

FreeScale Your Business for Maximum Value at Exit. A Framework

RICHARD MANDERS – FREESCALE COACHING SYSTEMS



Thanks to Rob Follows and Dr. Rickets for asking me to be here.
Grateful to share with all of you and share a stage with Vern and Jack Stack who without this story would not exist.

About me...

- ▶ 7 companies exited
 - ▶ 3 as Founder
 - ▶ All but 1 as an owner/controlling shareholder
 - ▶ iAutomation a home run!
- ▶ 5 companies acquired
- ▶ Advisor on several more



Companies involved in exit

1. Jelenko
2. Real Estate Development
3. Protective Alarms INC
4. IDC
5. Controls Sales INC
6. NE AutomationSolutions
7. Iautomation

Acquirer

1. At Pennwalt. TS seksui co
2. CSI
3. DCI
4. Integrated Motion
5. Action Automation
6. Piedmont

i-Automation Story



Started from 0 in '97
Wanted to go big
Sold 75% to PE 2007
12M, 2.0M EBITDA
Co- CEO for 2 more years
Total of 6.5 years, all the remaining focused on M&A
Hired our replacements
Left day to day 2012 EOY
80M/10M EBITDA in 2017
Lots of ups/downs
Exited 2017 5X back to investors ~40% annual return

The Goal.....



Taken in Grand Canyon

Why- am I coaching

- Love business
- Help others do what we did only better and faster

Verne



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1999 EO
2000 University
2~3 X industry profit
Went for 5x
Xfactor
MRH with WF



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Sent Team to MRH
Becomes THEIR why- Made all the difference
Plan still today

BOG



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BOG 2004

Callano, APC, Jiffy Lube

Jack Stack

Topgrading

Where did this knowhow come from?



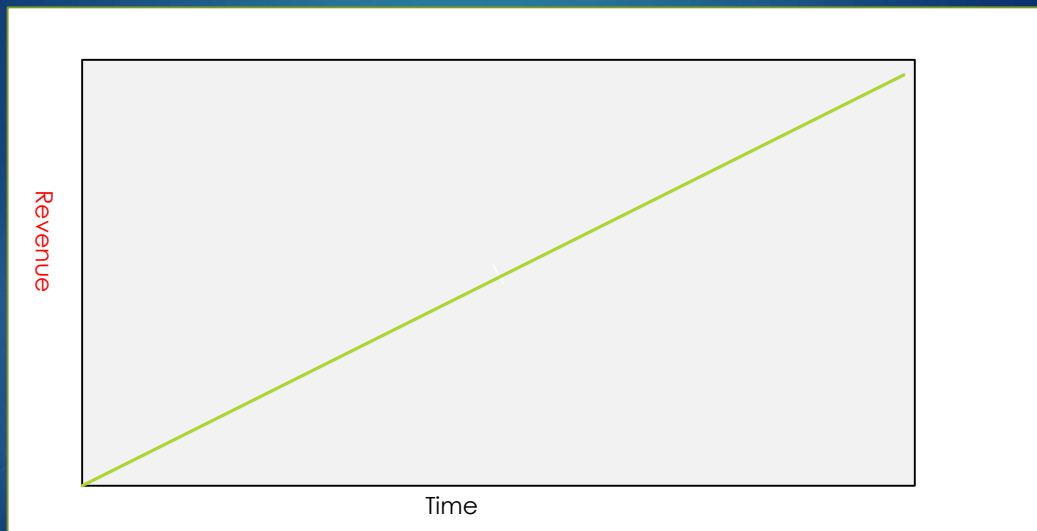
Hundreds of books and programs
30+ years as an entrepreneur
>20 years in EO
>10 years of YPO
~7 years each working for Private Equity
6 years as a Coach
150 coaches in the ScaleUp group
40+ 3~8 hour interviews with successful coaches
Lots more learning to go....

FreeScale

- ▶ A system that helps the CEO and the leadership team scale their business while at the same time scaling themselves

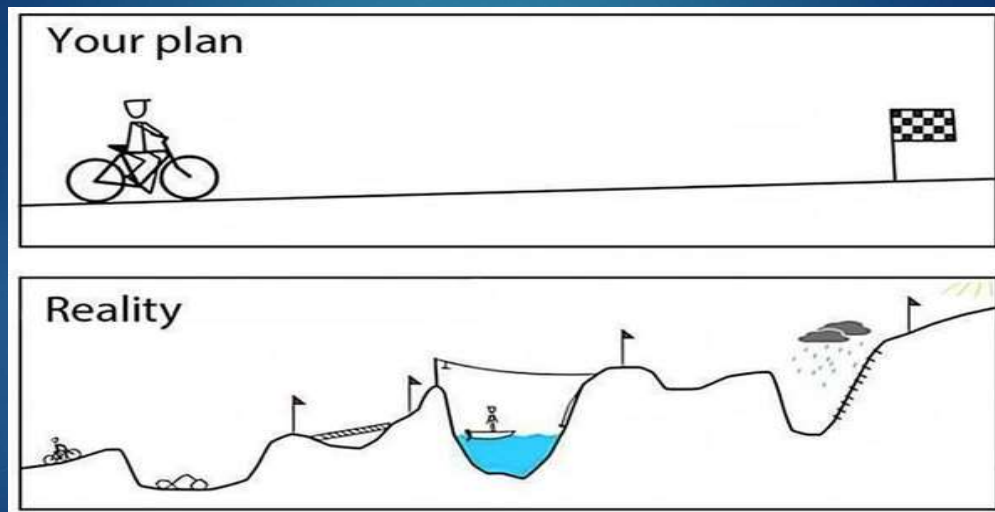


Evolution of a business



You started it for freedom

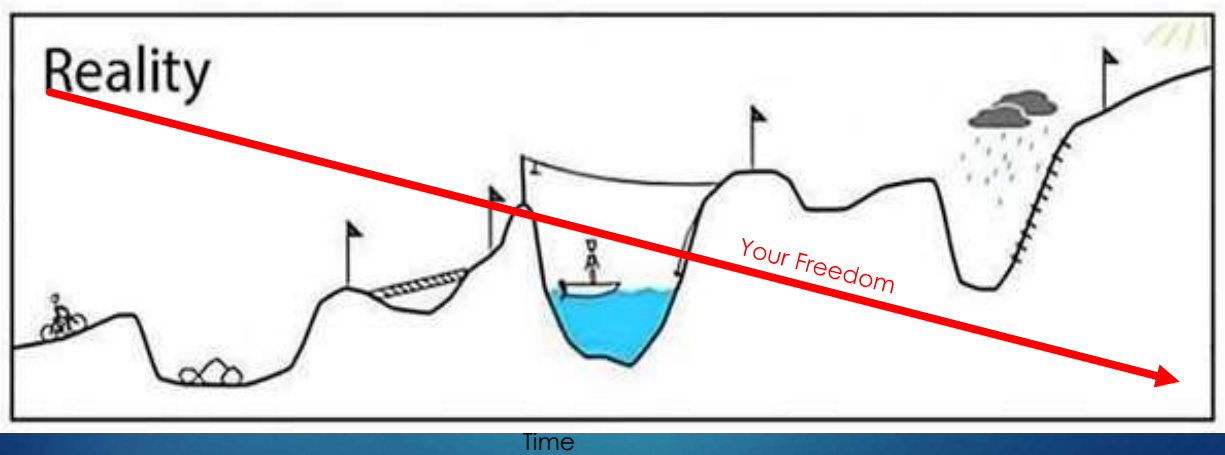
Evolution of a business



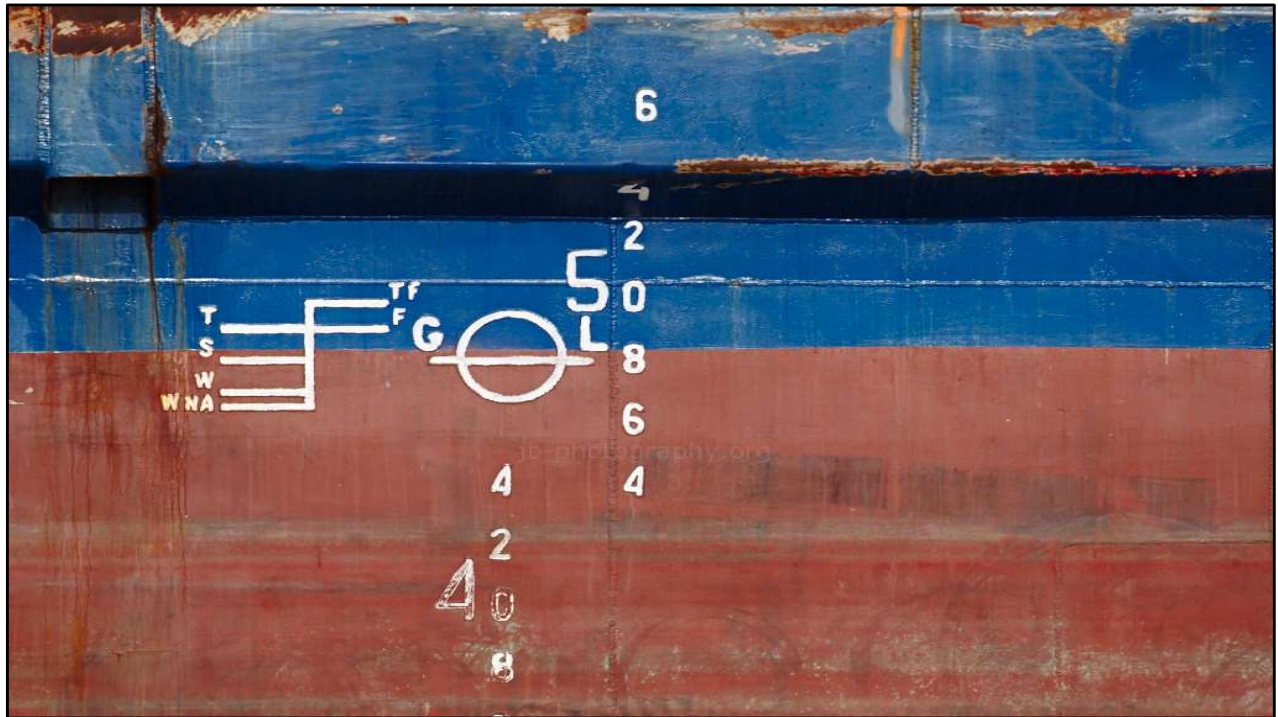
FREESCALE 

Story of my ride home from VT

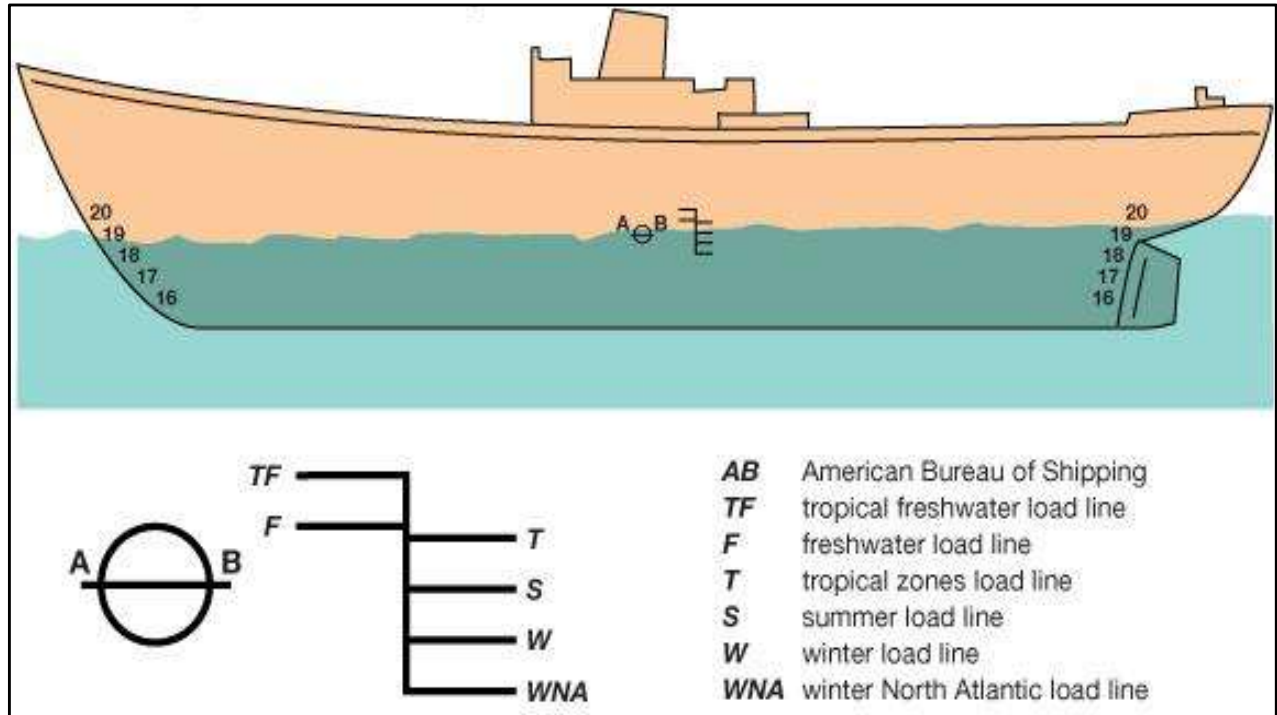
Evolution of a business- the dirty secret



Why does this happen?



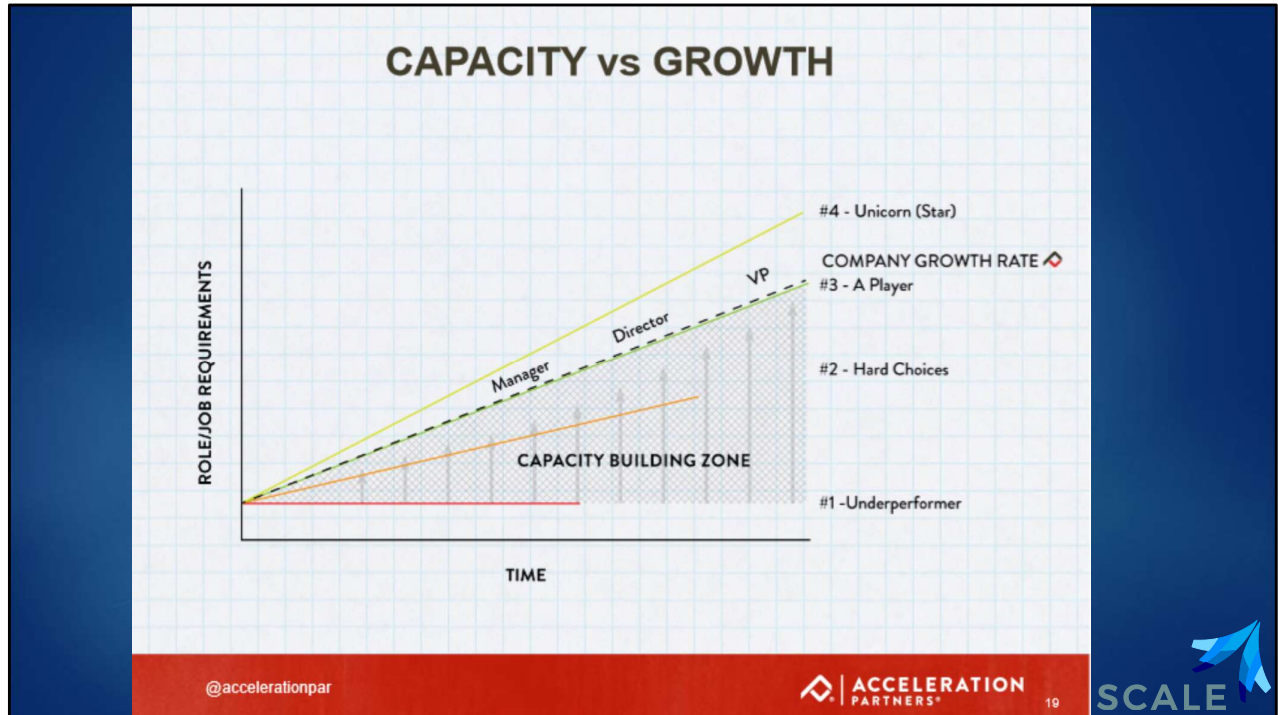
Who knows what this is?



The Plimsoll Line

In Business it is the combination of the following sets the plimsoll line:

1. People
2. Systems
3. Processes
4. Leadership
5. Communication
6. Strategy



This is true for systems, vendors, marketplaces, etc
The strategy that landed a few customers a month wont work to add hundreds or thousands

Evolution of a business

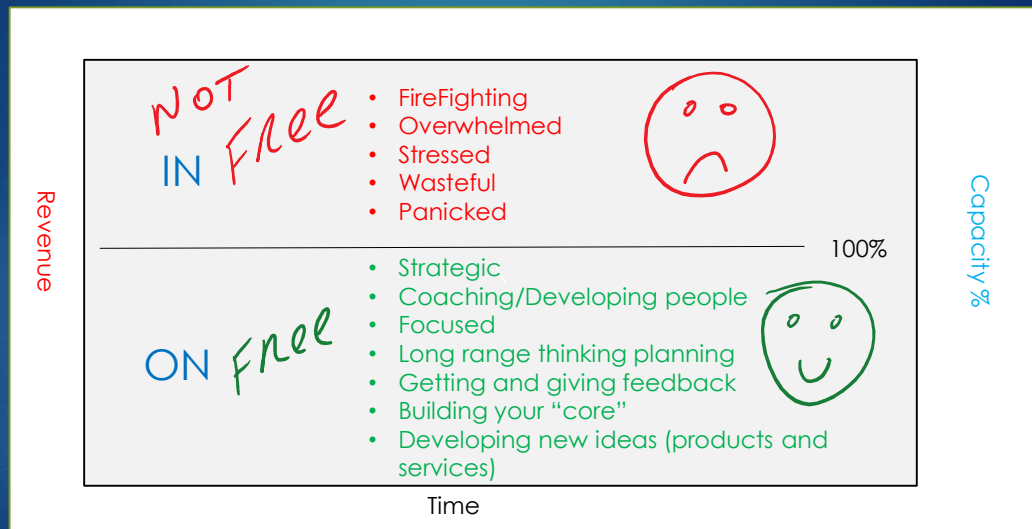


Capacity %

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Evolution of a business



FREESCALE



What does FREE look like?



Clear on personal why
Clear on business why
Clarity about the upside of the
business
Clarity about your leadership
team
Clarity about your competitive
strategy

Certainty

Of profitability and cash flow
Of succession plan for everyone
Your company is durable and
stable, ready to meet new
challenges & opportunities
Low anxiety, more time to think
about the big picture

Choices - You can choose to:

Grow and Keep a better company-
Harvest \$

Exit and Move on

Multiple Bidders

Without protracted negotiation

Without an earn out

Pass to the next generation without
burden for them or you

Working on the things that give you
energy

What does SCALE look like?



We have a framework to help you get from where you are to where you want to be.

Sparkle!

A FRAMEWORK FOR ENHANCING EXIT VALUE



Scrubbed and clean



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Agreements

- Ownership- Spark

- Employee- iA

- Vendors- iA

- Real estate - iA

Books – No Hanky Panky

Inventory

HR compliance

Receivables

Amortization and depreciation

Tax – Forum Mate- 6M

Technology- Licenses (student), Backups, age of equipment (CRT's)

Haircuts for all of them

Powerful Management Team



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- Backups
- Virtual Bench
- Ready for 2x
- Documented processes
- Be able to articulate OPSP – LINE OF SIGHT
- Locked in - stay bonus, equity, etc

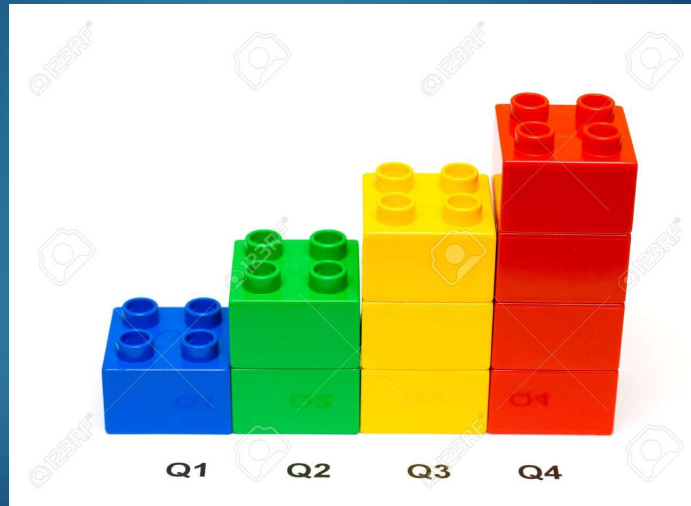
Attractive Facilities



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Riverside stories

Rising, Diversified Revenues and Margins



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Ratios matter

#1 Topline growth

#2 Margin % growth, top and bottom line

Klearly articulated value proposition and growth plan



Core customer clear, unique value proposition

Know them, Warren and Brian

Riverside calls to clients

NPS

Know the market size and your sandbox cold

Business model canvas

Growth Plan laid out across budget- iA

Lots of data!!



ROT

<http://www.strategex.com/> Peter Philippi

NPS! eNPS

Segmentation: Product, Location, People

Proof of your model-

- Customer Acquisition costs
- Employee acq costs including training
- Who are your competitors, what size, positioning (if they are buying you, they will do add on;s if PE)

Excellent Preparation



Start now. This stuff takes a LONG time and is all good for you.

People

Execution

Strategy

Cash

Legal

! – Timing Matters



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Piedmont

The 5 D's

-Death

- Disease

- - Divorce

- -Disenchantment

- Disintermediation

Key Learnings

- ▶ Have a plan - OPSP
- ▶ Share with everyone
- ▶ #1 is healthy team
- ▶ Keep learning
- ▶ Strength is in not being attached to the outcome
 - ▶ Choices
 - ▶ Someone like Wayne
 - ▶ Have a plan after the exit
- ▶ Hire the best IB, Attorney, Accountant



PE Learning

- ▶ Beginning with the end in mind
- ▶ Rigorous process
- ▶ Discipline
- ▶ They don't know much about your business and never will



This stuff works. Riverside has more than 85 companies in portfolio
Nearly 30 year run of 2.5 CoC 25% IRR

Questions?



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