



BUYING, SELLING, MERGING of REP FIRMS

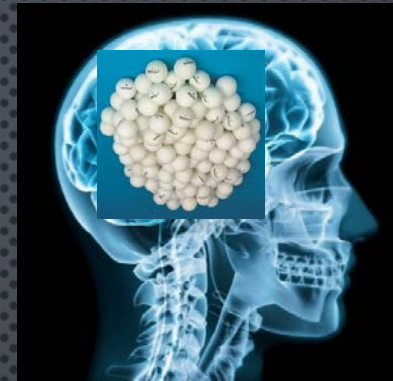
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- BRIEF BIO:
 - VIRGINIA TECH: MECH ENGR/MKTG MGT
 - 22 YEARS AS A REP IN PHILA-BALT-WASH DC
 - ELECTRONIC COMPONENTS – ERA
 - REAL ESTATE DEVELOPMENT IN PHILA
 - PRES/CEO OF MANA, ALISO VIEJO CA
 - PRESIDENT OF YES! SOLAR
 - CONSULTANT-SPEAKER-COACH



today

✓ BUY/SELL/MERGE (survey time)
Internal Transition (Succession)

- 1) REP FIRM VALUATION
- 2) DEAL STRUCTURE
- 3) MAKING IT WORK



WHY DO IT ?

- INCREASED SALES
- INCREASED VISIBILITY (NEW MFRS)
- EXPAND TERRITORIES
- DIVERSIFY PRODUCT OFFERING
- DIVERSIFY SELLING APPROACH
- SYNERGISM (PRODUCTS AND PEOPLE)
- EXPAND AND GROW (ECONOMIES OF SCALE)
- RESCUE A REP COMPANY



BUYING, SELLING, MERGING

- FINDING THE OPPORTUNITY



FINDING A REAL DEAL

- LOOK TO YOUR LEFT/ RIGHT
- BE OPEN !! COMMUNICATION = SHARING !
- BE INVOLVED - GO WHERE REPS GO *
- REP NO-NAME GROUPS
- PICK UP THE PHONE !
- SOLICITATION FORM LETTERS....
- NOT RESTRICTED TO NEIGHBORS



YOU WANT TO BUY

- SOME POSSIBLE INDICATORS
 - THEY HAVE TOLD SOMEONE (ELSE)
 - NO OBVIOUS “HEIR APPARENT”
 - LOSS OF KEY EMPLOYEES
 - LOSS OF KEY MANUFACTURER(S)
 - LOSS (DEATH) OF OWNER
 - INFORMATION FROM YOUR MANUFACTURERS



YOU WANT TO SELL

- BE MORE DISCRETE
- STRATEGY MEETING WITH TEAM
- TALK TO REP FRIENDS (OTHER TERR)
- MAKE A LIST OF REPS TO APPROACH
- HAVE NON-DISCLOSURE AGREEMENT
- KNOW WHAT YOU WANT (PREPARE)



CRITICAL ITEMS OF FIT



- THE THREE P'S
 - PRINCIPALS (MANUFACTURERS - SYNERGY/CONFLICTS)
 - PEOPLE (HAVE A MEETING & PARTY)
 - PHILOSOPHY (CULTURE, PRINCIPLES, VALUES)



FINDING A DEAL

- COMMUNICATE
- BE PREPARED (PLAN FOR 2X)
- GET PROFESSIONAL HELP
- BE HONEST AND CANDID
- BE EQUITABLE
- CHECK YOUR EGO AT THE DOOR



WORTH REPEATING..... THE # 1 REASON FOR NO DEAL

- **CHECK YOUR EGO
AT THE DOOR**



Big fat cat Rep



VALUATION

- DIFFICULT AND CRITICAL (1ST STEP)
- “WHAT” ARE YOU BUYING/SELLING
- FORMULI
- REACHING EQUITY

$$\begin{aligned} \text{Value of equity}_0 &= B_0 + \frac{(\text{ROCE}_1 - r) \times B_0}{1 + r} + \frac{(\text{ROCE}_2 - r) \times B_1}{(1 + r)^2} \\ &\quad + \frac{(\text{ROCE}_3 - r) \times B_2}{(1 + r)^2(r - g)} \\ \begin{array}{l} B \\ \text{ROCE} \\ r \\ g \end{array} &= \begin{array}{l} \text{Book value} \\ \text{Return on common equity} \\ \text{Required rate of return} \\ \text{Growth rate} \end{array} \\ &= B_0 + \frac{\text{Residual earnings}_1}{1 + r} + \frac{\text{Residual earnings}_2}{(1 + r)^2} \\ &\quad + \frac{\text{Residual earnings}_3}{(1 + r)^2(r - g)}. \end{aligned}$$



VALUATION



THE VALUE OF A MANUFACTURERS REP FIRM IS EQUAL TO 1X
THE COMMISSION INCOME FROM THE PRINCIPALS
(MANUFACTURERS) TO BE TRANSFERRED

*1-LARGE ASSET OWNERSHIP

*2-OTHER "SPECIAL" THINGS



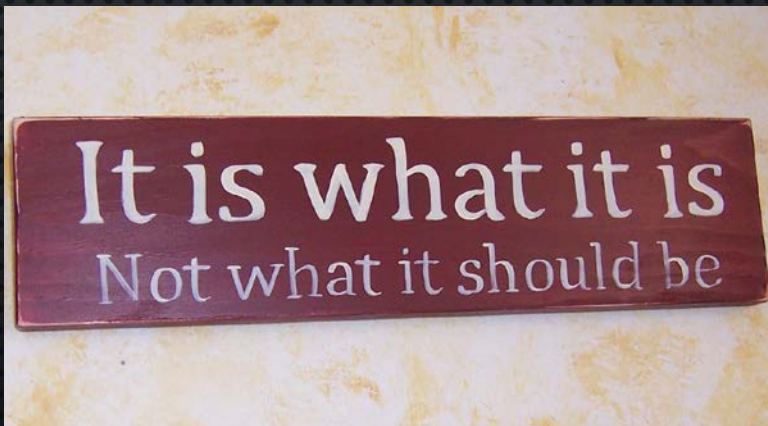
VALUATION: FORMULI

- OLD RULE: 1X COMMISSION
- VARY FROM .7X TO 1.2X COMM
- TIME PERIOD TO ANALYZE:
 - LAST THREE YEARS
 - LAST THREE YEARS WEIGHTED (TRENDING)
 - LAST 12 MONTHS (ONE YEAR)
 - ONE YEAR BACK + ONE YEAR FORWARD/2



VALUATION: ALL FUTURE

- NO FIRM FIXED VALUE
- STRUCTURE BASED ON FUTURE
 - 20% FOR 5 YEARS (PAID QUARTERLY)
 - 10% FOR 10 YEARS (PAID MONTHLY)
- BASED ENTIRELY ON FUTURE SUCCESS (GROWTH) OF COMPANY
- **“... IT IS WHAT IT IS ...”**



VALUATION



- OTHER FORMULA IDEAS ???



STRUCTURE OF YOUR DEAL

- FOCUS TODAY ON THE “PAY WAY”
- DO THE DEAL CONCEPT (DRAFT)
- THEN BRING IN LEGAL EAGLES*
- REMEMBER TO REMEMBER:
 - CONTINGENCIES (DEATH, DISABILITY)
 - BREACH OF CONTRACT (ANY PARTY)
 - CROSS INSURANCE POLICIES
 - EMPLOYEE OWNED STOCK ISSUES



STRUCTURE OF YOUR DEAL

SOME VERY CRITICAL QUESTIONS:

- WHEN IS “OWNERSHIP” TRANSFERRED ?
(PROTECTIVE CLAUSES TO RE-ENTER)
- INTEREST INCLUSIVE (FIRM FIXED) ?
- LOSS OF A TRANSFERRED LINE.... ?
- RESIGNING A TRANSFERRED LINE ?



DEAL STRUCTURE: PAYMENTS

“CONSULTING”

~~NON COMPETE~~

~~GOODWILL~~

~~STOCK PURCHASE~~

~~ASSET PURCHASE~~



DEAL STRUCTURE IDEAS

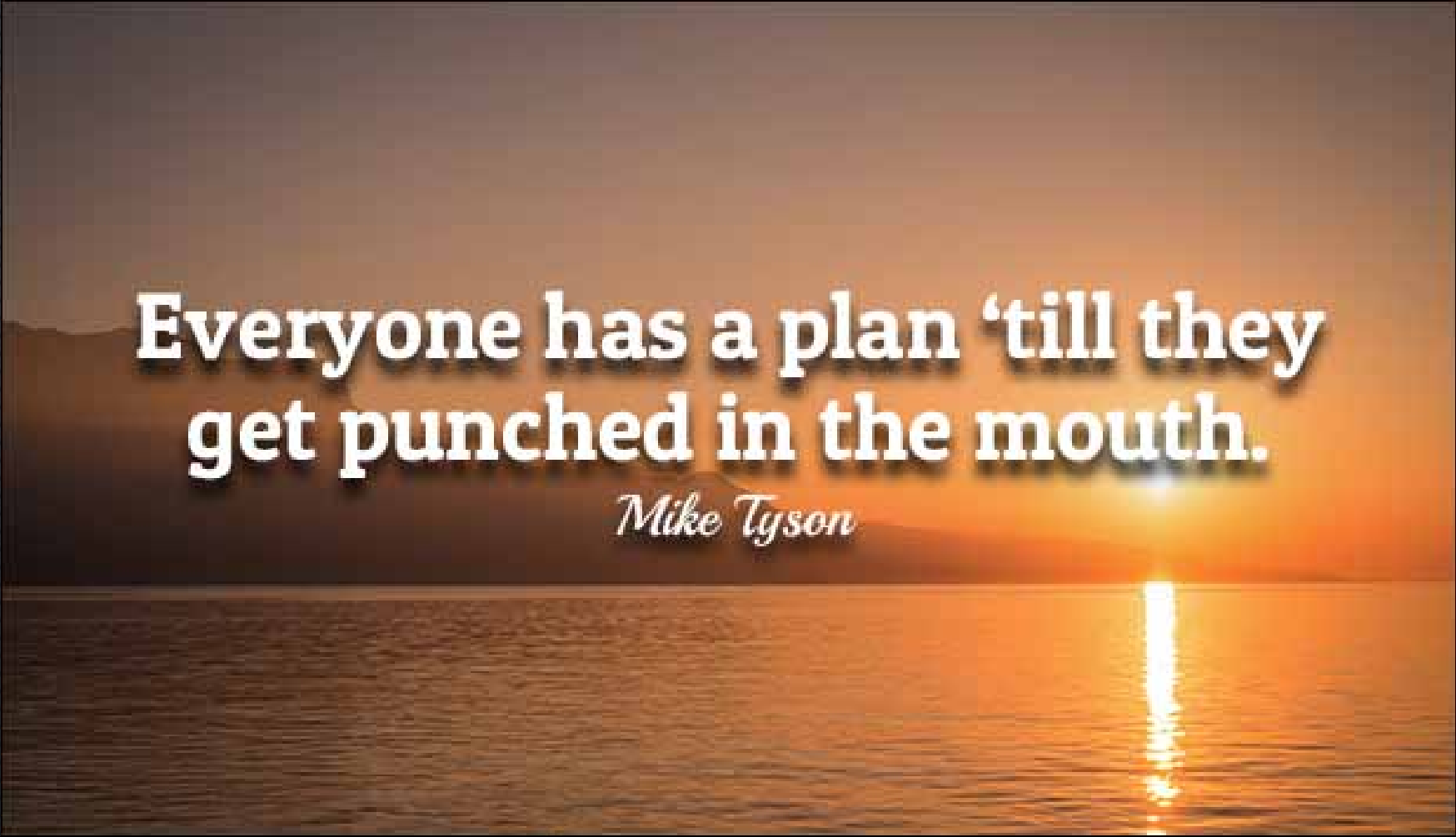
- OTHER STRUCTURES ?
- OTHER OFFERS YOU'VE HAD ?



BUY, SELL, MERGE, SUCCESSION: MAKING YOUR DEAL WORK

- MANAGING PERCEPTIONS
- PRINCIPALS (MANUFACTURERS)
- CUSTOMERS
- DISTI/DEALER
- EMPLOYEES
- OVER COMMUNICATE



A photograph of a sunset over a body of water. The sun is low on the horizon, creating a bright orange glow and a long, shimmering reflection on the water's surface. The sky transitions from a deep orange near the horizon to a darker, hazy brown at the top. The water is dark with gentle ripples.

**Everyone has a plan 'till they
get punched in the mouth.**

Mike Tyson



MAKING IT WORK

- ❖ TALK TO RSM WEEKLY
- ❖ TALK TO NSM MONTHLY
- ❖ VISIT PRINCIPALS ANNUALLY
- ❖ INVITE ALL OF THEM TO VISIT
(especially at new office location)
- ❖ PREPARE CONTACT CHECKLIST
FOR ALL SALES
- ❖ PPM PROGRAM



MAKING IT WORK



- GET NEW CUSTOMERS AND NBO's
- HAVE GREAT COMMUNICATIONS TOOLS AND SYSTEMS
- GET NEW CUSTOMERS AND NBO's
- PROVIDE EXCEPTIONAL CUSTOMER SERVICE
- GET NEW CUSTOMERS AND NBO's
- GROW SALES FOR EVERY LINE



... KEEP IN TOUCH VIA P.O.



IN THE REP WORLD DO THE RIGHT THING

- BE RESPONSIVE
- D W Y S Y W D
- PROVIDE A VALUE PROPOSITION
- NETWORK WITH REPS
- BE A PROFESSIONAL



THE REP BIZ IS EASY !

- GOOD LINES
- GOOD PEOPLE



MY CHALLENGE FOR YOU... BE



RE-MARK-ABLE

: worthy of being or likely to be noticed especially as being uncommon or extraordinary.



YOU CAN DO IT

DO SOMETHING !!!

**DIFFERENT, UNIQUE AND NEW THAT
ADDS VALUE AND POSITIONS YOU.**



Many thanks....

- Bill Allen
- Jack Berman
- Tim Coakley
- Mark Conley
- Gene Foster
- Marilyn Friesen, Ph.E.
- Ray Hall
- Scott Lindberg
- Tom McCarthy
- Gerry Newman
- Clarke Price
- Glenn & Joan Shirley
- Bob Trinkle
- Nicki Weiss
- June Windmuller
- ERA: Walt, Holly, John, Tess
- YOU!



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FOR MANUFACTURERS

- Sales Revenue BOOST
- FINDING and hiring good REPS
- Motivating Reps for sales growth
- Rep webinars, sales training
- Strategic plan – the new way

FOR REPS

- Buy – Sell – Merge Rep firms
- Rep Compensation Plans
- Sales Tools that WIN
- Marketing/Branding your firm
- Operations, Technology tools
- Getting New Lines to Rep
- Contracts, commission issues

www.bryanshirley.com

**HAVE A QUESTION
ABOUT MANUFACTURERS' REPS?**

ASK AN EXPERT.

 | **267-463-7898**

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● **RESOURCES FOR REPS.**

● **RESOURCES FOR MANUFACTURERS.**

● **RESOURCES FOR ASSOCIATION EXECUTIVES.**



THANK YOU FOR YOUR TIME AND ENGAGEMENT

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