

SBM Case Study: Great Northern Cabinetry



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'Deal fatigue' is the weariness business owners feel when sale negotiations go on longer than expected. Deal fatigue can make a frustrated seller lower their price or relax their conditions because they want to 'just get it over with.' Deal fatigue can kill a sale if the parties become frustrated with poor communication, last-minute changes or disagreements over conditions.

Phil Staat and his business partner Jim Lally had to overcome unusual deal fatigue to sell their Wisconsin-based company, Great Northern Cabinetry ("GNC"). GNC makes custom kitchen and bath cabinetry that it sells through a nationwide dealer network. Staat says that when he mentioned wanting to sell his company, his attorney recommended SealedBid. Staat adds that after meeting SealedBid founder Jerry Clark and his team, he was confident that SealedBid was the right choice to facilitate the sale of his company.

The SealedBid Transaction Team went to work immediately after, preparing marketing materials on GNC, researching potential buyers and reaching out to only the most qualified prospects. Still, the road ahead was destined to be bumpy. Staat says that he expected the sale of GNC to take six months, but that because of delays and last-minute surprises from potential buyers, the process stretched out to three years and three separate campaigns, two of which went all the way down to the wire before falling apart.

SealedBid helped Staat and his team regroup and press on in spite of the setbacks. The SealedBid team helped the owners form an action plan. In GNC's case, each time the deal fell through, the owners chose to do a complete reset and launched a brand-new sale campaign.

“kept the process going”

“What Jerry does is amazing,” Staat explains. “He did this (sales process) three times and he did it very professionally. He and (SealedBid Vice President) Blake Johnson were patient and understanding. They knew the process and they kept us on path. For all the times we wanted to give up...(SealedBid) kept the process going, kept us on path without losing our minds. Jerry kept me from going insane.”

Staat's attorney, Bob Abdo of Minneapolis-based Lommen Abdo Law Firm, concurs. “I think we all had deal fatigue. You go through it three times, it gets frustrating because each time we went to the altar, and then at the last minute the buyer, except for the last time, backed out...So Jerry had to put (GNC) on the market again.”

The two false starts were difficult and frustrating, but the third time, SealedBid's persistence and the buyers' patience finally paid off in a mutually satisfactory transaction. Staat and his partner sold GNC to a financial buyer, Acadia Advisory Services of Dallas, Texas.

GNC was attractive to Acadia because of its strength and stability. Many loyal GNC workers had been there for decades, and some were second or even third-generation employees. Acadia was attractive to Staat and his partner because it offered an acceptable price for GNC. Acadia owner Tim Ford's corporate

management background also meant that he had experience working with dealer networks similar to GNC's.

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Still, the owners of GNC were looking for more in a buyer than just the right bid or

management expertise. They also wanted a pledge from the buyer to keep GNC's loyal employees in place, and to keep the GNC facility where it was. Acadia gave it to them.

“We had a couple of things that we absolutely required,” Staat says. “(GNC is) a small business in a small community. A lot of the 80-plus employees we had, lived across the street from us. We wanted to make sure that the company would not be sold to someone who would sell it again, or cut it up into pieces, or somehow ruin it. We wanted the (employees) who worked there to be taken care of and watched over.”

“experience and persistence”

Staat says that he's happy that the buyer he chose is honoring that commitment. "The guys that bought it five months ago are...taking care of the employees, they're growing the company, it looks like they're doing extremely well financially, so I'm very pleased with how it turned out."

Staat calls himself satisfied with the sale price as well. "We got a good decent price...I'm 71 years old. Even if I live 20 more years, I got more than enough money. That's what finally decided it for us...we're well set up for retirement. I'm happy."

Staat says that the SealedBid team's experience and persistence was instrumental in keeping the sales process on track and moving forward to a successful conclusion. "They really know what they're doing," he says, "and even though it took three times I think it's a credit to them that they finally succeeded in a in a world that's going mad now (COVID-19)."

Abdo adds: "I think that (SealedBid) did a superb job...they put their customers first. When we had rough spots, there was good commiseration and collaboration, and getting the heads together to resolve the problem and keep everybody on an even keel."

"Jerry kept on it and kept the ball rolling," Abdo went on. "His personality and his knowledge is such that he knows what the goals are and how to accomplish them."

Staat called his collaboration with Jerry Clark a bonding experience. "I speak for my partner and I when I say I'm glad it's over, I'm glad it turned out all right and I'm glad Jerry and I became friends. I think he'll be a lifelong friend for however long we both live, because...we went through this and it was like going through war together."

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

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