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Business Transfer & Valuation Information

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We Have a New Address: 1707 High Street, Des Moines, Iowa 50309-3313

## Preparing for a Business Transition

Thirty years have passed since you purchased your business. You've had good years and challenging years but have always tried to invest earnings back into the business. After all, the business is your nest egg. Ultimately, you plan to sell and utilize the proceeds for your retirement and to leave a legacy.

It sounds like a solid plan, but have you taken the necessary steps to maximize the value of your business? If you're like many business owners, you have been too engaged in the day-to-day operations to concentrate on grooming strategies that should begin three to five years before selling.

### Let's Begin

The preparation process begins with thoroughly documenting the business. Prospective buyers like to see a long history of financial records, business plans, process and other documentation. Most will ask to see the following when analyzing a potential acquisition:

- **Monthly and annual financial statements**
- **Income statements by segment or key product line**
- **Subsidiary records that balance to the financial statement account, such as accounts receivable and payable details with appropriate aging schedules, and fixed asset schedules with depreciation detail**

- **Details of sales by customer for at least the largest 10 customers**
- **Details of purchases by vendor for at least the largest 10 vendors**
- **Details of all other assets**
- **Properly reconciled cash accounts**

Having accurate and organized documentation helps instill confidence in prospective buyers. Any areas that could dissuade a potential offer during a buyer's investigation and due diligence process should be identified and appropriately addressed well in advance.

Buyers tend to value companies higher if they have confidence in the financial statements. Audited financial statements by an accredited accounting firm are preferred, as they provide added assurance with regard to the reliability of information with which buyers are using to base their own valuation analysis. If you do not have an audit done it is important to make sure your accountant or tax preparer fully understands how your books are kept.

### Make Your Business Look Its Best

Cleaning up your financial statements is an excellent idea at any time, but particularly so when you're considering a sale. It is common for business owners to try to minimize their taxable income.

However, you will want to show the best possible operating profitability and cash flow to gain a fair value from your business when you sell. This means owners should cut back on avoidable expenses that take away from the bottom line, such as expensive travel to trade shows, non-critical vehicle purchases and excessive owner's compensation. Above all, keep good records on unusual expenses and non-recurring revenue sources.

Companies should take a close look at manufacturing, safety and other processes essential to business operations and make them as effective as possible. This will help the business to look its best. You don't want to give prospective buyers any justification to discount their offering price. Additionally, it is beneficial to secure all essential contractual agreements. Investing time to "button up" all facets of the business will go a long way toward making the business look attractive. And it is just plain good for business!

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By Steve Jacobs

The question on everyone's mind is whether or not the global economy will downshift into a full blown recession. From what I have read and experienced to date (and most analysts tend to agree), the downturn will impact M&A activity, but, in some instances, might actually fuel transactions as stronger players shop for deals in an opportunistic environment. At times like these it is more important than ever to seek out a qualified M&A adviser for assistance.

2009 will be an interesting and challenging year for most industries, according to IMAP members, a group of leading middle market M&A advisers who met in Amsterdam in mid-October. The biggest issues will be the availability of credit to continue global expansion and/or fund operations and whether the "Rescue Plan" will work long term.

The financial crisis, market meltdown and subsequent Rescue Plan have all created a great deal of uncertainty. At this time no one really knows what the cost and outcome of this unprecedented plan will be.

Even though Main Street and middle market businesses do not require Wall Street funding, there is bound to be an impact. Recent articles quoting Iowa bankers reflect what will likely happen: transactions and projects will require more equity and underwriting guidelines will be much more rigid.

What does all of this mean if you are considering buying or selling a company? Navigating the waters will be tricky, but business goes on. Well capitalized companies with cash will be able to make opportunistic acquisitions of over leveraged competitors. On the sell side it may be more difficult to reach the valuation multiples we have seen achieved over the last five years, thus it is critical to confidentially identify qualified buyers to complete a fair valued transaction.

But it is not all doom and gloom. Interest rates are at all time lows and synergistic, well-thought-out transactions will still get done at "reasonable" valuation multiples. The parties involved will need to be more creative and sellers will likely have to participate more than in the recent past (through more seller financing or contingent earn-out payments), but deals that should get done will still get done.

Please contact me at BCC Advisers if you have questions about the market in general or specifically as to whether it is the right time for your business to go to market to divest or make acquisitions.

(continued from cover)

### Partnering with an M&A Advisor

Many business owners mistakenly think the sale process begins when they hire an M&A adviser to market the company. Though it's true M&A advisory firms will work to get the maximum value for the business, you can significantly improve your return by taking steps to prepare several years in advance of going to market.

As soon as you consider selling your business, contact an M&A adviser with a proven track record. The experienced M&A professionals at BCC Advisers would appreciate the opportunity to coach you on how to maximize your business value to achieve the most favorable sale price and meet expectations of all stakeholders.

## BCC Advisers Assists with Governor Heineman's "Reverse Trade Mission"

BCC principal and Western Region manager Brad Harse was recently asked to assist with Nebraska Governor Dave Heineman's ambitious in-state trade mission (RTM) which hosted more than 130 business visitors from eight countries in early September.

Harse was asked to lead discussions with groups from Brazil and China on matters relating to establishing business relationships in Nebraska, merger and acquisition opportunities and alternative investment opportunities, including joint ventures, venture capital options and investment banking.

The RTM was highly successful on many fronts, including the signing of multiple memorandums of understanding, extensive dialogues between business entities on joint ventures, potential acquisitions and business start-ups in the state and new collaborations between local and foreign businesses.

The event was sponsored by the Nebraska Department of Economic Development (DED), the Nebraska Diplomats and the University of Nebraska, with additional support from a network of 22 businesses and organizations.

As a member of International Network of M&A Partners (IMAP), a 60 member international group of M&A professionals located in 34 countries, BCC Advisers is an ideal partner for structuring international business relationships. Call on BCC Advisers for assistance with your international business opportunity.



## BCC Celebrates 20 Years and New Office with an Open House

It was a perfect early fall evening for a party! Hamburgers, brats and other traditional "tailgating" fare were enjoyed by over 200 clients, friends and business associates of BCC during a football-themed open house to celebrate our "new home turf" in the historic Sherman Hill area of Des Moines. In addition, music, balloons and college team colors aided in the celebration observing our 20th year of serving clients and the financial community.

Our new office space at 1707 High Street in Des Moines will support the ongoing growth plans of the firm, and will be a great fit for our next 20 years!



# Fair Value Can Include All Stakeholders

*“They also couldn’t believe we got a deal of this quality done in today’s market. BCC did an excellent job of maintaining confidentiality throughout the course, while at the same time combing the market and securing a favorable offer.”*

*– Ed Parsons*

For Ed Parsons, selling a business in a small town meant more than just “cashing in” and retiring. Mr. Parsons owned and operated Shaver Manufacturing in Graettinger, Iowa, for nearly 25 years. A leading manufacturer of agricultural equipment and landscape products, Shaver designs and manufactures a broad range of high-quality post drivers, trailer drivers, post hole diggers, stump grinders and log splitters for multiple industries. The company has become one of the economic backbones in this town of 900 residents, and Mr. Parsons felt a moral obligation to find a buyer that valued the hard-working employees as much as he did.

Mr. Parsons engaged BCC Advisers to assist him with the sale process. Several companies expressed an interest, including a number of parties that were disqualified due to their desire to move Shaver’s manufacturing to their own existing operation. HCC, Inc., located in Mendota, Illinois, proved to be the best fit and, ultimately, made the acquisition. Shaver’s production facilities will remain in Graettinger, Iowa.

“After many years of successful ownership, the sale to HCC will

facilitate my retirement, but more importantly, the employees, customers and community will continue to be well served,” stated Parsons.

For HCC, this acquisition further diversifies its portfolio of companies and leverages its competencies as a manufacturer of innovative and high-quality agricultural harvesting equipment and farm equipment products. HCC is an employee-owned company founded in 1883.

Mr. Carl McNair, Chairman of HCC, commented, “We are extremely pleased to have Shaver join the HCC family of companies. The Shaver products are an excellent addition to our growing base of innovative products and markets that we serve.”

Both the process and the end result were to Mr. Parsons’ satisfaction. “Many of our distributor clients were shocked, not by the sale, but by the fact that they didn’t hear about it until I called the day after we closed,” explained Parsons. “They also couldn’t believe we got a deal of this quality done in today’s market. BCC did an excellent job of maintaining confidentiality throughout the course, while at the same time combing the market and securing a favorable offer.”



# Making the Right Moves



The word “Rokade” has a double meaning in Scandinavian languages. It is the name of the move “castling” in the game of chess – the only move with a simultaneous offensive and defensive purpose. In addition, the word “Rokade” is a synonym for restructuring – a meaning as relevant in chess as in describing the business areas of IMAP’s Norwegian partner bearing the “Rokade” name.

Founded in 1995, Rokade is located in Sandvika, Norway, and employs 27 professionals with consultants specializing in finance, strategy and change management. Two of the firm’s three managing partners hold MBAs from American universities - the University of Wisconsin and Stanford University. All three have active experience working with international projects and markets, and have worked and/or lived in countries abroad, including Belgium, the Netherlands, Canada and the United States.

Rokade has gained considerable knowledge in a wide range of industries, but has a particular expertise in advising clients in the energy sector (including renewable energy). When BCC was given the opportunity to present our services to the boards of multiple biodiesel companies in need of raising capital, we knew partnering with our Norwegian colleagues would

be an added value to our clients in accomplishing their goals.

Historically, biodiesel has been more popular in Europe than in the United States. There are a number of sizable European biodiesel companies that are looking outside of Europe for attractive investment opportunities. This has naturally led them to the U.S. market.



“With Rokade’s experience in the industry and the strong likelihood of interest from established European biodiesel companies, we knew our client would benefit from having Rokade on the advisory team,” said BCC president Steve Jacobs.

Rokade’s Ketil Wig commented, “This is an exciting project for us. It is an excellent opportunity for IMAP to showcase its global resources to the client’s benefit. We are looking forward to working with BCC to develop the best possible financing solution.”

## on the dotted line

### Some Recent BCC Advisers Transactions:

Assisted in the merger of two leading Midwest training companies.

Advised on the sale of business-to-business copy centers.

Prepared a fairness opinion to a publicly traded Midwest manufacturing company regarding sale of a major operating division.

Assisted in the sale of an agricultural equipment manufacturer.

Prepared a fair value appraisal of a Midwest industrial products manufacturer for financial statement reporting purposes under SFAS 141.

Provided value consulting services to an insurance company for a large share transaction.

## The Market Front

Some opportunities available through BCC Advisers:

**U.S. company** – seeking to divest Wastewater Sludge Processing Division.

**European diversified plastics manufacturer** – seeking acquisitions of niche plastics manufacturers in the U.S.

**Midwest contract manufacturer** – seeking a buyer.

**U.S. exam preparation services company** – seeking a buyer.

**European cheese producer** – seeking a buyer.

**South American owner of 70,000 acres of farm land** – seeking a buyer.

**European manufacturer of steel structures** – seeking a buyer.

**U.S. hard goods manufacturer** – interested in making acquisitions in the Midwest.

For mergers and acquisitions, contact Steve Jacobs or Brad Harse. For valuations, contact Al Ryerson or Greg Weber.

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### INTERNATIONAL NETWORK OF M&A PARTNERS

The International Network of M&A Partners (IMAP) is an exclusive global partnership of leading Merger & Acquisition advisory firms. Formed in 1971, IMAP unites a select group of professional organizations active in international transactions into a seamless global partnership. Each member firm shares a mutual commitment to delivering the highest caliber advisory services for middle-market transactions across the globe. IMAP advisers provide strategic merger, acquisition, divestiture and related corporate finance services. Sellers of mid-size companies and corporate acquirers alike rely upon IMAP for essential local market knowledge and industry expertise delivered with unparalleled global reach. Through their global partnership, IMAP firms are able to access strategic buyers, merger candidates and financial resources around the world to deliver exceptional results for their clients.



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