



Hewlett Packard
Enterprise

SECTION ONE: MSP FINANCIAL AND BUSINESS PLANNING

Building a strong foundation



MODULE 1



HPE Aruba Networking MSP e-learning series

Digital consulting engagements for business planning and service concept ideation

Course 1: MSP business planning

MODULE 1

XaaS Economic
fundamentals

MODULE 2

MSP Financial
modeling

MODULE 3

Business plan
development

Course 2: MSP service concept development

Module 1

Segmenting markets
and profiling
customers

Module 2

Service concept
development

MODULE 1 AGENDA

Building a strong foundation



Objectives



Intended audience



Key business and financial terms



Understanding income statements



New KPIs



Preparing for business model transformation



MODULE 1 OBJECTIVES

Building a strong foundation



Provide a strong foundation of common financial terms and financial statements



Understand the impact of transitioning toward a subscription business model



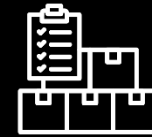
Align on key XaaS partner economics



Intended audience



MSP leaders



Product
managers

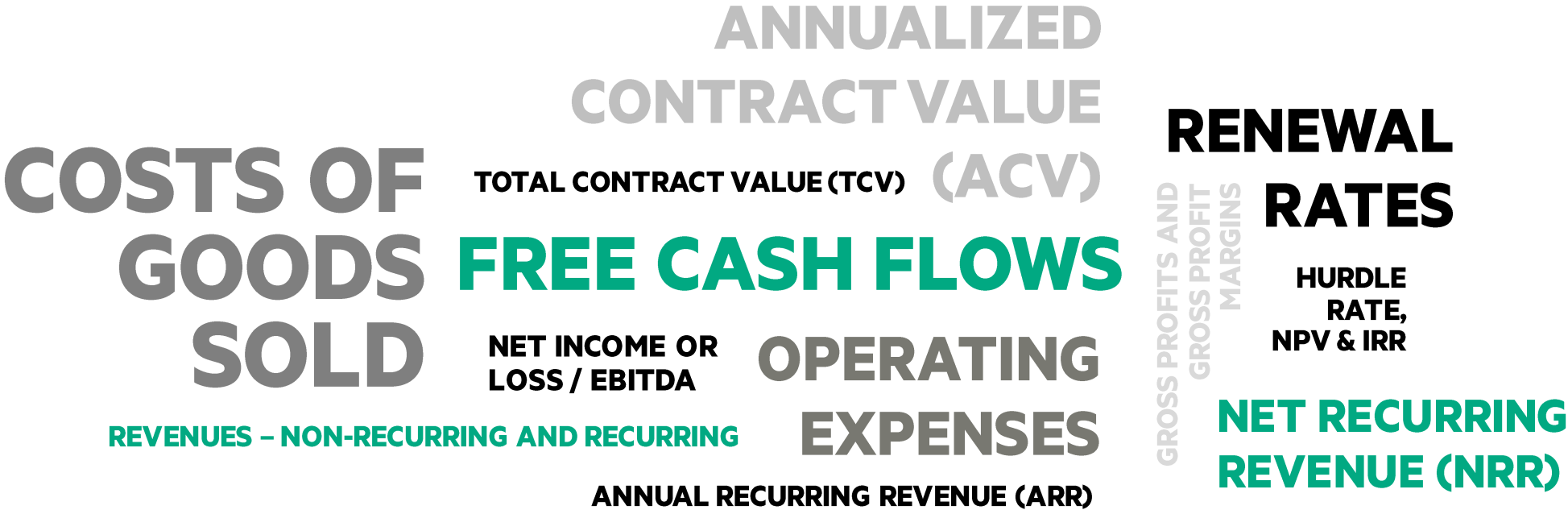


Sales
leadership



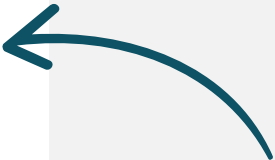
Key stakeholders who will be responsible for
developing your managed services' business plan

Key business & financial terms

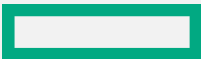


Partner net income statement - illustrative

Revenues	\$10,000,000
CoGS	(\$ 6,800,000)
Gross Profit	\$ 3,200,000 – GPM: 32%
OpEx:	
Overhead	(\$ 1,500,000)
Investments	(\$ 250,000)
SG&A	(\$ 1,050,000)
Total OpEx	(\$ 2,800,000) – 28%
Net Profit / EBITDA	\$400,000 – 4%

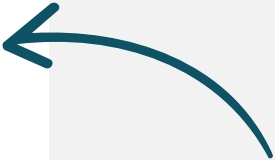


Revenues typically refer to all sales made by the business.



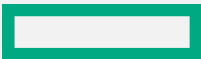
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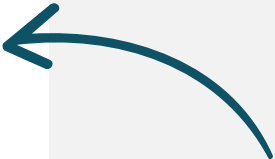
CoGS are the direct costs of producing the goods

- Partner buy price of HPE hardware and software
- Cost of partner professional services labor



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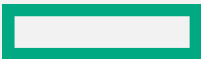
- **GROSS PROFITS**
sales minus CoGS
- **GROSS MARGINS**
gross profits divided by revenues



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Operating expenses typically will include the overhead expenses required to run the business, investments and sales expenses



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- Rent
 - Utilities
 - Laptops
 - Systems, tools & platforms
-
- Sales commissions
 - Marketing expenses
 - Sales admin and overhead

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- **NET ICOME**
Gross margins minus operating expenses
- **EBITDA**
Earnings before taxes, interest, and depreciation and amortization

← Theoretical free cash flows from operations



New KPIs



Total contract value
(TCV)



Annualized contract
value (ACV)



Annual recurring
revenue (ARR)



Net recurring
revenue (NRR)

New KPIs

Total contract value (TCV)

The total value of a new sale in current financial terms.

Example

**\$100,000 sale that
has a 3-year term**

TCV = \$100,000



New KPIs

Total contract value (TCV)

The total value of a new sale in current financial terms.

Annualized contract value (ACV)

The annualized value of the contract regardless of the time of year sold.

Example

\$100,000 sale that has a 3-year term

TCV	ACV	ARR
\$100,000	\$33,333.33	\$16,666.67

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Amount of recurring revenue expected to be realized in a given year.

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\$100,000	\$33,333.33	\$16,666.67

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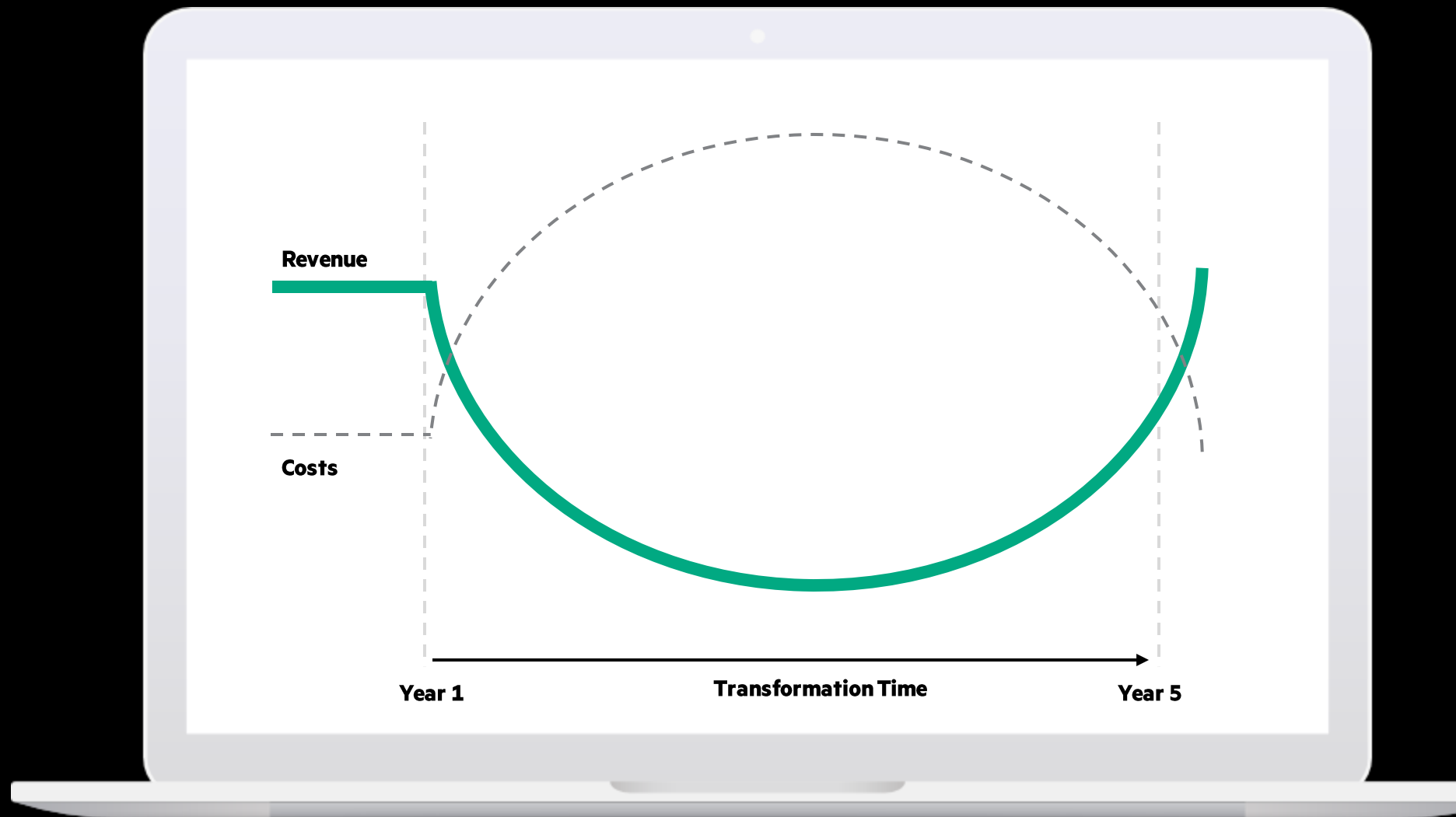
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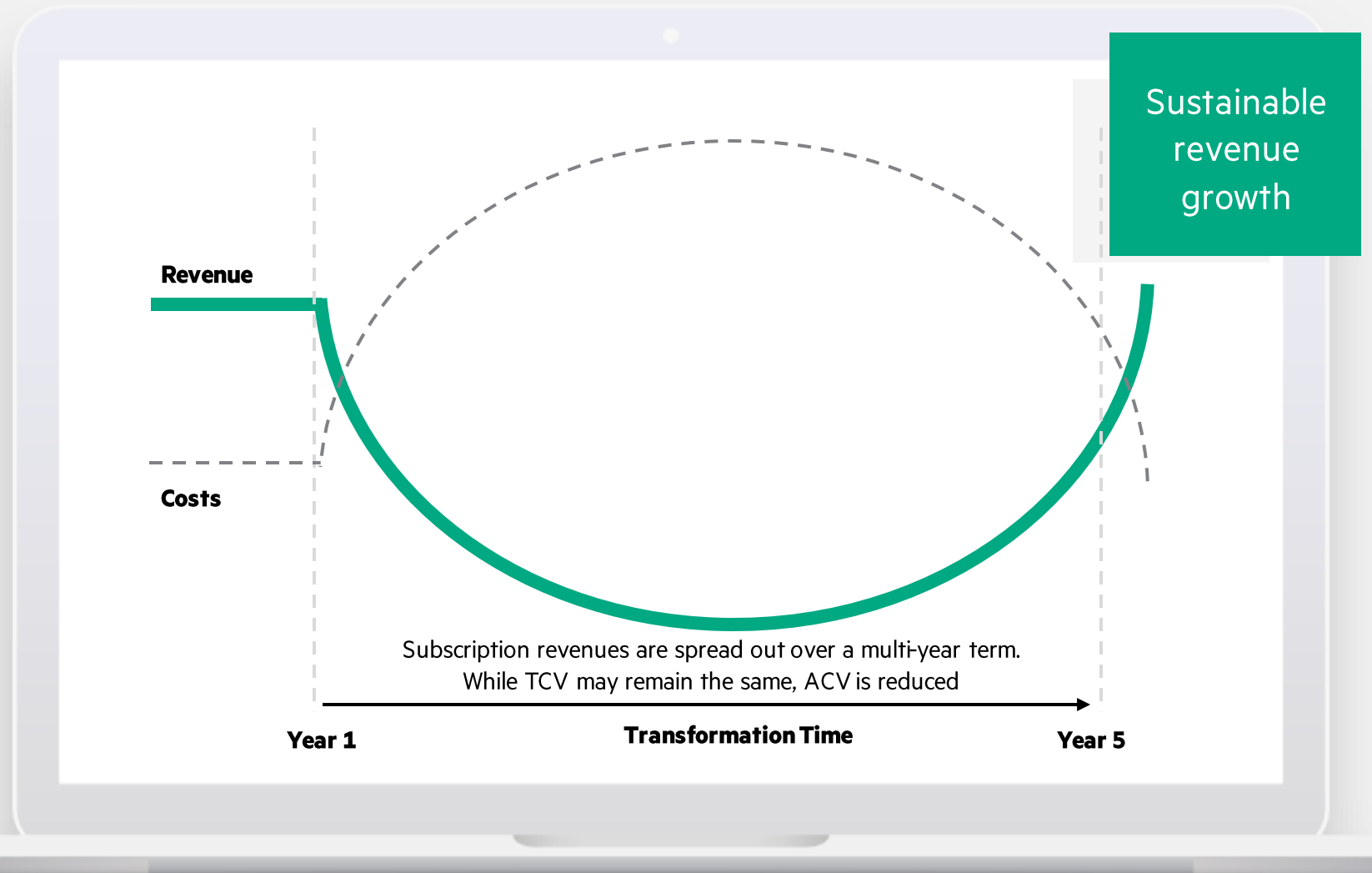
Net Recurring Revenue (NRR)

ACV – Churn + Growth

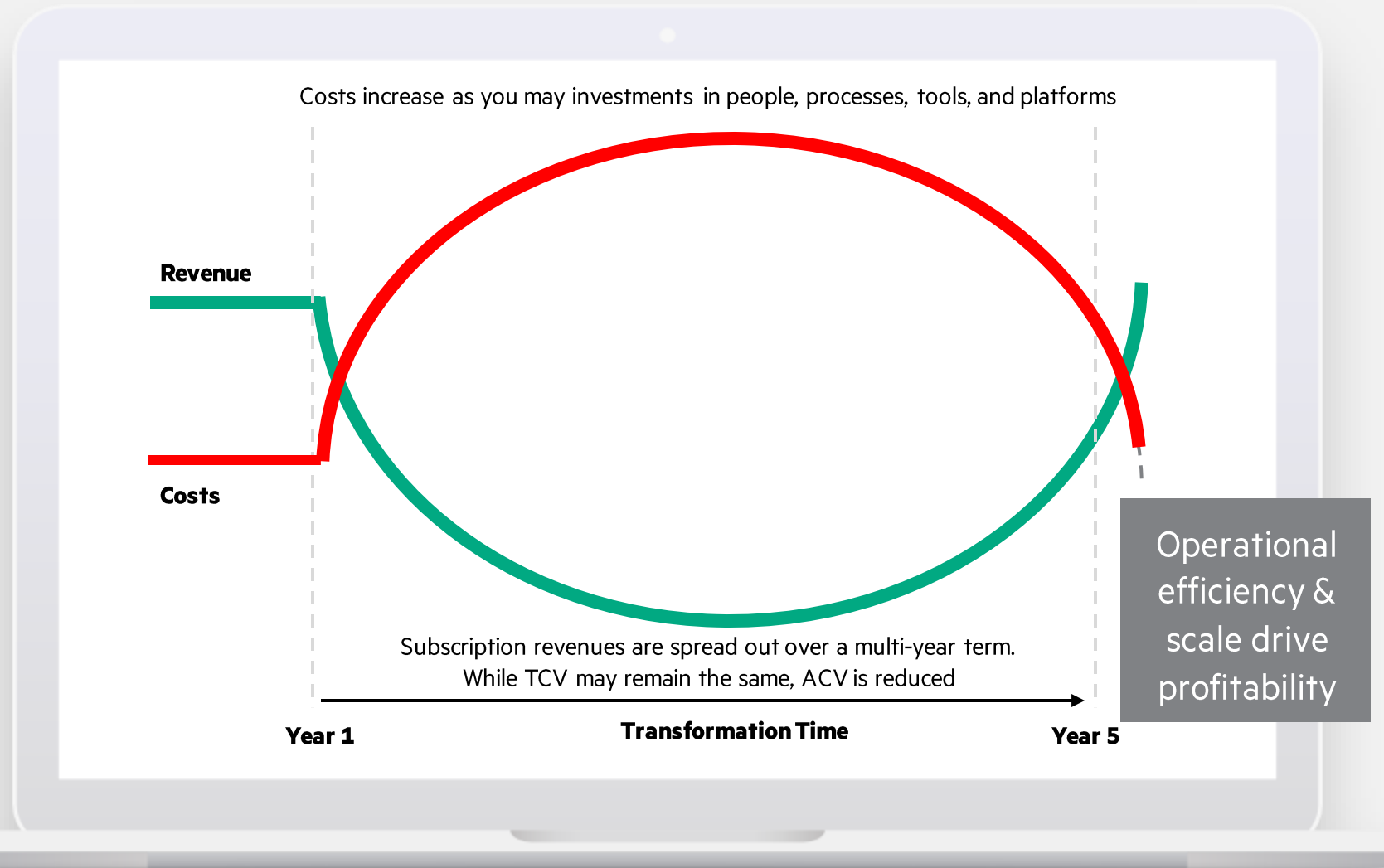
Preparing your business for the transition toward managed services



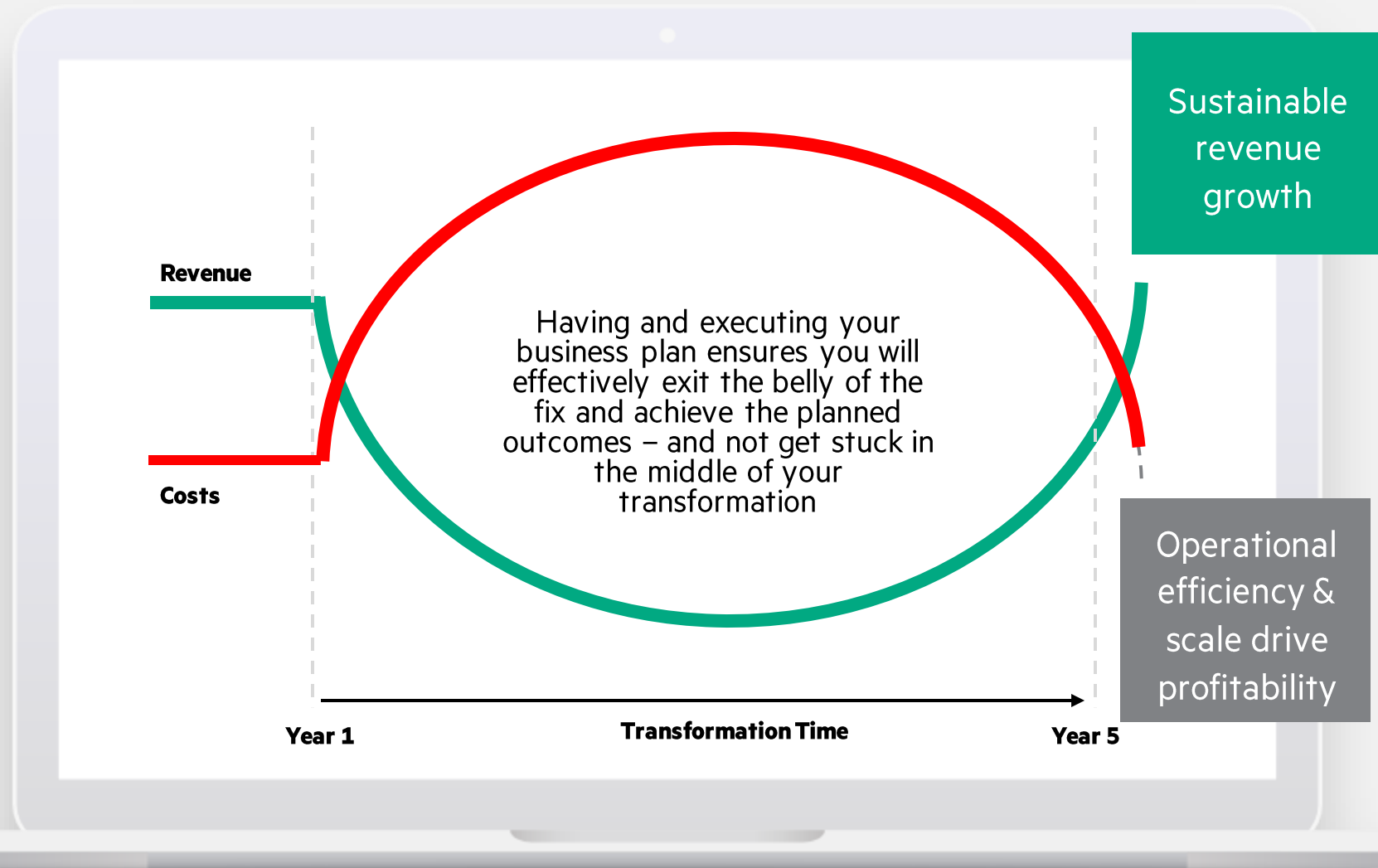
Revenues will decrease in the short-term



Costs and expenses will rise at the same time



**Effective
business
planning will
help you stay
the course
while
accelerating
your
transformation
time**

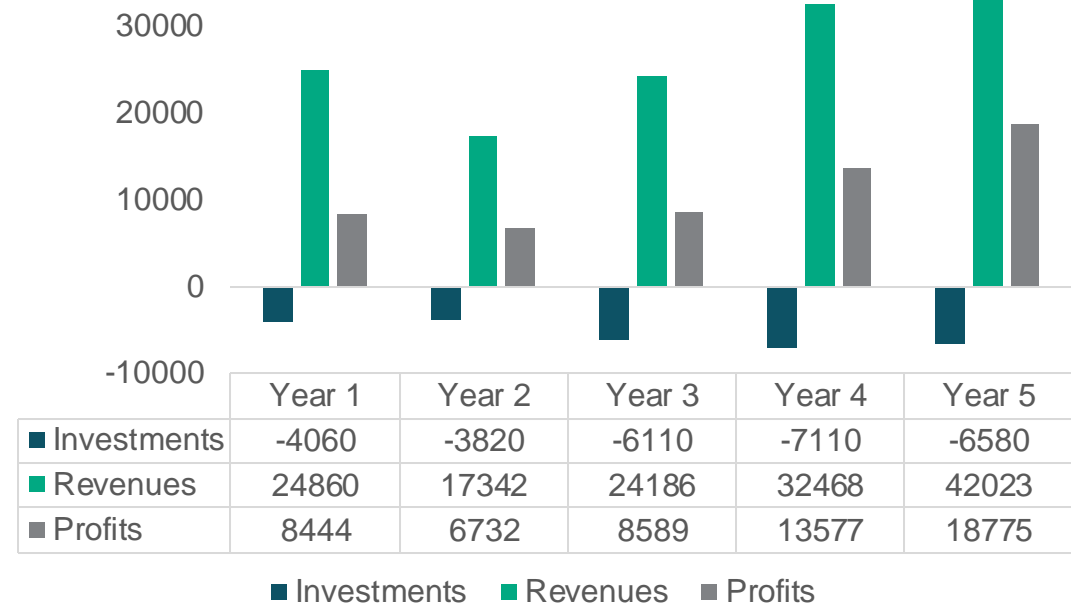


Is managed services the right investment priority?

Make the right investment decisions for your business

- Will the return on the required investments to develop managed services meet your investment criteria?
- Not just about profitability, but whether or not this is the highest and best use of your capital
- Have you defined this criteria:
 - Hurdle rate
 - Net present value (NPV)
 - Internal rate of return (IRR)

Return on Investment



MODULE 1 SUMMARY

Building a strong foundation



Provide a strong foundation of common financial terms and financial statements



Understand the impact of transitioning toward a subscription business model



Align on key XaaS partner economics



Preview of module two

MODULE 2

Modeling anticipated financial performance



Target market
segmentation



Sales and service
constructs



Planning for costs
of goods & opex



Investments in people, process, platforms, and
marketing

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Placeholder

Placeholder for exercises





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Enterprise**

Thank you

