you will get questions during due diligence.

#6 MAKE YOURSELF *75% REDUNDANT*

Aim to make yourself (the principal or principals) 75% redundant. Start by analysing all the tasks, reporting lines, sign offs and process authorisations that come to you, and begin assigning them to your leadership team.

A business that is run under management – or at least largely under management - is worth a lot more than one that is centered around 1 or 2 individuals.