

Supply Chain Management Software and Consulting

The Company

Our client is a consulting and software company focusing on supply chain financial optimization and planning. The company uses a proprietary, trademarked system, which includes time based custom multi-variable models, Windows-based software, advanced business processes, and consulting to help clients get the most economic profit from their supply chains. The company's software product, currently a mix of custom and standardized software code, includes a demand forecaster, inventory planner, master production scheduler, distribution requirements planner and report generator. The company's client base includes Fortune 100 customers.

The company's planning software is unique as it places an emphasis on the economic profit (or equivalently, shareholder value added) of what is produced rather than just the volume of production. Implementation of the system usually takes three to six months. The system usually pays for itself within six months after implementation with IRRs typically exceeding 100%.

Management has indicated that numerous opportunities are available for the company including expansion of the marketing effort and broadening the customer base to include retail and distribution clients. Also, the company's software could easily be modified into an "off-the-shelf" supply chain management product or included as an "add-on" module to an existing ERP suite. These options make our client a natural fit for firms involved in software or consulting. The demonstrated rapid implementation and relatively low cost of the company's offering quickly liberates cash making them a good fit for both venture capital and private equity firms.

Revenue Growth* (\$000)**The Opportunity**

Key acquisition notes include:

- *Profitability:* EBIT in 2007 was 36.8% of sales.
- *Virtual Office:* Since the company's consultants work from home, expenses associated with a facility are eliminated.
- *Management Willing To Remain:* Most of the shareholders will remain with the company after a sale to train new consultants and continue development and improvement of the software product.
- *High Leverage:* The business commands substantial per diem consulting fees and sizeable license fees with minimal staff overhead.