

Keys to Successfully Planning Your Firm's Future

As you make strategic plans for 2012 and beyond, we would like to highlight a few key concepts that can increase your ARM firm's viability and success for years to come. Where do you want to take your firm? What's truly important to you, as an ARM owner and/or executive? There are many additional areas worth considering beyond the few highlighted below, but these will point you in the right direction.

1) Use a Budget to Your Advantage. While this is standard practice for larger firms, some smaller firms simply don't have the resources or don't know how to create an effective budget. Done correctly, this process can clarify your firm's positioning over the next year, helping you determine where and when investments will be prudent. Along with high-level financial measures such as revenue, EBITDA, net income, and cash flow, it's essential to analyze metrics that build up to these figures, such as utilization rates, liquidation and fee rates for current and projected clients, profitability by client, and key ratios such as revenue per collector. Monthly numbers-based management can reveal if your firm is on course, and enable you to make necessary changes before small issues grow into large issues.

2) Determine Which Way the Economy is Headed. When was the last time you thought about the direction of the ARM industry, and how it will be affected by macroeconomic and consumer-level trends? We all see the daily headlines about economic performance, availability of credit, the regulatory environment for ARM firms, placement trends, consumer trends, and the consolidating ARM market. Based on that, what should your firm be doing? Firms need to remain ready to change, otherwise it's easy to get left behind.

3) Assess Clients and Business Segments. What client segments are you in? Are they growing or shrinking? Are all of your clients profitable, or will they become profitable soon? If not, it's probably time to terminate some of them. While this is not easy, it will free up resources to be invested more profitably. Also, are your current services and segments the right places for your ARM firm to be today and in the future? If not, what changes will you make?

4) Develop the Right Growth Strategy. What's your plan to grow your ARM business? Owners are often the "chief cook and bottle washer", and the sales function is no exception. While this may help contain costs, it may not be the best way to build your firm. Whether you seek to expand sales in existing areas, or enter a new segment, what's the best way to do this? Should you utilize in-house expertise to do so organically, make a strategic hire with key client relationships, or acquire a firm? Choosing the right strategy can make all the difference.

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5) Examine Your Operations. It's never been more important to tear apart your cost structure to make sure you're generating the proper ROI for spending on items such as mailings, salaries, etc. It's just as essential to ensure that your firm's internal processes and procedures are facilitating, rather than hindering its efficiency. Many firms did this as a result of the economic downturn, and it is time well spent to consider what is going right, along with areas for improvement. This should be an ongoing activity, perhaps done annually, instead of a one-time response to a crisis situation.

6) Prepare Your Exit Plan. The successful sale of an ARM firm requires as much planning and lead time as any of the other items mentioned above. With a multitude of factors contributing to the level of buyer interest, not to mention deal value and structure, why leave it to chance? Plan for the sale of your ARM firm as far in advance as possible to avoid leaving money "on the table". This means starting today, even if you don't expect to exit for many years. By planning ahead, you will also set a timetable for when other major items must be completed, which can help you prioritize and take the right steps along the way.

In the final analysis, it's always important, not just at the end of the year, to ask yourself tough and pointed questions about your business, and to give yourself an honest assessment. Where is your firm now, and where do you want it to be years from now? How will you get there? For many firms, a self-assessment such as this can be challenging, and it can help to seek an independent perspective. If that is the case, we would be happy to help.

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