

Reprint

AFTER THE SALE

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By Loren Smith

I'm often asked by owners of wire harness companies who are considering selling their companies what life is like after the sale. Obviously, I can't give them a one-size-fits-all answer, so I generally start to counsel them by asking, "Is your primary motive for selling liquidity or retirement?"

When liquidity is the goal, owners usually stay involved in the business. When it is retirement, owners typically remain on the scene just a short period. The following examples should shed some light on what life can be like after the sale.

Retirement

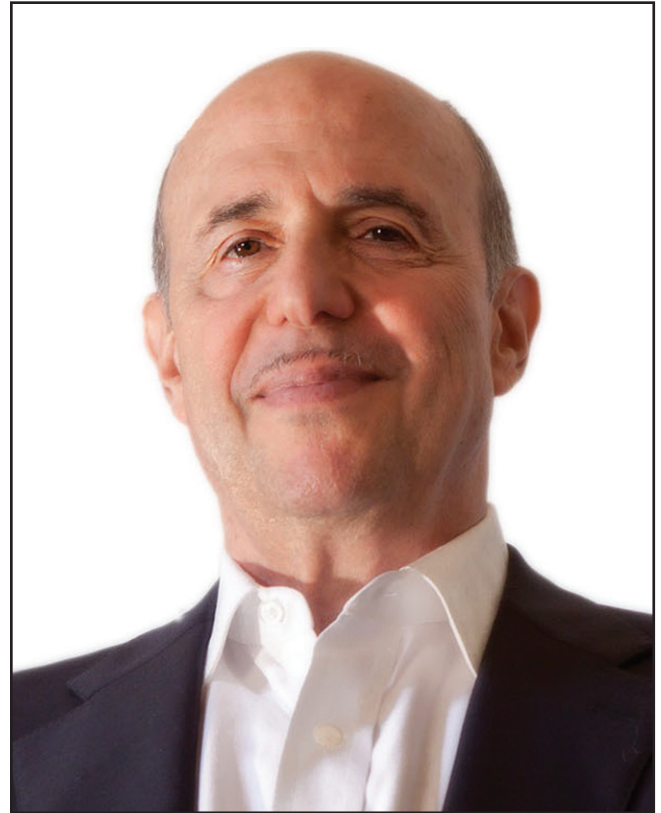
"Alfred," at 74, decided to sell the harness business he had started 40 years ago. He had been considering selling for several years, and he now felt that his age made retirement necessary.

Because Alfred hired an intermediary to manage the process for him, he found himself in the fortunate position of having several worthwhile buyers with little difference among them in price and terms. So Alfred based his decision mainly on his--and his advisors'--assessment of which prospective acquirer would most likely treat his employees and customers with the same respect he always had.

It has now been five years since Alfred sold his company. After a six-month transition, he moved to a warm climate and is happily retired. All of his principal employees are still with the company, and he has been pleased to see the new owners take his company to a next level of growth.

Continued involvement 1

"Tom," a 45-year-old founder, sold because he wanted capital to expand and he wanted liquidity. He did not like the feeling of having all of his net worth tied up in his business.



Loren M. Smith, CEO
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Tom loved selling and customer interaction in general, but he had discovered that many of the duties associated with being a CEO were not to his liking. As a result, when Tom sold his business to a competitor, he elected to move into a sales capacity.

In the years since his sale, Tom has been very happy calling on old and new customers. He does not miss the CEO role at all--a slot now filled by an individual the buyer moved into that slot. Tom feels fulfilled focusing on sales, and he has been able to help expand the company.

Continued involvement 2

Now it's my turn. When I sold my company to a private equity firm, I kept a minority share and stayed involved for the five years we owned the company together. Going from sole shareholder to minority shareholder was a real adjustment, but the change had its pluses. Most important was stress reduction, especially whenever our company hit an inevitable rough patch. Having extracted most of my company's value with the sale, I found sleepless nights to be a thing of the past.

Another adjustment was preparing for and participating in quarterly board meetings, now that I was part of a new corpo-

rate structure. After 20 years of not needing to report results against a plan, this was new for me, but it was much more engaging than burdensome.

Overall, I was very fortunate. The private equity partner kept my management team in place and did not attempt to play a day-to-day role in the company.

Another major change for me was growing by acquiring other wire harness companies, a strategy our private equity partner wanted us to pursue. They provided us with the capital to make a number of acquisitions, enabling us to drive our revenue from \$23m to \$85m.

All of our acquisitions were deals I brought to the table, but

without the capital infusion they would never have been possible. I found the acquisition activity extremely rewarding--so much so that I have continued to this day to do M&A work.

Over the years I have been party to a great many transactions. Although I can't say that sellers wind up happy 100 percent of the time, I have found that when an owner thinks through what he or she wants after the sale and focuses on that objective, in the vast majority of instances the outcome is a good one.

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