

SBM Case Study: Goodall Mfg. LLC



SEALED BID

MARKETING
INCORPORATED

www.sealedbid.com



A “strategic” sale is often the sale of a company to one of its competitors, suppliers or customers. This type of transaction is a delicate process and when a strategic sale is successful, it creates a win-win scenario for each party. The seller maximizes value, secures the Company’s future and assures the employees are in good hands. The buyer receives a larger sales territory, an expanded product line and a new book of customers. However, a strategic sale also has potential pitfalls. The buyer needs adequate information about the Company to make an informed offer. However, if the seller’s financial data and customer data is shared too soon, and the deal falls apart, then highly confidential information has been revealed to a strategic buyer who is likely in the same industry.

The sales process can be challenging even when everything is progressing as planned. But what happens when a disruptive event -- like a sudden health crisis -- intensifies the challenge? David Sundet, the owner of Minnesota-based Goodall Manufacturing, found himself in just that quandary when he decided to sell his company. Sundet is a man who likes to plan ahead. His careful forethought had helped Goodall become an industry leader in jump starters and battery chargers for fleet and service vehicles. When Sundet decided to sell Goodall, he wanted to ensure that the business he had built would continue, and that it would be sold to the right buyer. He started gathering a transaction Deal Team and several advisors recommended SealedBid Marketing, Inc., and so Sundet set up a meeting with SealedBid founder Jerry Clark. Sundet recalls, “I had recommendations from two different people and I called Jerry...because I like to look forward...I’m getting older, and we wanted to come up with a five, ten year plan.”

“laid out a very detailed outline”

Sundet engaged SealedBid to help him plan the sale of his

company as the principal of the Deal Team, and Clark began to advise him. At that time, Sundet pictured the sale of Goodall as being years in the future, and SealedBid orchestrated a long-range timeline and Succession Plan for the sale of Goodall. As the months passed, SealedBid helped Sundet implement the first stages of his plan, and continued to advise him. Then something happened that no one could have foreseen -- Sundet suffered a stroke. Fortunately, he recovered, but was forced to withdraw from the business as he recuperated. Such an adverse event might easily have influenced Sundet to postpone his succession and exit plans, but instead, Sundet decided to Accelerate the Sale of Goodall.

“My wife said, ‘Well, should we just speed up the sale of the company?’ and I said, ‘Yes,’” Sundet recalls. “I pulled (my Deal Team) together, and...we brought Jerry (Clark) in, and talked about it, and we were able to turn that process around in a very short amount of time.” At this point, SealedBid stepped up to take an even more active role to ensure that the sale of Goodall was carried out successfully in Sundet's absence. SealedBid and members of the Goodall management team worked not just to sell Goodall to the right buyer, but to accelerate the process and sell the company as quickly as possible. “I was in the hospital for a while...and it took me out of the loop,” Sundet explains. “Jerry was able to do somewhere between 95 to 99 percent of the work, and then he or his associate Blake Johnson called me when they had questions or they needed clarifying. He was able to put that all together and I was not involved in

“I pulled (my Deal Team) together, and...we brought Jerry (Clark) in, and talked about it, and we were able to turn that process around in a very short amount of time.”

much...which was a benefit to me, because I was recuperating.” Sundet added that SealedBid kept him informed and explained what he could expect. “They laid out a very detailed outline and

said, ‘These are the steps you’ll go...through and when we need something, we’ll come to you.’” The SealedBid team went to work. They researched potential buyers, created the “Teaser” and Confidential Information Memorandum highlighting Goodall and launched a pragmatic marketing campaign. Their campaign proved so successful, and the interest in Goodall was so strong, that the sheer number of inquiries challenged the selection process. Sundet says, “(Goodall) has been in business a long time...the company was instrumental in building the whole marketplace up.



SEALED BID
MARKETING
INCORPORATED

“expertise and guidance”

(SealedBid) got a huge number of people that were interested, which kind of swamped them, but then we knew that we were getting the greatest representation, because they had a huge audience base that they have worked with over the years, and some that we brought in.”

He adds, “On the first go-round there were over 100 interested prospects...we had to condense that down. (The SealedBid team had)...the ability to sit and talk with people over the phone, and...understand what type of buyer they were, if they would be good for Goodall...or not. We were finally able to whittle it down to six (prospects.) Jerry... (would) then bring me into the process, so I could have one-on-one time with them. His expertise and guidance enabled us to do it with very little of my time.” Although he considered both financial and strategic prospects, Sundet decided that it would be best to sell to a strategic buyer -- one of Goodall's competitors. Goodall offered its competitors greater market share, expanded customer reach, larger sales territories, manufacturing expertise, economies of scale and cross-selling potential. These benefits, and the value that Goodall brought to the table, made it attractive to the ultimate buyer, Vanair.

Sundet says, “We chose to go with the more strategic (buyer) because we felt they fit better. They had the ability to earn more money and we figured they would probably pay for that, which I believe they did. In this case (our buyer was) already in the marketplace...they were not really competing in our main product line. They wanted to look for growth (and) our product line added to theirs. They should be able to do very well with the company, and grow...because of our customers.” Still, selling a company to its competitor is a delicate process. It's important to keep critical information confidential during the negotiations. SealedBid took special care to assure that no sensitive information was revealed about Goodall before the proper time. Dan Young, a partner in the Quarles & Brady law firm, acted as Sundet's legal counsel. Young observes, “It's always tricky to deal with buying and selling companies that are competitors in the same industry. There had to be some acknowledgment of what we were going to do with highly sensitive, confidential information, how it was going to be released, when it was going to be, who was going to do it. It just added another layer of complexity to it, but one that all of the parties that were in the deal had been through before. So it went...very well.” Confidentiality is certainly important to the seller -- but on the other hand, a strategic buyer must also have enough data to make an informed offer.



“wonderful experience”

Sundet explains: “Something that Jerry works very hard on, is to make sure that...we’re representing the company truthfully for what it actually is.” In fact, Sundet says that SealedBid was so careful in this respect, that when Goodall’s detailed numbers were finally revealed, they came as a pleasant surprise to the buyers. When a strategic sale is done right, the end result is a win for everyone involved. The seller receives a fair price for the company and the assurance that their business is secure. The buyer receives new customers, an enhanced product line, greater market share and economies of scale. The merging of two strong, complementary businesses can result in dynamic synergies -- or, 1+1=3. Goodall sold within Sundet’s accelerated timeframe and to a company that was the right fit. Ironically, the sale that began under such challenging circumstances turned out to be “a wonderful experience,” according to Sundet. Sundet muses: “If I had it to do over again, I’d absolutely do it the same way. One of (our) goals was to sell (Goodall)...right at the end of 2016, and we were able to get a closing date on the third of January. We received a good, fair value for the business, and we found somebody that was...within our industry that we had known.” “Some people have tried to sell their own companies, and I don’t know if they can master what Jerry and his team were able to do,” Sundet concludes. “They know the right thing to say, the right thing to do, the right timing. In all the people I’ve known in business, I’ve never met a person quite as talented as Jerry in pulling things together. It was a joy to watch him do it. It was a pleasure to work with him and his whole team.”

“They know the right thing to say, the right thing to do, the right timing. In all the people I’ve known in business, I’ve never met a person quite as talented as Jerry in pulling things together.”

Young concurs: “It’s just a joy to work with (SealedBid). It was fun, and it closed, and the client was happy...money is in the bank, signatures are on documents. I’ve recommended SealedBid many times in the past because I’ve worked with them on many successful transactions, so it’s a no-brainer for me to recommend them to clients that are looking to sell.”

SealedBid is an M&A firm focused on lower mid-market companies with revenues ranging from \$2 million to over \$50 million.

Address:

5151 Edina Industrial Blvd.
Suite 140
Minneapolis, MN
55439-3013

Contact Us:

Phone: (952) 893-0232
Fax: (952) 893-0380
info@sealedbid.com

We are on:

