



Chamber Breakfast

November 14, 2019

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Introduction

- Education
 - Experience
 - Arthur Andersen
 - Super-Lube
 - Walls Industries
 - Transactions ranging \$1-\$150 million
 - Qualifications for topic
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Definitions

- Small Business
 - \$2-25 million in sales
 - Value we are trying to maximize/ protect
 - Not talking about revenues
 - Not talking about value of enterprise
 - Focused on value to ownership/ principals
 - Transaction waterfall
 - Optics can be misleading
 - Sales, EBITDA, PE, Audit - example
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Questions

- Plan to close/sell your business one day?
 - Independent Valuation?
 - Formal Succession plan?
 - Anyone in position to sell today if offer came in?
 - Ready to evaluate the offer? Is it fair offer?
 - Key documents available for an initial discussion?
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Statistics (from google, not MBK)

- % of business that make it 15 years
 - % of those that ever actually sell
 - Small business owner / net worth
 - % that never get advice on sale/ transition
 - % with a succession plan
 - % that get independent valuation
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Historical Factors

- Corporate Structure
 - Shareholder Loans, Depreciation
 - Recapture, repayment
 - 50/50 deal (buyouts)
 - IP documentation/ownership
 - Form of key agreements (vendor/customer)
 - Valuation Model - EBITDA / adjusted EBITDA definition
 - Succession plan
 - EE expectations/incentives
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Transaction Obstacles

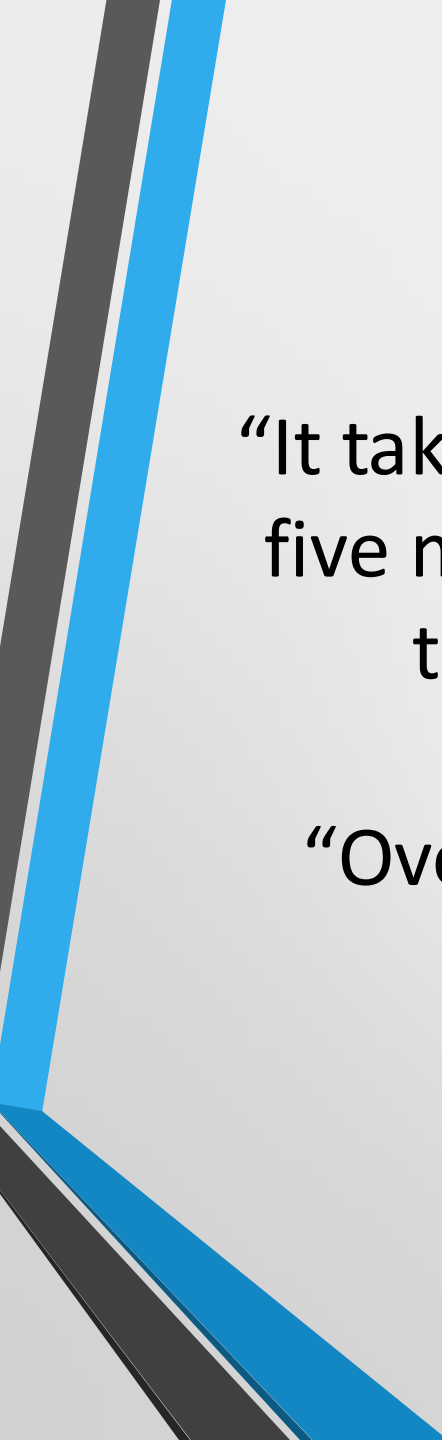
- Unrealistic value expectations
 - Stress how critical you are to the business
 - Talk about off book cash flow
 - Hide material information
 - Demonstrate your ignorance about
 - Personal expenses thru business
 - Debts, Financials, Taxes
 - Trying to time the market -risks of selling at top
 - Listen to your neighbor or brother in-law
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Transaction Facilitators

- Communicate why you are selling/transitioning
 - Explain how you could help post close
 - Have projections
 - Annual reports & history
 - Concentration history – prepare for discussion
 - Audited or reviewed financials
 - Have assignable agreements whenever possible
 - Acknowledge business weaknesses
 - Understand valuation, waterfall & personal expenses
 - Educated banker
 - Potential Acquisition Targets
 - Use a lawyer/ advisor as independent set of eyes – not a broker
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Summary & Questions


- Life Happens – plans get blown up
 - Minimize the decisions to be made when time is precious
 - Worked too hard to be reckless when it counts
 - Don't base your transition on selling
 - Assume you will run it forever or close it
 - Always be ready
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“It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently”

“Over time, you get the reputation you deserve”

– Warren E. Buffet



“Some people dream of success
while others wake up and work
hard at it”



“Wise men talk because they have something to say; fools talk because they have to say something.”

– Benjamin Franklin