

The Valuation of Your Business (AND HOW TO INCREASE IT)

INVESTING IN YOUR FUTURE

For more than 40 years AES Corporation has been helping commercial and residential security business owners grow their revenue and increase their business valuation.

Dealers who invest in AES take an average of 2 to 3 years to pay off their initial investments. After this, they own their private wireless mesh networks outright. This means they are able to expand and pursue network growth on their own terms without having to pay monthly cellular fees.

"We have valued, and facilitated the sale of, several companies with AES networks. Purchasers of companies with AES networks are typically willing to pay a price which represents a premium over that paid for a company with typical cellular communicators because one of the benefits of AES is decreased ongoing cost. Decreased cost typically translates into higher cash flow, and should result in a higher valuation."

- Mitch Reitman / [Reitman Consulting](#)

CALCULATING RMR

When a dealer is ready to sell his or her business, all of the accounts are monetized based on recurring monthly revenue (RMR), or how much money any given account invoices on a monthly basis.

However, the final RMR that is typically used to calculate the value of a security business is the net RMR. This means that fees paid on a monthly basis,

such as cellular and central station fees, are subtracted from the initial subscriber invoice.

Below are examples of how a buyer might calculate the RMR of your cellular vs. AES accounts:

Cellular	AES
\$40, Gross RMR -	\$40, Gross RMR -
\$15, Cellular Fees -	\$5, Central Station Fees
\$5, Central Station Fees	
\$20 Net RMR	\$35 Net RMR



An AES account is worth 75% more than cellular!!!

As you can see based on the formula above, an AES account is worth 75% more than a cellular account.

Keep reading to see how significant this can be when you sell your business.

CALCULATING VALUATION OF YOUR ACCOUNTS

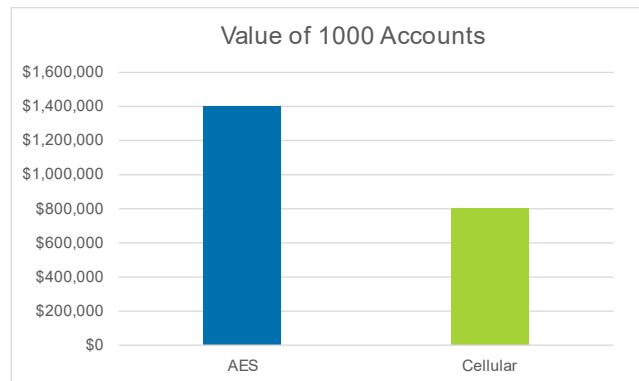
Companies deriving recurring monthly revenue from security and fire monitoring may be valued at a multiple of RMR. For example, a company may be valued at a multiple of 40x RMR.

*Why use the multiplier of 40?

When buying or selling a business in this market, a multiplier is used to determine the value. There are many factors that go into the multiplier such as ROI timeline expectations, current interest rates, and other market data. Although multipliers can vary, in the alarm industry, 40 times RMR is a common benchmark for valuation, based on many transactions over the years and the expectations of buyers and sellers.

MULTIPLYING THE NUMBER OF ACCOUNTS

As you can see in the chart below, when you increase the amount of AES accounts your business owns, the value increases significantly over that of a business comprised of cellular accounts:



IN CONCLUSION

When the time comes for you to sell your business, the more AES accounts you have, the higher your valuation will be.

If you are interested in learning more about starting an AES Network, you can visit the online resource on our website at:

aes-corp.com/start-a-network

For additional questions, you can contact our team by phone at (800) 237-6387 or email at hello@aes-corp.com.

THANK YOU FOR READING!