



Exceptional Leaders International

SUCCESS STORY



Software Company Restructuring for Increased Profitability

BACKGROUND

When profitability is elusive, it can be hard to face the tough questions and even harder to find answers. This client was a software company funded by several venture capital and private equity firms, and their focus was school bus tracking and monitoring.

SITUATION

The problem was that after a substantial period of time, the company still wasn't profitable, topping out at less than \$10 million in sales. An E.L.I. Partner was asked to become the company's full-time CEO with the purpose of assessing the future potential of the client and to either turn it around, sell it or find an alternative exit strategy via merger or shut down.

Working with the board on an intensive basis, the E.L.I. partner found that the future for the business was favorable because of the large market potential, but that the client lacked the scale and management required to be successful. The current ownership was unwilling to commit funding for the existing entity on an indefinite basis, therefore sale or merger were the most likely outcomes unless the client could be brought to break-even. The E.L.I. Partner also discovered opportunities to streamline the organization and eliminate expenses by focusing on the most profitable segments.

One key insight from the E.L.I. Partner was this: the company had been led by a technical founder, who focused the business on costly technical investments. A shift to focusing more on sales and marketing was needed to leverage the potential in existing products.

SOLUTION

The E.L.I. Partner first addressed capital structure and was able to quickly assemble an overall strategic assessment of the client and its industry. This determined competitive positioning, major assets, key differentiators and success factors, etc. A picture emerged of the client and alternative structures for the future. The E.L. I. Partner constructed a list of potential buyers and merger partners who would make the best fit for the client given its current situation and a "book" was assembled which described the client. The board was also presented with a set of strategic alternatives and potential valuations, which highlighted the most promising avenues for exit or merger.

The E.L. I. Partner was tasked with visiting the most promising business partners.

Simultaneously, the E.L.I. Partner addressed issues of operational effectiveness. Where appropriate costs were cut and the organization focused on financial viability. Price increases were implemented on annual maintenance contracts and all new proposals. Intensive efforts went into making the sales organization more productive and directing the technical resources to actively assist in sales, implementation, and strategic alliances.

This phase of work was instrumental in positioning the client for the forthcoming merger.

RESULTS

Ultimately, three companies were identified as prime candidates for merger after several months of visiting and discussing possible financial and operational alternatives. One of the candidates was found to be ideal, and, after many months of deep discussions, a definitive agreement was signed and put in place for merger by the end of the fiscal year. The merger integration, although extremely intense, was successfully completed over a five month period.

The E.L.I. Partner became a board member of the newly merged entity and also worked as a member of the management team for six months after the merger to assist with merger integration and customer retention. The CEO from the other company became CEO of the new merged entity and worked extensively with the E.L.I. Partner to assure a smooth transition.

As a result, after two years, the newly formed company nearly tripled in combined sales and delivered profits and return on equity, which are substantially in excess of industry averages. The primary investors of the originating client preserved and enhanced their original investment substantially based on a current valuation of the company.

This success story took place before the referenced E.L.I. Partner joined E.L.I. It is used here as an example of the types of services we offer and to display the experience and talent of the E.L.I. Partner. The formation of E.L.I. was driven by a desire to bring multifunctional expertise together in one firm.