

THE RECORD

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Earn Free Tools for Your Favorite School! p 10

Should I Buy Or Build? pp 20-21

Tempted To Poach? Don't: Special Editorial From Roger Atkins p 24

and so much more ...

ATTRACTING, RETAINING, AND DEVELOPING YOUR WORKFORCE

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THE RECORD

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OOPS WE MADE A MISTAKE! Our sincere apologies to New Scale Robotics for misprinting the article byline (October Edition Pg. 28). The article was written by Stefan Fiedich and New Scale Robotics is a Certified Systems Integrator for Universal Robots not Fanuc.

Upcoming NTMA National Events



Chapter Leadership Summit 2023
Date & Location TBD

What's Your Story?

Send Us Your Story

Each issue of The Record will feature stories from members – and we want to hear from you. Send us stories of success, or those that fit the theme of the month's issue. The submission deadline is the first of the month prior to publication.

Contact Rena Montedoro at rmontedoro@ntma.org

Upcoming Themes for The Record

DECEMBER

The Year In Review

JANUARY

Vision for 2023

WHAT'S MY BUSINESS WORTH?

By: Troy Roberts, CEO at Beanstalk Collaborative Community Wealth, LLC.

As you consider retirement, or a change in career path, it's natural to wonder what your manufacturing business is worth. You may be looking forward to a sale funding your retirement dreams, or maybe using them to start a new business—or a new life. The tricky part is that figuring out your company's value depends on a lot of factors; some within your control and some that fall outside of it.

To get the most out of selling your business, you need to know a few helpful facts, and, perhaps more importantly, you need to know what you don't know. Let's run through a few important points on valuation for any business owner who's considering selling their manufacturing business, today, in a decade, or in a generation.

There are a handful of aspects of valuing your business that you have a lot of control over, so long as you're willing embrace that control and wield it well:

1. Who you sell the business to - Size matters. The greater the number of interested parties competing to buy your business will positively impact its valuation. The size of your company's revenue and EBITDA (earnings before interest, taxes, depreciation, and amortization) will determine the number and type of interested buyers for your business. If your revenue is \$10M or less (with EBITDA of \$1M or less) your options will generally be limited to an internal sale, individual buyers, community wealth buyers, and the occasional strategic buyer. If your revenue is in the \$25M-\$100M range, you might be big enough to be a platform or roll-up and command a higher price, but those buyers are less likely to protect the business's legacy, employees, or the company's positive impact on your community. If you sell to the employees, to relatives, or an individual buyer, you run the risk of having to seller finance the sale, putting you at risk to take back control of the business if it fails under new ownership. On the upside, it might be easier to pin down the buyer's intentions for the company's future.

2. How you sell the business - Your company's value will depend greatly on the method for valuation and the kind of sale you use. Asset-based valuations in

a liquidation setting will definitely yield the lowest valuations for a going concern. A better indication of true "market value" involves multiplying your company's trailing 12 months EBITDA by the multiple for comparable current transactions in your industry. Of course, there are many company risk factors unique to your company that can enhance or detract from the comparable market multiple. The market-based comparative is just the starting point. And getting this valuation right means having a trusted financial team that understands the true economics of the business.

3. Upgrade with valuation enhancers - A combination of intentional tweaks and some thoughtful, comprehensive implementations can significantly increase the value of your business for a buyer. Consider hiring a Controller or CPA on staff, evaluate and strengthen your management team, switch to GAAP Accounting, and have your financials audited, go for any quality certifications that apply to your focus industries, implement an MRP/ERP system, and look into ways to diversify your customer list. These changes are just a few of the kinds of operational improvements that should increase the applicable multiple by several turns applied to your companies trailing 12 month's EBITDA.

4. Who is on your team during the sale - Remember when we mentioned knowing what you don't know? Having a team of experts on your side is essential to get the proper value for your company. There are lots of people around all of us who have opinions on what it should be worth, but if you don't know your diamonds, you must know your jeweler. Assemble a team, including legal counsel and tax accounting both experienced in mergers and acquisitions (M&A). Both are needed to make sure the negotiated price squares with the valuation on a pre- and after-tax basis, based on your specific situation. They can also help you through the process, so a savvy buyer can't play mind games, or pull a bait-and-switch. The most important thing: Start tackling these steps now. You may be 5 years from retirement, or maybe 30, but it's never too early to put valuation-enhancing practices in place. Your wallet will thank you after

the sale, and in the meantime your employees and customers will thank you too!

If all of this has your head spinning, that's totally understandable. Getting those experts on your team is essential for exactly these reasons. Imagine trying to upgrade your company while poring over the nuances of the tax code, or trying to read about your state's M&A legal requirements and regulations... Not fun. Don't do it.

Instead, consider contacting Beanstalk Collaborative Community Wealth. We help manufacturing business owners understand their company's value, as well as the opportunities and options available when they're ready to leave and start their next phase. (Full disclosure, sometimes we buy those businesses ourselves, as part of our "buy, build, and hold" community wealth model. We keep companies in their communities, protect living wage jobs, and preserve owner legacy.) We also want to help any manufacturing owner make their business stronger because without these companies, the American economy is a whole lot weaker, and the community benefits generated by American ingenuity exemplified by small manufacturing businesses is extinguished.

If you're interested in talking to us about your business's value or succession plan, feel free to reach out to us. We want to share our experience and expertise with you.

Beanstalk Collaborative Community Wealth, LLC (BCCW) is a holding company dedicated to providing attractive financial & legacy-protecting opportunities to transitioning owners in the manufacturing industry, while preserving and growing businesses, and jobs. Learn more at beanstalkccw.com.

