



HIM116 – Telecoms and IT Service Provider for Sale – London UK

Executive Summary

An opportunity to acquire a UK-based telecoms and IT multi-layered services provider delivering leading edge services to contracted telecoms partners.

The company has developed innovative technology, systems, processes and sales strategies over 10 years in the UK and from a 20-year pedigree overseas, to enable a distinct position in the UK telecoms industry. The company benefits from a successful model that has been operating for over 17 years in the United Kingdom, Australia and New Zealand, with over 350 client-partners worldwide.

The business operates under a unique concept, successfully implemented in three overseas territories, resulting in the recent sale of one overseas territory for over £20m. Positioned as a 'Start-up Telecoms Specialist or Integrator', this business offers a complete package of telecoms and IT services and support for sole traders and SME's. The company provides its Partners and Franchisees, within less than 2 weeks, a fully functional telecoms reseller business with access to a full suite of wholesale telecoms and IT services, marketing, and customer services products from the majority of Tier 1 UK carriers to sell to their customers on day one (immediate to market).

By delivering the full suite of telecoms back-end services plus the range of wholesale business grade Voice, Data and Mobile products to its Partners, the business has built an active base of over 50 telecoms companies (Partners) and are adding on average one new Partner every 2 months. The company enables its Partners to sell fixed line, data connectivity, mobile and other telecoms services to over 4,000 end customers.

The company also operates with a distinct franchise model, enlisting franchisees to set up their own telecoms business, add telecoms to an existing business or for experienced telecoms dealers and resellers to enhance their brands. The full franchise program involving an upfront franchise fee has recently been launched successfully following the company achieving accreditation by the British Franchise Association (BFA). This franchising opportunity is already proving attractive to the market.

The company has achieved a consistent recurring revenue base, with the majority of partners currently signed up on multi-year contracts, with their own end clients consuming sticky next generation products. This opportunity carries huge potential to scale and the company anticipates that through proper investment or being acquired by or merging with another like-minded local telecoms group, significant growth could be achieved by turning an existing telecoms dealer network into real telecoms companies locking in long term revenues, customers and dealers on a long-term basis.

This company has built a proven model of integrated systems & expertise which can enable dealers or resellers of major telecoms groups to convert into their own Telco's or can also

act as a highly effective and stable platform for private equity firms wishing to consolidate a group of companies in the telco sector.

Highlights

- Successful model operating for over 17 years, in 3 different countries
- British Franchise Association (BFA) approved
- Full Franchise program now being marketed with success – each paying £20,000 Ex VAT to onboard Vs £9,000 Ex VAT Self-Starter Channel
- Significant professional front & back office operations
- Established and consistent recurring revenue base
- Significant opportunity to scale
- Clients (partners) signed on multi-year contracts

Financial Overview

Y/E 30 th June	2018	2019	2020 (FCT)	2021(FCT) BAU	2021(FCT) Funded
Revenues	£2,699,318	£2,824,762	£2,656,421	£2,716,570	£4,128,686
Gross Margin	£823,907	£714,564	£807,278	£887,959	£1,300,742
Expenses	£1,087,885	£978,542	£947,453	£870,988	£1,074,998
EBITDA	-£56,440	-£263,938	-£140,175	£16,972	£200,744
NPBT (Inc R&D)	£2,766	-£170,151	-£73,455	£66,372	£225,744

Offers invited

Note: when the directors acquired the business six years ago, 70% of the revenue was attributable to one Partner. The directors set about increasing the partner acquisition program to dilute that heavy concentration after the MBO to ensure the largest partner was less than 20% of revenue and contracted for a long-term (as it is now). Unfortunately, that large partner departed in 2018FY before the completion of the acquisition program.

Since then the program has been completed with success and the largest partner now only represents 17% of total revenues and to fund this change around, the directors invested in the organisation by way of loans that is reflected in the balance sheet.

Currently margin is back on track, sales are at new highs and new monthly recurring revenues are being accelerated to boost 2020-21FY margin and revenues. Cashflow forecasts demonstrate that with proper funding or integrated support the company can deliver a healthy long term return.