Description

It takes timing, preparation, and strategy to sell a firm. These are all a part of the procedure, which, depending on the size of your organization, may occasionally be difficult. To get you the finest outcomes and uphold the reputation of the company you've built most in your life, there are services out there that may offer you consultations and even coaching. In today's episode, Kit invited Phil Curatilo, founder of Alinea Growth, an exit prep consulting and coaching firm. They discuss the proper process of selling a business, things to practice when planning to sell, the difference between consulting and coaching, the rules when thinking about selling the business, and lastly some key points about the distinction between investment banks and business brokers.

Key Takeaways

Who is Alinea Growth and what are its services
Examples of the area of weakness during the selling process of businesses
Consulting services versus Coaching services defined by our Guest
The future of Alinea Growth and where it headed to
The rules and facts they established when selling the business
The difference between investment banks and a business broker

Quotes

If you're talking as a standalone business, a new platform for buyers, customer concentration is in fact important. - Phil

One positive thing that the pandemic gave us is that people are now and companies are now much more willing to participate in learning and meeting like we're doing right now virtually. - Phil

Consultants usually have a specific area of expertise and coaches takes some of it but they will help you discover things, meaning you do some work on your own to help you that discovery - Phil

Featured in this Episode

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Transcript

Kit: Welcome to Strategic Growth Council, a podcast about strategic growth and mergers and acquisitions for the middle market. Now, Strategic Growth Council provides growth, strategy planning work, and peer advisory councils and meets virtually every month. And we focus on solving members' cases or business dilemmas as a group intentionally, consistently, and as dedicated support for one another. I'm just the moderator, but if you want to learn more, contact me. kitlisle@strategicgrowthcouncil.com. So my email address is kit@strategicgrowthcouncil.com. And this is our podcast. If you're interested in learning more about organic growth, growth by acquisition, or the sale of your company, this show will be interesting and or useful to you. And thanks to our sponsor, Acclaro Growth Partners, a strategic consulting firm serving the middle market of M&A. And every episode I interview an expert or at least a participant in the world of strategy, growth, and M&A. Today, I'm joined by an expert and a participant, Phil Gordillo, of Alinea Growth exit prep consulting and coaching. Phil. Welcome.

Phil: Kit. Thanks so much. Happy to be here. Very excited and looking forward to participating today.

Kit: Great. Well, I want to hear 30 to 60 seconds of background on yourself, but if you don't mind, let's start with Alinea. It's an interesting word you shared with me. Where did you come up with Alinea?

Phil: Yeah. So, you know, Alinea comes from the topography world, and it represents the first indented line of a new paragraph. So the reference point here is that we're helping private company owners change the way they think and start thinking and creating in a new way. Part of our logo is the reverse P that editors often use. It's also called A Pale Crow to designate a new paragraph. So that's a related derivation of the name and how it represents what we do in our business.

Kit: And it's representative of a fresh new start. Correctly.

Phil: Exactly right. Exactly right.

Kit: And how about you? I know you've you and I have known each other for a long time through the Association for Corporate Growth. I know you've been a private equity investor, but our audience doesn't know anything, presumably, about you. So let's hear.

Phil: Sure. Well, you know, I've been a private equity principal investor and buyer of privately held companies for more than 30 years. But maybe most importantly, I worked for a break, even a private company before that, where I helped grow and I helped raise growth capital before. So I've been on both sides of the table if you will. And in addition to my principal investing experience, I've performed teaching and consulting, including in the former Soviet Union during the time of their governmental coup, which is interesting, to see tanks rolling through the street as you're teaching a class. Quite an interesting environment, but very educational. I was there the summer of 1991, spent most of my time in Lithuania. And at the end of the summer, I took a 12-hour train ride from Vilnius, the capital of Lithuania, to Warsaw. Poland got across the border and was trying to get to Vienna. So I checked into a hotel to get some shut-eye. I woke up and the coup had essentially happened just a few hours after I crossed into Poland.

Kit: Wow.

Phil: So, talk about timing.

Kit: Absolutely.

Phil: Let me maybe tell you about linear growth in a bit more detail. So we have two lines of business. The first one, as you started to describe, is we work with private company owners to help them prepare their business so that it is better performing. So that when it comes time for them to exit, the business is ready to go. They're ready for prime time, and they can garner the maximum valuation price. And that could take 12 to 36 months, frankly. We offer this through a virtual webinar series about eight weeks long. Once a week, sit in a webinar for 30 to 45 minutes. One other time a week, there's an open Q&A session, but that goes for about eight weeks. And then we help you make some changes in your business. So essentially dealing and addressing the top criteria that aggressive buyers will evaluate your company by. So that's the first line of our business. The second line of our business is let's say you've gone through our webinar series and in several months you've made these changes and now you are ready to sell. So what we will do is we can be a coach and this is more one-on-one and we're very selective. We only pick about four or five clients per year because it does take some time and energy to do that coaching. And we will help the private company owner set up their deal team, select their sell-side investment banker, help vet those investment bankers to pick the right one that's appropriate for their size company, their industry, etc. and essentially hold their hand and be a third party as they go through that process.

Kit: Fascinating.

Phil: So that's really what we do and how we do it.

Kit: Excellent. Well, let's start on the consulting side with the webinars. Who better to know how to prepare a business for sale than somebody that's been involved in the buy side and acquiring businesses? And, you know, frankly, you find you find situations that create uncertainty or angst or potential for stress down the road. And so, you start to discount a little bit on those topics. What's a common example of an area, let's just say an area of weakness that you see in businesses that are for sale?

Phil: Yeah. You know, it's funny. There's surprising consistency when you're talking about, you know, middle market and lower middle market companies. Right. And I think two main areas pop up over and over and over again. The first one that I would say is that you have a private company owner who themselves are responsible for almost all of the sales relationships. Okay. So, customers are used to having that person to deal with as opposed to having a sales manager or a couple of sales reps that have those relationships dispersed. Now, if I'm a private company buyer and I see a company with that situation, it's going to give me concern and cause for concern. And I'm going to be saying to myself, well, if we already don't have a company in our portfolio like this, then I can't let this owner walk away at the selling table. I need to tie him or her up for three or five more years so that those relationships can eventually be transferred to the sales team so that company can be run without him or her. Okay. So that's one of the things we find and that's one of the things that we help private company owners address.

Kit: If I jump in there. Yeah. The intent of the couple of things to clarify the intent there is not necessarily to eliminate that business owner. That's not necessarily the intent. The intent is to reduce the risk that is associated with what's called common risk and to improve the balance of the sales effort across an entire team. That's just part of professionalizing the team. And then one other definitional term, you use the term lower middle market, middle market. I used the term earlier, but just for clarification's sake, you know, I think 2 million to 20 million of EBITDA is a fairly acceptable term for the lower middle market. Some people have a different term, but it can vary slightly depending on industry and so forth. But that's a general term. Sorry, Phil.

Phil: Yeah, no, I think that's a good reason to pause. We start working with companies that are at about 1 million and the EBITDA. And what we find is that 2 million of it is that line of demarcation where institutional buyers of companies first become interested in private companies. So even if they're focused on the lower middle market, that tends to be the point at which they're becoming interested and aggressive buyers.

Kit: And so that's the gateway. And to get from, say, a million EBITDA to 2 million of you. But presumably, there are a lot of steps, you know, and then it's not necessarily that those steps are not necessarily the same height. Some are big steps, some are longer steps, and some are short steps. But there are oftentimes a lot of steps to get through, to get to that point of being a desirable, attractive acquisition target for the community of buyers that are looking at lower middle market deals. So my point in saying all that is, Phil, you've chosen 1 million of you, but because you're you know that in most cases those businesses do have some steps to go through and that you can provide assistance. That's a smart place to start.

Phil: Yeah, and be clear, we're also working with larger companies. So if you're ten or 15 or 20 of EBITDA, that doesn't mean you don't have issues that need to be solved.

Kit: Sure.

Phil: And the growth that needs to be proven for you to, again, maximize your exit value.

Kit: No, I was going to ask if there are any other common themes. I mean, we talked about the key common risk and the other topics that come to mind for sure.

Phil: As you might expect, the financials. Um, so that includes a whole bunch of different things. And the first would be, you know, the companies need to be on an accrual-based accounting system, not a cash-based one, because that's how sophisticated buyers are going to want to eventually take the company. They really should be on an industry-recognized accounting and reporting package. So, some sense of automation in that process. And because at the end of the day, aggressive buyers want to be able to trust the numbers. And if they don't trust the numbers and if the numbers are suspect in any way, they're going to take all of them with a grain of salt and they're going to discount the price that they offer you as a private company owner. What amazes me is that sometimes there's resistance to that change. But what amazes me about that resistance is. If you as a management team are using the companies' numbers that are incorrect to make managerial decisions in the first place. You essentially are using incorrect data. So, the chance of your decisions being correct on incorrect data is a pretty low probability. You know, my daughter, who's ten years old, is very good at math. And she took the math test one day and she didn't do as well as we expected her to do or as she expected to do. So, you know, we're looking at the test together and what she did right and what she did wrong. And I looked at it and I asked this question, read the question. And she said, Yeah, okay. And what's your answer? Well, that's the answer I got. Read the question again slowly. And then she goes, Oh. So my point is, I told her if you don't understand the question, the likelihood of her getting it right is very low. Same thing with the private company owner. If the data that you have is suspect. How can you possibly imagine that you're making the correct managerial decisions with that data? And, you know, and the other thing that I would say is something that's becoming more and more popular is a sell side. Q of poor quality of earnings report. Right. Right. So before you go to market, you have a reputable accounting firm that does a quality earnings report that you, in turn, can provide to your prospective buyers. Now, it doesn't mean they won't want to do some of their own, but they can at least use yours as a starting point. Yeah. And that will help solidify the appropriateness of those numbers and the accuracy of those numbers so that they know that six, seven, or eight times even doubt that they're willing to pay is going to be delivered.

Kit: Yeah. So a couple of things to summarize there. I love what you just said, and I hope I can do justice to summarizing all this. So, number one, larger deals have historically used quality of earnings reports on the sell side, and that's now migrating down to smaller deals. It's become the norm. And there are a couple of reasons for that. As you pointed out, one is that it provides more tangible proof to a buyer that the cash flow and the earnings are legitimate and real. And therefore, the valuation that they're putting on the business is as is confirmed or is they have comfort in it. Secondly, having those numbers is in and of itself important because now we have solid numbers. But the numbers show that management presumably is making the right decisions, as you pointed out, based on those numbers. And thirdly, the third benefit of having that sell-side study is that it enables the acquisition process to go more rapidly. And there are benefits in that, while, you know, the obvious benefit is, you know, you want to close the deal quickly. But what you might not have thought of is that sometimes things happen. And I'll give you a simple example from our last guest, Caroline Young of Grasberg Consulting. And she pointed out that something good might happen for the company's sake. You might have your number one customer place a huge order that that grows their percentage of the share of business from being maybe a 30% customer to a 40% customer, which sounds great from a business owner standpoint, but from a buyer's perspective, well, now you've got 40% of revenue tied up in one customer. So even though that seems like a good event, it's not a good event from an acquisition standpoint because it just creates a little bit of uncertainty. So moving rapidly through closing is a good thing for everybody. And having that quality of earnings the sponsor of this program, Acclaro Growth Partners, does sell-side market studies and they also help to move the process along more expeditiously. So it makes sense.

Phil: Yeah. And you know, you brought up customer concentration, right? And that's one of the issues that we address with our clients that need to be corrected. But the important thing is it depends upon the buyer that's at the table, right? So for example, for financial buyers now at Alenia Growth, we've identified seven different primary types of buyers for your business. One of those is financial, meaning private equity firms. They've raised an interest institutional fund of capital and they're trying to put that to work. Okay. If they are investing in this business as a platform investment meeting, their first investment in that industry, then customer concentration is very critical. Now they want to see it below 30% typically. But if you're either a quasi-strategic buyer, meaning you're a financial buyer with the platform already, or you're a strategic buyer, meaning a bigger corporation looking to add on that customer concentration doesn't mean as much. Right, because you're adding it to a bigger base.

Kit: Right.

Phil: Make sense. So it all depends upon the buyers that are at the table and how they're going to evaluate that. And frankly, in some industries, even not having the customer concentration with certain customers raises questions. For example, if you're selling products, hardware, products, and your two biggest customers aren't Home Depot and Lowe's and they don't represent a large. Percentage of your sales. Buyers will ask why. What's wrong with your products? So it's really interesting the perspective that you take in regards to that. But if you're talking as a standalone business, a new platform for buyers, customer concentration is in fact important.

Kit: Great, great. So, you know, for the benefit of our audience, I want to point out that they feel has the perfect mix of experience as an operator, as an investor, and now as a consultant to help businesses prepare for sale. So we're honored to have you with us. Phil, you mentioned webinars. So what's the model here? Are you recording the webinars so that people can listen to them on their own, on their own time? Do you have stated times for specific webinar events? How many of them will there be, etc.?

Phil: Sure. Well, you know, if there's one positive thing that the pandemic gave us is that people are now and companies are now much more willing to participate in learning and meeting like we're doing right now virtually. Right. These webinars are initially going to be live. They'll be once a week. But frankly, after, you know, several recordings, they will be recorded and available on a specific day, a specific time of day. So they will be scheduled once a week. And then we will also have a specific schedule for the Q&A sessions once per week. Okay. They are not going to be downloadable. This is all proprietary information. This is our business model. So we don't want people downloading it and sharing it with others. We're happy to have those others be customers as well, and we're happy to work with them. So, for example, if you sign up with us today in a week or so, we'll schedule your first webinar session and then it'll be on the same day each of the following seven weeks. Yeah. And then your Q&A session will be later in the week, but also on the same day for each of the following seven weeks.

Kit: Yep. Good. So can you tell us a little bit about your client mix or client selection process? Are there criteria? So, for example, we heard $1,000,000 of EBITDA dies is a good number. But you certainly go larger than that. Are there in the dust industry areas of focus or, you know, do you have a specific number of clients that you take on? I think you said on the coaching side, there is a limit. Maybe on the consulting side, there's not.

Phil: Correct. Yeah. Since it's a virtual model, it's scalable. We can handle as many as we get. But you know, a couple of criteria here besides the million plus believe it really up to about 50 million of. So these are private companies who own private company owners, who own businesses that have been up and running for at least five years. And so that means no startups, no developmental stage companies, and that 1 million needs to be positive of EBITDA. So that means no turnaround situations. Okay. And of course, you need owners that are in the right mindset, right? They're concerned about maximizing their exit value. They're probably 12 to 36 months from starting the selling transaction process. And, you know, let's face it, they need to be coachable. You know, we say life's too short, right, on both sides of our table. Right. You want to work with people that are motivated, that are interested, and that are willing to listen to someone with expertise that they don't have. And frankly, you know, we spend a decent amount of time upfront talking with business owners about their company, the situation that it's in, and what they need to do to get their maximum exit valuation down the road. And sometimes we just say, you know what, Joe, I don't think this is the right situation for us either because of where they are as a business or because Joe's attitude, you know, so that the last thing we want is an owner that's not committed to the process and but also realizing, you know, we're not going to be doing they're doing the work for you. Right? We're going to be coaching you on that work and it's up to you to get it done.

Kit: You mentioned the fictitious Joe and having the wrong attitude, and I want to elaborate on that. Strategic Growth Council runs peer advisory councils for groups of C-level executives. And we embrace business owners and C-level execs. It is who is open-minded, who is candid, who is willing to share, who are willing to make themselves a little bit vulnerable and say, hey, I don't have the answer to this and I can't exactly turn to my right-hand man, my CEO. So I need some advice from my peers, and that's what it's all about. But to get to that point, you've got to develop the chemistry, the rapport, esprit de corps, really of a group. And they have to, as I said, be a little bit vulnerable. It sounds very similar to what you described or am I missing something? Did that resonate well?

Phil: Yeah. And I think peer groups are very important. So in my last investment firm, we had an annual executive summit where we would invite the CEOs of all of our portfolio companies. And frankly, even those investments that we exited, you know, just because we had stopped investing doesn't mean that they're not part of our family anymore. So we would invite them and on an annual basis, we would bring in subject matter experts to talk about some topical topic that would be important to them. You know, one year we did it on digital marketing and social media. Another year we did it on HR in a growing economy. Last year we did it on cybersecurity. Who's not interested in that right now? Right. So what we did is we brought in a few subject matter experts. They do presentations for a few hours. There's a Q&A and then we have breakout sessions, groups of the executives led by one of the subject matter experts, and we have them answer several questions. Then they come back and present it. And then we have an overall sharing of best practices among the CEOs with all of our investment professionals and with some of our investors. And that kind of sharing is important. And, as with most of these things, every year we would do a survey and we'd send it to the participants. Hey, would you think you have any recommendations for future topics? You know, typically we've done this face-to-face, but this year was virtual. How did it go? Those kinds of things. And one comment that comes up almost every year is that they want fellow CEOs and their best practices. Right. Because a lot of, you know, the CEOs are out there on an island all by themselves. And when they're having a bad day or they're struggling with an important decision, you know, they can always go to their management team to get input or tell them how they're thinking. So being able to pick up the phone and call another CEO who is not quite disinterested but a third party and say, John, you got a minute? I got to tell you about this situation. This is what I'm thinking. Have you experienced anything like this before? And that's.

Kit: Perfect.

Phil: The beauty of it. All right.

Kit: Exactly. And that is what you just described. Hey, John, I got this situation. Do you have a minute? Let me bounce off of you. That's ad hoc, informal, sort of off the cuff. But when it's intentional, dedicated, and recurring, it's the same group. I don't want to use the word magic, but it's even more powerful because things arise now. The topics that are typically discussed are not at the level of topics you would bring up in a board meeting, but they're up-at-night issues that happen on a daily, weekly, or monthly basis. So our peer advisory councils are monthly, they're virtual, they last about 3 hours and they're designed, you know, these kinds of peer advisory councils or mastermind groups, roundtables serve three purposes. Networking is one learning best practices case studies, as you were describing, Phil, as a second and then solving what we call cases as a third. But that's a nice segway to talk about coaching. We've been talking a lot about your consulting service area and less so about the coaching side. I mean, just a naive question. How do you define coaching? And if a listener if one of our audience members says, huh, that's intriguing. A lot of the benefits that we described with peer advisory councils take place also in a coaching environment. But what is coaching?

Phil: Yeah, you know, it's nuance, right? You can call us a lot of things, but the way we look at it is that a consultant usually has a very specific area of expertise and they tell you what to do. A coach takes some of that but also helps you discover some of the things that you need to do, helps you discover meaning you do some of the work on your own to help that discovery. And the big difference is between our coaching and the way people typically think about a coach, right? I mean, Michael Jordan had a coach. Right. Phil Jackson hadn't played basketball for a whole lot of years when he was coaching Michael Jordan. We're still in the game. I'm on the advisory board of a middle-market investment firm. I'm also on the advisory board for a boutique investment bank. So I'm keeping my fingers in the game to understand where the markets are. Even though I'm not a principal investor anymore. So we're trying to bring all of this together. Sometimes you're a little bit more of a consultant. Sometimes you're a little bit more coach. It depends upon what that owner needs. But if you think about the coaching component at the end where we're helping them to create their ideal team and to vet their investment banks, there's a little bit more hand-holding and it's a bit more real-time as new information is added that sort of begets other activities.

Kit: Makes sense. So on the one hand, I don't want to say on the personal front because that's not exactly the question. But you know, this is relatively new for you. And Alinea is, as we learned earlier, sort of a representative of a fresh start, passions, personal interests, goals, you know, where do you see this new, relatively new business heading? Why did you decide to do this?

Phil: Sure. Well, you know, our interests certainly are always entwined with our business interests. And frankly, I felt after a 32-plus year career that I wanted to spend more time with my family, you know, my kids, my dogs, you know, my passion for women's college basketball. You know, being based here in Connecticut, we have reason to root for the home team most years. So it's an interesting group and an interesting coach, by the way, and how we get the most out of the premier athletes in the world. Right. So I learn a lot from him just by looking at the outsider or watching his interviews. You know, my professional dream is to build Alinea Growth into a nationally recognized brand for helping private company owners enhance the value of their company when they're ready to exit. This is a passion because I see so many company owners that don't prepare. Right. If you're if you just wake up one day and you say, you know, I'm just tired of this. I'm tired of banging my head against the wall. You know, I've been at it for 20 or 30 years. I'm just done. You know, let me pick up the phone, call my local business broker, and put it on the market. Let's get out of here. There's no way that you maximize that exit value and you're leaving so much money on the table. So I believe, since, you know, the adage is that private company owners have 95% of their net worth wrapped up in the value of their private company. 95%. Okay. We have come up with eight tenets. Or, as we call them, unassailable facts when it comes to exiting your business. And the first two are really what we created. The linear growth business model around one is the worst time to sell your business is when you have to. Okay. And the second is, that just because you want to sell your business doesn't mean you can. You know, there's an eBay study that came.

Kit: Out, International Business Brokers Association.

Phil: Exactly correct. In 2021, only 45% of all the businesses put up for sale that were private companies that year ended up closing. 45%.

Kit: So I want to jump in and ask a question because this is fascinating. So first of all, you've developed eight unassailable facts tenets. You've got that. That's your intellectual property. Based on your experience, you can help guide business owners to more effective sales. Second thing, just summarizing. Sometimes people want to sell and they want to sell rapidly and they go to, you know, the broker down the street, and maybe the deal goes through quickly. But your point is you're not maximizing the value of the business. Third, we've talked about maybe the period to properly prepare a business for sale is one year, three years, maybe even longer than that, depending on, you know, how many of those steps and how steep those steps are to get the business ready to sell, to sell. And then fourth, we talked about once you hit the go button and the business is on the market at that point, just for clarification's sake, you do want it to go rapidly. You want that transaction period to be rapid so that nothing awry happens during that period when the business is actively for sale. So, backing up filled those eight unassailable points. Anything you can share about that? That's interesting.

Phil: Yeah. And by the way, not only have we come up with these eight tenets, but we've also come up with a list of the 12 biggest mistakes that company owners commit when selling their business. They're all going to be on our website. We're launching the new site, hopefully in the next two weeks. What is?

Kit: The website?

Phil: It's alineagrowth.com. So www.alineagrowth.com. Perfect. So all of that's on the website with a little bit of background on each. So for example, one of the mistakes that I think merits discussion is when a business owner decides to sell their business whether they've prepared for it or not. And, you know, they were convinced by us that you need to hire a sell-side investment bank. Okay. I'm going to do that. And they select their investment banker strictly based on the valuation that the investment banker predicts they can deliver for the client. Okay. And that should be a warning. If the investment banker says they can get you a value much higher than any of the other investment banks that you've interviewed say they can. And by the way, we recommend interviewing at least three, probably a maximum of five, any more than that's a bit of overkill. So if you interview five and four of them, say, you know what, we can get you, we think in this marketplace today, between ten and $12 million total enterprise value. So maximum exit value and somebody comes in and says they can get you 14 or 15. You probably want to think twice. At the very least, I need to understand their methodology and confront them. Saying, listen, we've talked to four of the groups. They're all in these 10 to 12 windows. And by the way, each of them has industry expertise in my sector. So I feel like they know my industry pretty well. How did you get to 15? Explain that to me. Because by the time you sign that one up. And you go through the process of putting your company on the market and you send out the indication of interest request. You get those IOUs back and the valuations come in. And it's not 14 or 15. It could be nine, ten, or 11. It's too late to fire them. You don't want to start all over from the beginning because your transaction will get tainted. And the buyers that saw it the first time may not want to look at it the second time. So that's a big mistake that people make.

Kit: So, Phil, this may not be a fair question, but I mean, who better to ask than yourself? Business owners have several options when they're contemplating a sale. They can say, I'm just going to do it myself. I'm going to sell the business myself. I know some people that might be interested in buying my company. They can go to a business broker. As you said, you can go to investment banks. And one of the deciding factors presumably is the size of that enterprise. The larger the enterprise, the more likely, perhaps, that you would go with an investment bank. Presumably, another option is to go to somebody like yourself, to shepherd them through the process. But what can you augment to what? In addition to what I just said, can you contradict anything I just said? No.

Phil: You know, we typically have recommended investment banks, you know, listed in my career. I've evaluated over 6000 businesses and I've hired scores of investment bankers and talked to hundreds of others. And I've also talked to business brokers because we do utilize them as a source from time to time. Business brokers have their place in the marketplace, right? If you have a local single location, pizza parlor, flower shop, or convenience store where there are lots of other comparable available, the good business brokers can do a decent job for you. But if you own 32 of those pizza parlors in a broad geographic region, if not nationally, and you've got multiple layers of ownership, you're dealing with a much more difficult transaction. You need a more complicated representation. So I think that an investment banker is most appropriate in that situation. And, you know, business brokers are used to offering their clients businesses for sale at a specific listing price, almost like a real estate transaction where you're selling your home or a plot of land. The history is that many states in the United States still require business brokers to have a real estate license to sell a small business. So they're used to saying, hey, Joe, let's put up your listing for $5 million. Let's see if there are any takers. You know, our recommendation is to never set the price upfront because although 5 million sounds like a stretch price, maybe. The beauty of the investment banker is that they know the buyers for your kind of business in that industry nationally, if not globally, and they know the guys that need a company like yours today. And they're not only going to be willing to pay that five, but they may be willing to pay six, seven, eight, nine, or ten. So I tell them how much you should sell for.

Kit: So just to follow up on that, unless you're sizable, meaning, let's say, uh, five or 10 million and add up of EBITDA, one of the things you should be looking for is an investment bank that knows your industry unless, as you said, your business is very replicable. Easily understood. There's a model for it. There's an accepted norm in terms of price. But other than that, you're looking for maybe a regional investment bank that has some degree of specialization in your industry. Is that a fair statement?

Phil: Yeah. You know each company is different. I hate to say that because we use it so much. Right. Industry expertise is important. Um, I think it's really important on the technology side, if you have a software business, a SAS business, you need to know people that kind of understand that technology. If you've got somebody that's in the biotech space, you know you don't want to hire somebody that never took Intro to Biology. Right. I mean, it's a specialized area. But generally, you want people that are either. I know the industry because they've represented clients in that industry before, or at least tangentially. And what I mean by that, well, meant industrial manufacturing companies. Right. You don't necessarily have to have experience specifically in vibration or isolation equipment. But companies that manufacture and sell industrial equipment, generally, that's a good experience to have. Yeah. Excellent. And the other thing to remember is sometimes lower middle market business owners get scared away by the term investment banker. Right. We're not talking about Goldman Sachs or Merrill Lynch here. Okay. Well said. And investment banks come in all shapes and sizes. So, it's important to know what the investment bank that you're considering hiring is, what they focus on, and what they'll tell you. Well, we typically focus on companies with 2 to $8 million of EBIT based in the U.S., blah, blah, blah. Okay. What you don't want is to hire the guy who focuses on companies that 20 of you happen to be, too. And he's trying to win your business because he's not busy. You're not going to get 18. Right. You want to make sure that you're getting the 18 for your business because it's going to move the needle enough for them. So if you're 2 million of EBITA, you want companies, investment bankers, that are focused on that 1 to 5 range.

Kit: Right. And it's not just the A-Team, it's the connections, contacts, the knowledge of potential buyers that exists and it's inherent.

Phil: Yeah, yeah. And the fact of the matter is, the bigger the company is, the more the transaction is about pricing and terms. Right? The smaller the company is where the owner is oftentimes the founder. There is a lot involved with the fit, you know, the legacy of that owner. He or she wants to be able to walk down Main Street in their town the day after they sell and the week in the year after they sell and not be confronted by people to say, Hey, you know what these guys are doing? So those kinds of things are really important as well in smaller businesses. So they need to be taken into consideration. And, you know, one of the situations to be concerned about is the company and the buyers that you select should not just be selected based on the overall price. You know, we've seen transactions go smoothly, quickly, and at a very high price. But where the buyer did not offer the top pick right there were within the top group within a certain level. But the fit was so good with the seller. That they elected to take less money off the table. Not a lot, but a little bit less because of that fit.

Kit: Yeah. I Saw it by myself. Very, very, very compelling. Makes sense. So this has been very useful, very tangible. Phil, you've got a fantastic background. I love what you're doing. The model of both consulting, creating the webinars, and providing the coaching makes all the sense in the world. Please visit alineagrowth.com, right?

Phil: Yes.

Kit: All right. And also visit Strategicgrowthcouncil.com for all of our show episodes and to learn more about our peer advisory councils and coaching. We've got plenty of past episodes there. You can follow us on YouTube. You can put us in your listening queue and give us a rating. This has been wonderful. Phil, thanks again and thank you to our audience for listening.

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