

**“If you don’t know where you’re  
going, you might wind up  
somewhere else.”**

**-Yogi Berra**

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# Outline

- Strategic planning
  - Internal & external growth
  - Capital
  - Exit strategy
- Deal process & Wright example
  - Step-by-step overview
  - Wright Welding
- Closing remarks & questions

# Strategic Planning

- Identifying and evaluating long-term company goals
- Keys:
  - Communication
  - Organization
  - Goal setting

# Strategic Evaluation

- Internal vs. external view
  - Want to hear vs. need to hear
  - Trusted advisors
    - Fair and honest opinions
    - 30,000-foot view
  - SWOT Analysis
  - Expect the best, plan for the worst

# Internal & External Growth

- Internal Growth
  - Successful firms manage this well
  - Capital requirements
    - Human
    - Financial
  
- External Growth
  - New business line, material capital expenditure, joint venture
  - Acquisition, spin-off

# Liquidity Position

- Liquidity
  - Important to development and survival
  - Timing and amount is crucial
    - “Gut feeling”
    - Before it’s too late
- Liquidity Planning
  - Long-term outlook
    - More than current and steady growth
  - Downturn
    - Avoid ‘survival mode’
  - Try to maintain a solid position for all external factors
    - Current credit crunch / real estate bubble

# Exit Strategy

## 3 Basic Forms

- Ownership transfer
  - Often generational or key management
- Recapitalization
  - Sell % of the business and maintain partial control
- Sale
  - Investor(s) acquire controlling interest
    - Types: Asset & stock – many structures

# Other Important Issues

- Investors
  - Insiders vs. outsiders
- Legacy
  - Business culture and prosperity
- Tax & Accounting Implications
  - Cap gains, corporate structure
- Timing – 5- to 10-year cycles
  - Primary: Industry
  - Secondary: Economic

# Deal Process

- 1. Initial Planning
- 2. Information exchange & due diligence
- 3. Buyer universe & marketing
- 4. Negotiations
- 5. Final agreement

# 1. Initial Planning

- Game plan
  - Expectations and parties involved
  
- Choosing an advisor
  - Size and fit

Industry	Net Sales	Gross Profit	EBIT	EBITDA
Agriculture, Forestry & Fishing	0.56	0.78	2.81	3.17
Construction	0.41	1.08	4.74	4.48
Finance, Insurance & Real Estate	1.33	2.00	6.53	6.84
Manufacturing	0.84	2.25	8.73	7.65
Retail Trade	0.41	0.77	3.59	4.15
Trans, Electric, Gas, Sanitary, etc	0.79	1.43	5.86	6.16
Services	0.74	1.08	5.76	6.70
Wholesale Trade	0.43	1.27	4.79	5.79

## 2. Info Exchange & DD

- Time intensive
  - 1 to 6 months
  - Strategy, marketing and presentation
- Valuation methods multiples
  - EBITDA, sales, EBIT, gross profit, etc
  - Enterprise (company) value

## 3. Buyer Universe & Marketing

- Qualify relevant buyers
  - Tangible interest
    - CA
    - Executive summary
  
- Hold management / owner meetings
  - Information exchange
    - Confidential Information Memorandum
  - Answer additional questions

# 4. Negotiations

- “Art of investment banking”
- Seek competitive scenario
  - Fair value and leverage
  - Price/Structure Negotiations - structure and details vs. price
- Determine ultimate buyer(s)

## 5. Final Agreement

- Final buyer
  - Additional agreements
    - MOU / LOI
    - Exclusivity
  
- Other issues
  - Consensus (painstakingly) ultimately reached
  
- Purchase Agreement / Closing Documents

# Closing Remarks

- Current economy
  - General M&A activity down
    - Strategic acquisitions healthy
    - International buyer activity
    - Economic downturn - great opportunities
- Other strategic alternatives
  - Capital from non-traditional avenues

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