

## Aspirence Press

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'An insider's guide to the Hostech deal' Nate Cochrane

### **Mathew Dickerson tells CRN's editor in chief what led to the purchase of four regional resellers.**

*CRN's resident reseller-columnist, Mathew Dickerson, was one of four resellers in WA, NSW and Victoria yesterday to sell his Dubbo business to regional reseller group, Hostech. Dickerson gives an exclusive insider's account on how the deal came to fruition and what you should do if you are the subject of an acquisition (or if you want to buy a competitor).*

#### **What led to the decision to sell?**

I don't see it as getting out of the business. It was an opportunity to realise growth in a short time frame. We had our growth plans; we looked at real estate in Mudgee and had plans for Canberra. We had plans for five years and when someone knocks on your door and says "Here's our plans" and the vision is very similar, you have to decide, do you keep growing organically or in a faster way?

Don't be hung up on owning a little of the business - if you could own 5 percent of Microsoft or 100 percent of your own business, which would you prefer?

There's a whole range of reasons why people get into business but people often get into business because they're very good at what that business does, not because they're good at business. A lot of people are in business because they just want to give themselves a job. A lot of people get into business because they say, they want to be their own boss. The dream is people want to be in complete control of their destiny but if you're in your own business, you answer to more people than if you were an employee.

Many business owners can't see the bigger picture. If I couldn't see the bigger vision that these guys (Anittel) had then I wouldn't have gone with them. The IT services division will be driven from Anittel; from what I've seen internally, Anittel has progressed further down that path and have the vision really clear.



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Peter Kazacos had a big impact on it - I have a lot of respect for him and I like the guy. We haven't been poles apart in the vision [for the merged business] and what this new organisation can be. One of the things that's almost a secret in the Australian IT industry is that everyone says no one is looking after the small business (SMB) space but no one really does much about it. No one gets it. In some respects there's more work involved but the rewards are there and if someone gets it right then the market is wide open. Geographies is certainly a part of it [the decision to buy the resellers] and strength in their markets. I got a phone call from Peter Kazacos with congratulations today and I said, shouldn't that be yesterday when the deal was announced? But it was because I was named on the SMB mentor list and so was Accord - only about 20 Aussie companies were named. So they're looking for people who are strong in their areas. We have a big foothold in regional NSW, the Accord guys in WA and obviously Aspirence have done a lot and I call [technical director] Mark [Ilott] one of my conference buddies. Anittel wanted to get that spread; Hostech wanted Anittel to be the driver behind this, they saw that Anittel already had something in place that was good and could realise the vision.

**How was sale pitched to you? Had you been approached before and, if so, why sell now rather than then?**

I started thinking of selling 20 years ago. One thing that's really important when setting up a business is to start with a structure, focus and mindset is that it isn't something you're going to be in forever. So if your name is Joe Bloggs don't start a business called Joe Bloggs Computing. I did some research a while ago: of the top 10 brands in the world, only two are people's names. It may work for Dick Smith and McDonald's but not generally.

Set up your structure in such a way that you are a business that can be acquired.

We structured our business in such a way that it was tax effective; if you set it up in your own name you would lose an eighth in tax.

It's important that you don't assume you'll keep the company forever. From their perspective it makes it more attractive to issue shares than hand over cash and there's value in someone involved in the business having an interest in it. I can see this share portfolio will be worth more (than the face value of the shares today). If you believe in the future of the company, why wouldn't you want a stake in the company? If I've got any confidence in the organisation why wouldn't I want a share in the company financially?

When i mentioned it to the staff the first thing they mentioned was where can they go to get some shares? I wouldn't have felt like selling to an organisation that I thought would go broke the next day.

**Previous buyers?**



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We probably had eight approaches over the past five years - there are people on the acquisition path. I was pretty happy with my lifestyle but I listened to all of them. All had visions for regional Australia and visions for SMBs but I don't think they really understood regional Australia.

This approach was different because my other business, ComWorld, I wanted to sell that off, so we had that with a broker. That was structured as a separate company and wasn't linked to AXXIS; they just had the same owners.

It's unlikely that if [a reseller] has a good business ticking away someone will knock on the door randomly; they need to make it known in some way, shape or form or by making some phone calls [that they want to sell] and have a broker in place. If you're just sitting back hoping someone will walk in the door you need to focus on whether you're growing the business or want to sell?

You have to decide whether you want to spend money on the business? You need to make sure you're in one mindset or the other. You still need to run your business. Even today our staff are out there doing what they need to do. We're still running it the way they need to run it because we don't want to hand it over with no stock on the shelves or upcoming work and we want to have the business in the best possible shape at all times. You're always trying to run the business in the best possible way.

And run the business as if you were BHP. About six months ago I needed to get a new PC for one of my kids; then I had one of the staff ring up the sale as if there were a thousand shareholders [in the business] rather than just walk out of the business with a laptop. Could I just take a notebook home or have a staff member to ring up the sale?

Then when you look at the end of year, there need to be true profits after you pay yourself a market wage. A lot of people fall into these traps; see if the business is really making money because if someone wants to acquire you they want to look at the real bottom line because if they have to start paying you instantly profitability is reduced.

Make sure you treat the business on what it does well and make that the focus. I might waste 30 minutes ringing a couple suppliers [to buy something at cost], instead I should have just called the Good Guys rather than calling all my disties for a [slightly] cheaper price. Really treat your business as a business. I have had an employment contract with AXXIS P/L for 15 years and I've had other staff members sign off on it. If your business can't stand up to that then you need to change those processes.

### **What were the emotional aspects of selling off something you have built?**



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I don't think there's any. I think if you get too emotionally attached to a business then you probably have your priorities wrong. People do talk about that a lot but ultimately what you want to do is something you think is worthwhile, making a difference, using your skills. Do you care if you're the boss or not? Maybe people get so emotionally attached because they want to be the boss.

But in some ways my skills aren't used in the best way at AXXIS because as the owner I have to deal with staff issues and I'm not a great HR manager. One of my other guys in sales gets stuck doing ad layouts and he'd be better out in sales all the time. Because in small business you're a jack of all trades, you're not using your skills in the best way.

The two things I'd love to be involved in is strategy and the long-term planning of the business; the strategy of getting into NSW and the rest of Australia. And I want to be involved in high-level strategy with clients (rather) than the client who says they want a notebook for their daughter because she's going into year 12; that's something any of my staff can handle. I want to get involved with the stuff that's harder and the big picture stuff.

In some respects, it's better emotionally because you can better utilise the talents you've got and do things you enjoy more.

### **What is your new role and how you will segue into that?**

In five weeks when the transaction occurs [subject to shareholder approval] my title will still be the same but that's when the integration process will start. They say do what you do now, and that will take a couple months, then my role will be involved in an advisory board for them and really my focus will be on how do we get more of a footprint of regional NSW.

How does the business best take advantage of its full structure to get into the whole NSW (SMB) market?

I see some shocking work [from small resellers] ... so I get a bit frustrated with the SMB space not being looked after. In combination with that, one of the things I find where I add most value to clients is helping them plan strategy for business. We sit down with our SLA clients every three months and talk about SLA structure, the relationship with AXXIS and their IT structure. It's really about planning the best way to utilise IT



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and make their business more efficient. It's simple stuff sometimes, I talk to them about cloud services and then I talk to them three months later and they say that they implemented it and it worked fantastically.

### What are your tips for a reseller considering being acquired (or seeking to buy a competitor)?

1. Set your structure in such a way that it makes it easy to be acquired. If you owned the shares in the business, think of yourself as just another shareholder on the ASX and as if you were a public company and be transparent.
2. Make sure you treat your business as a business. Don't just turn up at 10:30am because you're the owner; treat it as if you were an employee.
3. Use your skills in best possible way. If you think there's someone in your organisation who is a better manager than you, make them the manager. Employ yourself as if you were a public company. That makes it easier for someone to acquire you because they can find someone else with those skills.
4. Make sure your clients are dealing with the company, not you. Don't make you the central component to those transactions. Don't put yourself in the ad; it might be great for the ego to see yourself in a spread but let people see the business not the individual.
5. Get to the stage where you're generating guaranteed, recurring revenue. That made our business of much greater value; that gives buyers greater confidence. Anyone with a managed services operation I would see selling for a [annual revenue] multiple of four and minimum of three. Managed services gives you a lot of security and if you want to sell it gives you a much better end price.



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