**EO Vancouver Island: Fireside Chat**

***I have a short power point presentation as an introduction. The idea is to present the “Social media filtered” “#BESTLIFE” version of my story first. Then we can get into the “Real Story” and the lessons learned.***

***Here is my historical timeline that you will be able to pull some questions from:***

* + **1998: Started “edoc Systems Group Ltd” in my basement in Chemainus**.
    - Initially I reached out to local accounting firms telling them that I could do custom database development in MS Access for their clients.
    - I built several custom DBs that year, while working full time as an accountant for a major forest company
  + **1999: Quit my day job and went full time into software development**
    - My dad passed away in early 1999, and I think it was catalyst that caused me to take a leap.
    - With 3 kids, a dog, a mortgage, and a very supportive spouse, I quit my full-time job and went out on my own.
    - *Notable mistake*: I was focused on the goal of “Starting a software company” when I should have been focus on the end goal of “selling a software company”. My motto now is “Start with the end in mind”. I didn’t have much of a plan beyond “Just find the next project”.
    - I had signed a contract with a local tugboat operator to build a dispatch and billing system for him.
    - He provided me with a rent-free office in his building, and he bought the hardware for me to work from.
    - I asked him if I could retain the rights to the code to see if I could resell it. His words were “You can try and sell it, but I don’t think you’ll make any money with it”.
    - Within a few months I had convinced two other tugboat companies to join the project, so I was now building for three companies.
  + **2000/2001: I started to get my fledgling company off the ground**
    - I hired 3 other developers to help me on the tug dispatch project.
    - We also managed to land some bigger custom software development projects including:
      * A cryo-preservation tracking system for a Biotech company that was in the business of cloning…… cloning trees, not people
      * Forestry forecasting system that helped forest companies choose where to log next to maximize their harvest value based on changing market conditions (this one had the potential to become a product)
      * A preventative maintenance system for a pulp and paper mill
    - We moved out into our own office space in Chemainus
    - I was running the company hand-to-mouth, and there were times when a customer was late paying an invoice, so my family would go without a payroll or two.
      * I could tell you the story of how my wife saved the company with a hand full of coins… but I would need a few drinks, and some people may cry. ☺
    - It was a tough year, the Dot-Com bubble was at it’s peak and I was struggling to keep developers because there were so many opportunities out there.
    - There were stories of Silicon Valley companies giving signing bonuses in the form of a BMW Z3 company car. How could I compete with that?
    - To retain my three developers and deliver on my commitments, I offered them shares in the company.
    - *The notable mistake* here is that I agreed to split the equity 5 ways, 20% each to the three of them (in non-voting shares), and 40% to me and my wife (in voting shares). I was completely inexperienced and did not fully understand the ramification of that decision.
    - Soon after taking on partners the Dot-Com bubble burst ☹
  + **2002 – 2004: I moved the office to downtown Victoria**
    - I was the only one living in Chemainus, so we moved the office to Victoria, across the street from Chapters on the 6th floor.
    - By this time the tug dispatch software had fully saturated the west coast market. I thought the marine product was “dead” because we had nobody left to sell to.
    - Meanwhile our forestry forecasting system seemed like the “growing product”. We were starting to sell it in BC, and a few US states. But I could see that the total addressable market was extremely small.
    - I could also see that the custom software development business model was not going to be long-term sustainable, because we were still living from project to project, and struggling to keep on top of the ever-growing customer code bases.
    - I was looking for what our next move might be. We needed to transition from a service company to a product company so that we could better leverage our code base and human resources.
    - Another notable mistake: I didn’t take the time to truly research and validate the size of my target market. I was ready to write off the marine product because there were no other log towers left to sell to in BC, and the industry is globally unique to our coast. I really thought that was as far as we could go with the product. What I failed to understand was that the marine industry was only just beginning to computerize, and there were other kinds of workboats out there that we didn’t know about. (ship docking, barging, marine construction, dredging, ferries, etc…)
    - In 2003, just when I thought the marine product was dead, we won an RFP for Hawaiian Tug and Barge in Honolulu. We were going to alter our dispatch system to manage ship docking operations.
    - In late 2004, myself and two others attended “The International Workboat Show” in New Orleans. As we flew in over the Mississippi River and it was tugboats and barges lined up on the river all the way to the horizon……. All I could see was floating dollar signs.
  + **2005 – 2011: Steady growth in the US Workboat industry**
    - In 2005 we were successful in closing a few deals with some large tow boat operators in New Orleans. We were pre-selling the development and taking cash up front to fund the re-platforming and a new dispatch product that would meet the needs of the US barging operators.
    - In 2006, with the marine product re-built and taking off, I made the VERY SCARY decision to put the forestry product into “maintenance mode” and not actively sell it anymore. We would now focus all of our efforts on building and selling the marine product.
    - We started to pre-sell a number of new modules including Preventative Maintenance, Crew Scheduling and Payroll, Safety and Compliance.
    - By 2011 we were beginning to saturate the US market and were 3x the size of our next biggest competitor
    - I was starting to explore other geographic markets for our product, given that “ship docking” happens in every port in the world.
    - In 2011 we were invited to an RFP by Svitzer (the largest tug fleet owner in the world, operating out of more than 40 ports world-wide. We were up against MS Dynamics, and SAP. We won because we were the only ones who fully understood the RFP and had a product that was “out of the box”
    - This was the biggest deal we had ever won; our average deal size had been up to a few hundred thousand per deal, but this deal was in the multi millions.
      * + We worked with my mentor in putting the RFP together and he pushed me to change the initial bid to a number I thought was completely insane. In the end the deal we closed was more than 5x what I was originally thinking.
        + That same mentor told me that deals this big sometime end up being the beginning of the end from some companies. I didn’t understand what he meant at the time, I do now. Sadly he moved out of the country before having a chase to help me navigate those waters.
    - I was then faced with the difficult decision of “how do we deliver this project?”. I called our 56 staff together and announced that we were going to split the company in half. One group was tasked with delivering on the Svitzer project (and given a separate office space), and the other half was to focus on keeping all of our current customers happy.
  + **2012: Things started to unravel a bit**.
    - In early 2012 we completed the Svitzer project on time and on budget from Copenhagen, to London, Amsterdam, Lisbon, New Castle Australia, and a number of locations in the Caribbean. Big win!!!
    - We were now flushed with cash and excited about what the future was going to look like.
    - At that time the classic “License + 20% annual support” model was on the way out and SAAS was taking over, and in order to continue to grow, and be more sustainable we were going to need to move to a SAAS model. But to do this right, we were going to have to re-platform again.
    - The Svtizer project had taken its toll on me and I was completely burnt out, and starting to look for ways to slow down or exit.
    - At about the same time, a new mentor (who’s opinion I held in high a regard) told me that we got lucky on the Svitzer deal and that we were “Light weights, who got lucky in knocking out a heavy weight”. He told me we needed to bring in “experienced leadership” aka “Gray Hairs” who we would need to get to the next level.
    - Notable mistake: I gave too much credence to my mentor’s comment, and started to believe that we weren’t good enough to continue this path. What I failed to recognize, was that it was actually our team’s dedication, culture, commitment, and acquired market knowledge that had gotten us this far, and I should have given more value to that.
    - This is where I wish I had stopped and walked away for 2 months to clear my head and recover from burn out. Instead, I naively thought that brining in “gray hairs” might also be my opportunity to step back and put a new CEO in my place.
    - We hired experienced managers to head up development, product management, professional services, and sales. I also hired an “experienced COO” who I planned to make CEO one day.
    - We put a new option plan in place as part of the compensation plan for the new managers. Notable Mistake: I didn’t do a go job of implementing the option plan and ended up with far too many “cooks in the kitchen”
    - The burn-out really got to me, and I started to step back and let the COO run the show. Notable mistake: I didn’t take time to get over burnout and I really took my eye off the ball.
    - All of the newly hired managers came from careers in large companies, with almost inexhaustible budgets. We had cash from the Svitzer project, but we needed to preserve it for our re-platforming process.
    - US coast guard announced that it was coming out with new legislation called “SubChapter M” to be made into law in 2014. This new legislation was going to make it mandatory for all US workboats to have an auditable safety management and equipment maintenance system
    - We needed to time our release to come out before this new law came out.
    - Each of our new managers started hiring in preparation for the “big spike in sales” that was coming.
    - At the same time, I was again looking at our current market saturation, and starting to worry that we might run out of market again.
  + **2013: An offer to purchase**
    - We continued to build the new platform through out 2013.
    - Sales of our existing product came to a halt when word got out that we were building a new platform. Everyone wanted to “wait for the new one to come out”.
    - I was starting to explore the Blue Water Shipping market as a possible next target, but that market had different regulations that required us to be “certified by a shipping society”
    - I called the Japanese Ship Classification Society (called ClassNK) to see if they would certify our software.
    - Within a week of my call, the representative from ClassNK was in my office wanting to talk about partnership or possible acquisition
    - Within another month, the Senior VP from Tokyo was in our office ready to make a deal
    - We gave a presentation on the SubM opportunity coming in 2014, and the new platform that was going to address those needs.
    - ClassNK wanted access to the US workboat market. They were predicting that the new SubM legislation would create a whole new market for their audit services.
    - ClassNK made a formal expression of interest, and we went into a negotiation.
    - ClassNK higher business valuator to determine a price. The price was good, but I pushed for a higher price on the grounds that the valuation did not factor in the new legislation that was coming, and our strategic position. They agree to my higher price and we went into due diligence.
  + **2014: A rocky ride and a closed deal**
    - Internally things were out of control. We were burning cash, the corporate culture was suffering, and the new product was still delayed.
    - I had told the new COO that the hiring needed to stop. A week later I came into the office and there were 8 new people in the office who were starting work that day. I sent them all home.
    - Within the next month I laid off the recent hires, and terminated the COO and the Sales manager. I informed ClassNK that we had reduced staff and the deal continued to mover forward
    - The process of getting to a closed deal was the most difficult thing I’ve ever been though. It was mentally and physically exhausting.
    - The deal closed in July 2014. ClassNK was the new owner and they were ready and willing to finance the remainder of the re-platform work
    - Notable Mistake: I agreed to a 5 year earn out and agreed to stay on as CEO during that period. I should have pushed for 2 years. My focus had been on the sale price, and I didn’t consider that I can make more money, but I can’t make more time. I also should have had an advisor on my side, and maybe should have worked through a broker.
  + **2015-2017: Delayed start, and strong out of the gate**
    - The new subM legislation was delayed by two years and didn’t come out until early 2016. ClassNK funded our operations for the first year while we finished the new product.
    - During this time we also had to get used to a new way of doing business, and working with our new managers in Tokyo.
    - Integration was minimal, we retained our autonomy, and provided monthly budget updates, and strategic initiatives updates.
    - Our new product, along with a new sales strategy resulted in massive growth. Our sales curve looked like a hockey stick. But despite our best efforts, ClassNK was not able to break into the “Good-old-boys” network
    - By 2017 we had crested a long hill and were generating profit and doubling our recurring revenue each year.
    - Notable takeaway: Our new sales process was the largest contributor to our rapid growth. This is the only way I will run sales going forward.
  + **2018: Change in Leadership, and ClassNK pulls out of the market**
    - Late 2017 the Chairman in Tokyo took retirement, and his successor was appointed.
    - ClassNK’s attempted entrance into the US market was a complete failure.
    - The new chairman made the decision to pull out of the US market, and all of the strategic acquisitions were put up for sale.
    - We were profitable now, and growing fast, so our sales pitch to buyers would be compelling.
    - Our management team worked with one of the “big three” brokers on the sale of Helm.
    - The broker only brought one buyer to the table, and Helm was sold for significantly less than what ClassNK bought it for.
    - The due diligence process was far more intense and detailed than the previous process. Volaris really knew what they were doing.
    - In October 2018 the announcement was made that Helm had been acquired by Volaris. Volaris is one of seven portfolios within Constellation Software Group Ltd. They are a $20b+ private equity firm that owns 440+ vertical market software companies.
    - Notable Takeaway: I don’t feel like the broker did a very good job for ClassNK. The deal size was much too small for them, so they didn’t put a lot of effort in. But for me it was valuable to go through the process with a broker.
  + **2019: integration with the new owner, and my final year**
    - Right after the acquisition our management team was sent to “Volaris 101” training in Toronto. We were taught many best practices, that I could have really used 20 years earlier.
    - The new accounting deadlines, and reporting requirements were very difficult to meet.
    - All through 2019 we continued to exceed our targets, and the management team continued to receive new training and coaching from Volaris that continued to improve our efficiency and profitability.
    - I started to become more involved with the M& A team. It was an excellent opportunity to see M&A from the buyer’s side.
    - In October 2019 I announced that I would be retiring in December 2019. One of my long time business partner took over as CEO when I left.
    - Notable Takeaway: Constellation’s process is amazing. They run all 400+ companies based on the same 6 ratios. There are no board meetings, and our quarterly reporting was a tight 45-minute presentation of our ratios and progress on key initiatives.
  + **2020/2021: Covid and a new start-up**
    - Covid hit two months after I retired, and my wife and I spent the entire year locked in at our farm in Duncan. It was the most restful year of my life and only now can I see how burnt out I was. I’ll never go back to that pace, but I still have the itch to do it again.
    - In mid 2021 I launched a new SAAS start-up called “Wombat Safety Software”.
      * I work from home Monday to Thursday and end each day at 3:00.
      * My goal for Wombat is to take it from start-up to exit in 3 years. While not changing my work hours or location.

***Here are the things that I will do differently with this new company (i.e. here’s what I’ve learned from my mistakes)***

* + **Keep the cap table as small as possible, and retain as much equity as possible (In Wombat I currently retain 96% equity, and 100% of the voting shares)**
    - Too many times I’ve seen founding partners (and other round table members) give away WAY too much equity up front, only to get 5 or 10 years into the company when the other shareholder starts “phoning it in”. Then you spend the next 5 years working hard to build value for yourself, but your also building equal value for the guy-who-phones-it-in.
    - This time my two critical staff members earn their equity stake VERY slowly over time through an option plan
    - Having multiple shareholders means that “When you have a partner, you have a master”
  + **My Wombat shareholders agreement has a “Drag Along” clause and a “Tag Along” clause.** 
    - I control when we sell the company and for how much.
    - When I sell Wombat I will execute the drag along clause by default
  + **I’ve done my market validation and my product market fit validation up front**
    - The Wombat Total Assessable Market (TAM) is 100x the size of the Helm’s TAM
    - For Helm The TAM is less than 500 companies in the USA, and Helm had several competitors in that small vertical market!
    - With Wombat we are targeting all companies that are required by law to have a safety, or quality management system (mining, Oil and Gas, Forestry, Pharma, Construction, Transportation (except maritime ☺ ) this includes Federal and State OSHA requirements, Provincial WCB requirements, Any of the ISO standards, etc…)
    - I’ve validated the market opportunity and the product market fit through 400 hours+ of Zoom calls with safety consultants.
    - We started with an initial design in Figma and iterated on that design after every zoom call.
    - The final design looks nothing like the original, but we know it is a fit with the market needs because people are now chasing us to know when the first release is coming out.
    - We now have funnel of safety consultants and end user companies that have asked to be early adopters (83 companies = >$1.1m in recurring SAAS revenue)
  + **My primary method of distribution will be through channel partners who will be Safety Consulting Firms.** 
    - The plan is to “Get to one in order to get to many.” We want to go after consultants who act as the outsourced safety managers for small to medium size firms.
    - In my last two years at Helm we started to develop a few maritime safety consultants as channel partners. This proved to be very successful!!
    - The partner offers “Safety as a Service” and bundles the software in as part of the larger package.
    - The software platform will be free for the consultants to use. Only their end user clients will pay a SAAS fee, and we will share 10 – 30% of that revenue back to the consultant.
    - This is symbiotic relationship where we grow our business by helping them grow their business. We will run the business development process, and bring new clients to the partners.
    - This allows me to off load all of the salaries, overhead, and carrying cost of Professional Services, Technical Support, and Account Executives.
  + **I’m 100% focused on recurring SAAS revenue only, so I don’t want any professional services revenue.** 
    - Helm had a full team of professional services staff, and generated a lot of PS revenue
    - But PS Revenue is only valued @ 1x valuation when selling the company, so why would I want to manage a PS team and take on all the HR issues, overhead costs, and salaries.
    - I’m only focused on salaries that directly get us new SAAS revenue (BisDev/Account Management and Product Development)
    - Implementations will be done through our channel partners, which brings the partner a new source of income for implementation projects and helps them build a relationship with the client.
  + **I plan to keep my help desk team to an absolute minimum by relying on the channel partners as the “first line of defense” for tech support calls with the end users.** 
    - This is the model we started to built at Helm with our channel partners. It was extremely successful.
    - It is in the safety partner’s best interest to maintain the primary relationship with the end user customers because they are the lifeblood of the consultant’s Safety as a Service revenue. So by providing technical support for the software they are helping to justify the Safety as a Service fee and keeping a tight relationship with the client.
    - We only need to support the consultants when they can’t solve the problem for the customer on their own. (E.g. help with password resets, how to use the software, how to run reports, etc…)
      * These more difficult problems usually end up requiring developers to fix them, not help desk staff.
      * So, I plan to make my dev team also be my support team for the channel partners.
        + At Helm we had a support team of 5 FTEs just answering calls in different parts of the world because we worked directly with the end users, now we only work though channel partners who become our “support issue filter”
        + Channel partners will submit issues directly into JIRA through Atlasian’s help desk module.
        + Channel partners will also have live access to our dev team through our Discord server.
  + **We will maintain an extremely tight relationship with our channel partners (Safety Consultants)**
    - The software is designed to allow a safety consultant to run all of their clients safety programs from a single login. This allows them to offer Safety as a Service, and have templates available to get customers up and running quickly.
    - We will train our partners in our best practices in account management and provide oversite on account management. We will also run their business development process for them so they can focus on what they are good at. (Sales is typically the biggest weakness that safety consultants have)
    - Consultant Partners will be directly connected to us through our discord server.
  + Discord is MUCH better than Slack or MS Teams for internal communication, and its Free!!
  + Having Partners on our Discord makes us much more connected as a cross company team.
  + Each person has a virtual office in discord and we can see who is at their desk and who’s not. If any of us has a question, we can “drop” into the other person’s office and talk and video chat with our co-worker, then I go back to my own office.
  + We also have a “Lobby” where we do our 10:00am standup meeting each day. Our Channel partners can join our live standup meetings and hear the latest product updates, Sales updates, etc….
  + We operate a “Help Desk” channel in Discord. It’s like an open concept office where anyone can drop in to ask a question via voice and video
  + Channel partners who need help can see who is live at the Help Desk and just drop-in to ask a question. One of the Devs then “takes the call” and turns on their camera and mic to help the channel partner.
  + **We are 100% virtual, and my goal will be to keep it that way through to exit.** 
    - Helm has a brick and mortar office big enough to hold about 70 people. Notable Mistake: The waterfront location I chose was much more based in vanity at the time, rather than practicality and cost.
    - Pre-Covid Helm needed an office for people to come to. But post Covid the Helm office is still running at 10% of capacity because people prefer to work from home.
    - Discord and the Google suite of tools has removed our need for a brick-and-mortar office.
  + **I’m planning for Due Diligence from Day 1.**
* The right approach starting a business is “Start with the end in mind.”
* My plan is to sell the company within the next three years, so why not start planning for that now.
* I run everything in the company through a google drive that is titled “Due Diligence from Day One”.
  + On the day that I sell the company, I will simply hand over the contents of this drive and everything they need is in there grouped by due diligence category.
  + With the of sale of Helm we went into due diligence thinking we were well prepared….. we were not.
  + **I won’t make the same mistakes in deal structure that I made when I sold Helm.** 
    - I agreed to a 5 year earn out. That was WAY too long.
    - I only got out of it by them deciding to sell the company after 3.5 years.
    - This one will be a cash up front share sale, or a max two year earn out, and no contingency
    - I will no remain with the company after the sale.
  + **I will make sure that I have a CEO in place so that I can step away after the sale.**
    - I’ve now learned that you can make more money, but you can’t make more time.
    - Both times that I sold Helm I was still a “CEO in the weeds”. So I had to agree to stay on as CEO.
    - The sooner I can be expendable the better.
  + **I will be more aware of “Deal Fatigue”.**
    - I got tired near the end of the first deal, and I didn’t pay enough attention to what my law firm was advising me on. As a result, I am now battling with CRA.
  + **I’m still on the fence about selling through a broker or not. I would be interested to know what the audience thinks.**
    - When I sold the company the first time, I got a much higher valuation than what the broker was able to negotiate on the second deal. But there’s a lot to unpack there
      * 1St deal that I did on my own
        + Inexperienced buyer over paid
        + Acquisition was a strategic play to try and get access to the US market, so they were more motivated to make a deal
        + As an inexperienced seller, I asked more than what it was worth, and got lucky
        + Maybe a broker would have advised me to change the parameters of the deal so that we wasn’t locked in for 5 years.
      * 2nd deal that we did through a brokerage
        + Very small deal for the broker, so maybe less focus from them?
        + Very savy buyer, who never over-pays
        + Politically motivated seller, doesn’t care about recouping their investment
        + Broker only managed to get one buyer to the table, (but they did try hard to convince the buyer that there were other bidders at the table.)
      * In my next sale I could:
        + Use my internal business development team and focus them on to finding private equity firms that we can send a pitch deck to with the hope of creating an auction.
        + I can create my own confidential information memorandum (CIM).
        + I now have experience and a better understanding of what is needed for the management presentation to buyers.
        + I now understand the auction process, and feel that I could run it myself. Particularly given that I don’t plan to become an employee of the buyer. So its ok for me to be bad-cop.
        + Stick to my target exit price, and if I can’t get it, then we wait another year to build more recurring revenue, and try again.