

Utilizing Firewall And WiFi-As-A-Service To Build High Margin Recurring Revenue



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Who is TAG?

- **Association of Managed Technology Services Providers (MTSPs)**
 - Founded in 1998
 - Managed IT, cloud-based technologies, cybersecurity, telecommunications, AV, video surveillance, access control, connectivity, and managed print / copiers
- **Members throughout the U.S. & Canada**
 - Presence in more than 136 marketplaces
 - \$600 million in products and services annually
 - Serving 600,000+ SMBs
- **TAG Members benefit from programs that drive...**
 - Profitability & Sales Growth
 - Recurring Revenue Streams



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TAG's Services

- Sales Training & Sales Management
- Financial Analysis & Industry Benchmarking
- Budgeting
- Operations Management
- Marketing & Lead Generation
- Interview Employees, Personality Analysis, & Aptitude Testing
- Mergers & Acquisitions



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TAG's Services

- Professionally Led Peer Groups
- Public Relations
- Strategic Planning
- Customer Experience & Management
- Mentoring/Coaching
- Exit Strategies & Succession
- Cooperative Purchasing (Buying Group)



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TAG Owns a Leading MTSP

i-NETT received the Channel Partners 360 Award 3 years in row for providing a holistic approach to Managed IT Services, Network Security, Disaster Recovery, Voice, SIP and Surveillance technology solutions for their customers

i-NETT received the Channel Partners Innovation Award for Cloud Services 2 years in a row

i-NETT sells to SMBs throughout Southern California!



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Agenda



- True benefits of recurring revenue
- Historical difficulty selling Firewalls and Wireless Access Points on a monthly payment
- TAG Program – How it works and FAQ's
- Pricing and margin example
- Summary of benefits



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Recurring Revenue

- Why is recurring revenue so beneficial?
- Stable, dependable revenues
- Allows us to achieve a breakthrough in profitability – We call this “Nirvana”
- Nirvana occurs when recurring revenue exceeds all costs in the business, except for product purchases.



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Nirvana = When Recurring Revenue Covers All Costs



- What if we bill just one additional hour of billed time? How much drops to the bottom line?
 - *Everything, unless we are perfectly absorbed then only the overtime cost of a tech*
- How much of a new MSP contract?
 - *Everything but the cost of outsource and sales expense*



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This Is The #1 Metric For Enduring Financial Success



- The 80/20 Rule
- The Top 20% of TAG Members Do 25%+ EBITDA Overall
- Top Record, 38.8% EBITDA
- Every Single TAG Member Above 25% Has Achieved Nirvana
- Industry average runs 5-7% EBITDA
- *Recurring revenue, as a factor of total costs in the business, should be regularly tracked*



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Traditional Way of Selling Firewalls / Access Points vs As-a-Service Model

- The traditional sale is a **one-time cash sale**
- No recurring revenue
- Limited margins - 20-30%
- LEASING doesn't work – simply provides financing for the end user
- Still have to sell license renewals every 1-3 years



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Traditional Way of Selling Firewalls / Access Points vs As-a-Service Model

- SELF FUNDING doesn't work
- Traditionally very hard to provide an edge security offering on a monthly basis
- Had to buy firewall or WAP hardware, and 1-3 year license up front
- Cost often in the thousands for single unit
- Cost prohibitive at any meaningful scale



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Traditional Way of Selling Firewalls / Access Points vs As-a-Service Model

- SELF FUNDING required more cash than most Partners could, or cared to, invest
- Cash Sales produce no recurring revenue
- Either option is also WASTING salesperson's valuable time
- Extremely burdensome chasing even lower margin renewals at end of one or three years



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TAG and WatchGuard Changed How Firewall / Access Points Are Sold – Creating A HUGE Recurring Revenue Stream

- TAG Program procures up front hardware and ongoing licensing, offers to Partners on month-to-month basis
- **Margins 40-45% (BIG DIFFERENCE vs 20-30%)** after WatchGuard One Gold discounts



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Additional Benefits of Firewall / Access Points As A Service

- Program creates a recurring revenue stream where a one-time sale previously existed
- Member sets price to end user
- Month to month with flexible upgrades
- No more chasing low margin license renewals



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Hardware As-A-Service Example

Average Small Business Firewall For 20-30 Users
3 Year Full Security Suite

	<u>MSRP</u>	<u>Cost</u>	<u>Gross Margin</u>
WatchGuard T40	\$2650	\$1987	\$663 (One Time)
T40 - TAG Prgm	\$99	\$55	\$ 44 (monthly)

Net cost Gold status discount

\$44 x 36 months = \$1584 over **same three years** for **same product**

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Case Study – TAG Member In Rural Louisiana



- Was a long time SonicWall partner and sold them for cash
- Picked up WatchGuard because of TAG recurring revenue program in early 2019
- Transitioned SonicWall to WatchGuard
- Now has 320 WatchGuard units under the TAG Program
- Now has recurring revenue stream of

\$375,000 annually!



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Generate Substantial Recurring Revenue With TAG WatchGuard Firewall / Access Points As-A-Service

Hardware and monthly service costs rolled into single monthly fee to Partner

No up-front purchase for either Partner or end user – NO Cap Ex!

Margins 2-3x better than selling for cash


No expiration date or sales effort to secure renewals


Sell it “stand alone” or as part of your Managed Offerings

Month-to-month billing will no liability for service termination




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