Purchasing a Sheet Metal Company from the Buyers Perspective

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Why Buy?

- Why are the reasons to buy important?
  - How is the current team affected?
  - How will payoff affect working capitol, bonding, etc?
- Revenue, Profit…
  - Acquisition for the purpose of adding revenue, profit or market…
  - Current staff may be at risk…
- Be “your own boss”…
  - Dream of many!
- Continue a legacy…
  - Current staff is critical!
  - Definition of specifically what the “legacy” is…
Barriers to Purchase

• What currency is available…
  – Most internal buyers have little cash or access to cash or other currencies…
  – Most external buyers – acquisitions – have lots of cash or other currency (stock)…

• Mass of the company…
  – If company is of any size – the price and therefore the currency requirements increase at what seems an exponential rate…

• Guaranteed financial instruments…
  – Bonding…
  – Line of Credit, other bank loans…
Paths to Purchase

• Once a potential deal is identified, how does the financing get put together?
• Usually a combination of the following:
  – Down payment
  – Bank Loan
    • How much?
    • Collateral...
    • SBA, other guarantees...
  – Owner finance
    • Loan…
    • “Consulting” agreements…
• What is and will be personally guaranteed?
Employee Stock Ownership Plan (ESOP)

- ESOPs can be a huge “win-win”…
- Company basically “buys itself” from the seller…
- Governed under EURISA laws…
- “Wide” ownership…
- Craft cannot participate…
- Tax benefits to Seller…
- Use resources like the National Center for Employee Ownership (NCEO)…
  - Read and follow the recipe in “The ESOP Communications Sourcebook”!!
People’s Concerns

• Is the new ownership team aligned with the previous ownership team? Is the new ownership team trusted?
  – What will change?
  – Direction of the company?
  – How will they take care of the craft and non-craft team?
  – Perception is reality! Walk the Talk!

• COMMUNICATE, COMMUNICATE, COMMUNICATE…

• WALK THE TALK…
Labor Considerations for the New Owner

• Understand the Union culture
  – Build a new partnership with Local Unions…
  – Ask for help…

• Collective Bargaining Agreement (CBA)
  – Determine if you need to re-sign…
  – Understand the *entire* CBA
    • Terms…
    • Payment schedule for fringes…
    • Bonding for fringe benefits…

• Unfunded liability
  – “new,” younger buyers may not understand or be willing to assume…
Must do’s for Labor Partners

• Get to know and help the new ownership team…
  – Don’t assume they come from the same culture the previous ownership team comes from…
  – Understand their plans for the company…
  – Help them understand the Union culture and benefits of the culture…

• Don’t assume they will be “just like the old guys”…
  – They WILL do some things differently – that may be bad!

• Don’t assume they will be “just like the old guys”…
  – They WILL do some things differently – that may be good!

• Don’t assume anything – they wouldn’t be a Union contractor if they didn’t want to be!
Must Do’s for New Ownership Team

• Develop, enhance the relationship with Craft and Non-Craft team members…
• Develop, enhance the relationships with:
  – Local Unions…
  – Customers…
  – Bankers, Bonding Agents, Vendors
• Know what you’re buying!
  – Financials…
  – Customers…
  – Unfunded liability…
  – Outstanding legal issues…
• Alignment with Sellers…
  – Purchase terms…
  – Consulting agreements…