

Purchasing a Sheet Metal Company from the Buyers Perspective

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SMACNA / SMWIA Partners in Progress

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HENDERSON CONSTRUCTION

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...



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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...



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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?**



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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”!!



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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...**



HENDERSON CONSTRUCTION

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...



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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!**



HENDERSON CONSTRUCTION

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...



HENDERSON CONSTRUCTION