

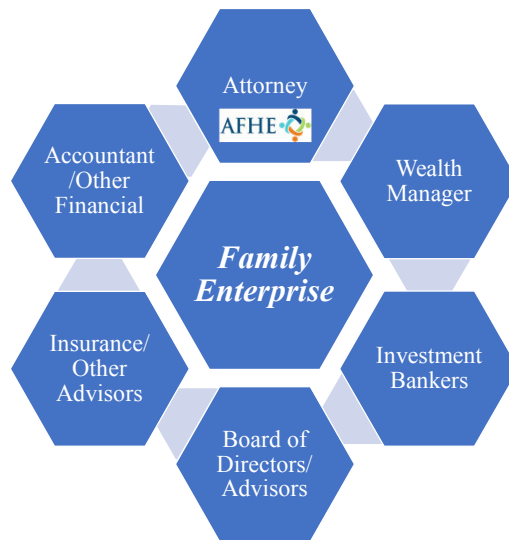
How Four Families Achieved Success Working with Family Enterprise Advisors

Christopher J. McKenna



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Family Enterprise Advisors



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Case Study 1: Regional Grocery Chain

Business Profile

- Regional super market operators
- Revenue: \$250 million
- 80+ years serving Northeast Ohio
- 14 supermarket locations
- 2,300+ employees
- Established reputation and brand
- Under umbrella of Holding Co.
- Non-union
- Large format, full-service, scratch bakeries
- Extremely competitive, low-margin business



Regional Grocery Chain – Generational Status/Family Goal

3rd Generation

- 85-90% ownership and operational control
- 5 of 8 actively involved in operations and on BOD
- “Didn’t pay” for ownership; passed down mindset was different than maximize value mindset
- Maintain accumulated cash at operating company

4th Generation

- Only 2 of 32 active
- Remainder anxious
- Very limited transfer of ownership

Goal of aging 3rd Generation was to better prepare themselves for stewardship

- Attended seminar at Center for Family Enterprises at Kellogg School of Management
- Curriculum, concepts and skills required to navigate intricacies of complex family organizations
 - Ex: Leading and Governing the Family Enterprise
 - Ex: Family Enterprise Boards: Program for Current and Prospective Directors
 - Received leads for Board – one of which was former SC Johnson executive
- Created road map for exerting best practices on stewardship - Multi-year process

Regional Grocery Chain – Stewardship Improvement Process

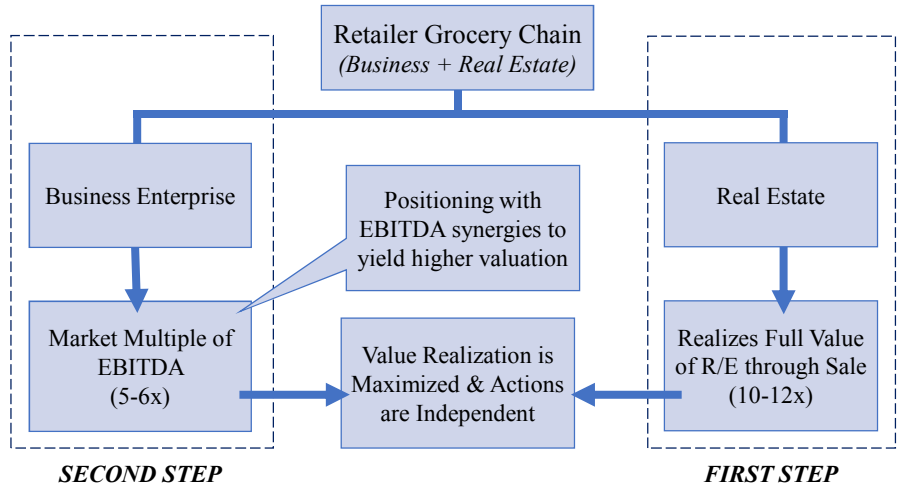
1. Hired organizational consultant to facilitate communication
 - DISC of family members (Perpetual Development)
 - Behavioral assessment to understand personality types of the five 3rd Generation Board members
2. Board of Directors established
 - Searched for Director candidates with domain knowledge, specific expertise and personality fits (DISC profiles as part of interview)
 - Operating Executive with consumer products and grocery expertise
 - Attorney with specialty retailing and transaction expertise
 - Investment Banker with transaction planning and governance expertise

Regional Grocery Chain – Stewardship Improvement Process

3. Hired non-family members in important management roles (professionalize)
 - CEO, CFO, COO
4. Hired consultant to facilitate strategic planning process
 - Included new management and Board of Directors
 - Better understand competitive landscape, positioning of company
 - Recognize extreme
5. Hired Investment Bank to assess value drivers, valuation and realization options
 - Worked with CFO to generate financial analytics and valuations
 - Enabled data-informed conversations with Board of Directors topics such as:
 - Return on Invested Capital and
 - Stranded Value
6. Established more formal functions of family office at Holding Co.

Regional Grocery Chain – Value Drivers and Value Realization Plan

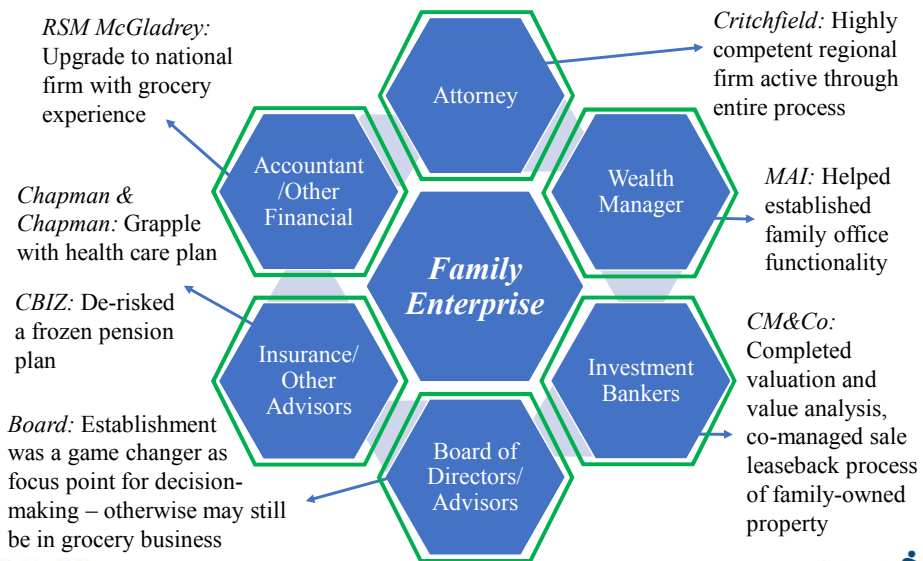
Two value drivers – the operating business and the real estate holdings as shown below:



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Regional Grocery Chain – Working with Advisors



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Case Study 2: SpecialtyChemCo

Business Profile

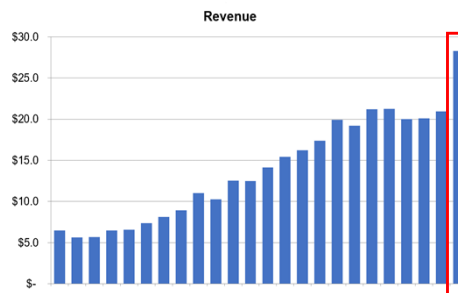
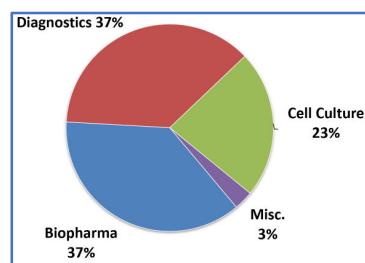
- Primary manufacturer and innovator of life science, high purity biological buffers and other laboratory chemical products for testing uses
- Headquartered in Cleveland, Ohio
- Founded in 1950s
- Sales of \$25-30 million and EBITDA of \$5+ million

Corporate and Generational Status

- Ohio S-Corp
- Privately-held, Family-owned
- Two sons of founder own 100%
- Active son owns 100% of voting stock (President)

SpecialtyChemCo – Market Share & Revenue Growth

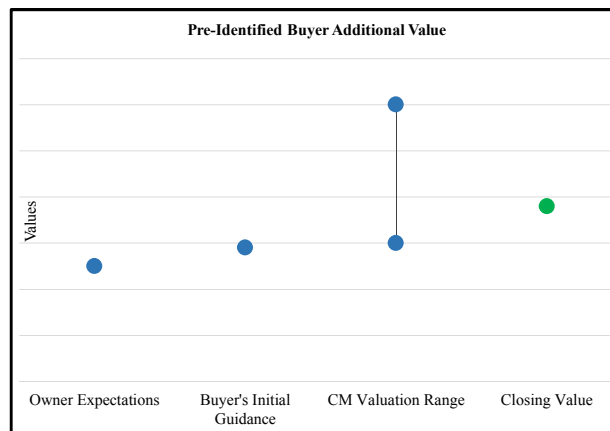
- Established client base of large bioscience customers
- Major expansion of facilities in-process – growth due to major customer (20%)
- Extremely clean balance sheet allowed for strategic and tactical options



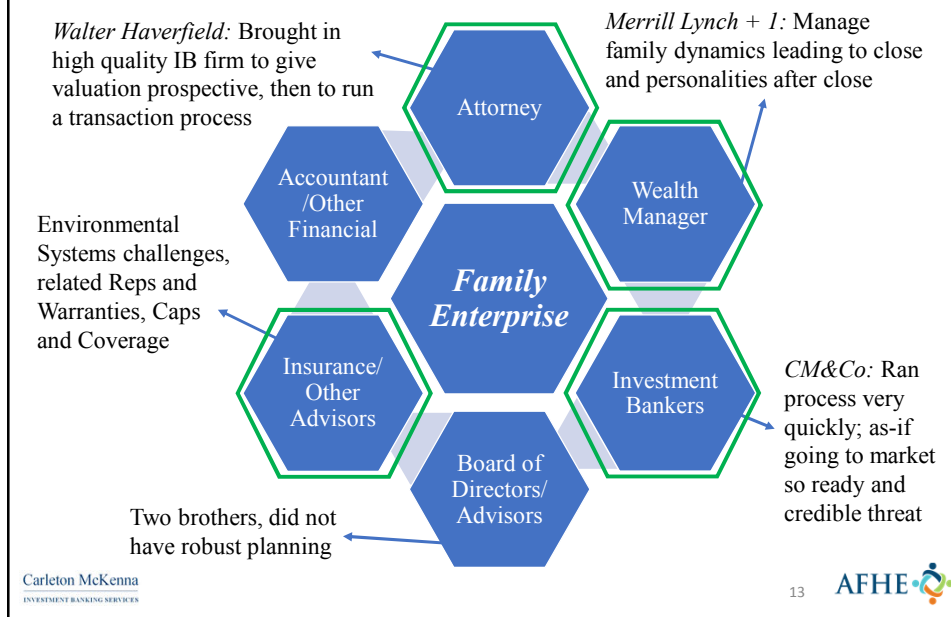
SpecialtyChemCo – Situation Summary

- Company received interest from likely buyer who was their largest customer (20%), largest competitor and largest market player
- Corporate attorney approached CM&Co after initial value indication was received and 1 week before seller planned to meet with the strategic buyer
 - Asked to perform a valuation
- Owner believed he already knew value of the business and that the indication was favorable
- CM&Co valuation analysis demonstrated the business could be worth 20%-100% more than the initial value indication
 - Impact of growth, internal value drivers and synergy assumptions valued
- CM&Co compressed transaction timeline, suggested potential for full action and conducted negotiation process
- Company realized a price ~30% above the buyer’s initial value indication

SpecialtyChemCo – Situation Summary, cont.



SpecialtyChemCo - Working with Advisors



Case Study 3: Commercial Equipment Rental

Business Profile

- Headquartered in Cleveland, Ohio, founded in 1987
- Sales of \$10 million and EBITDA of \$2 million
- Provides commercial equipment rentals, focused on the construction space

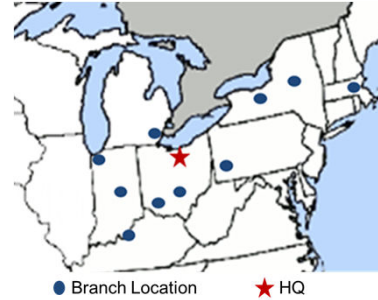
Corporate and Generational Status

- Ohio S-Corp
- Privately-held, Family-owned
- Founder has 100% ownership (President)
- Actively involved in management, solid management team

Commercial Equipment Rental – Profile/Next Steps

Business Profile

- Temporary, portable, supplemental and emergency heating, cooling and dehumidification equipment for rental
- Serves general and sub-contractors, steel companies, oil and gas fracking, commercial businesses, remediation and party/event rental
- 11 branches Midwest & Northeast
- Completes thousands of projects per year, not dependent on one key project, customer or market segment
- 35 tenured professionals and employees with significant industry experience and operational expertise
- Revenue \$10M, EBITDA \$2M



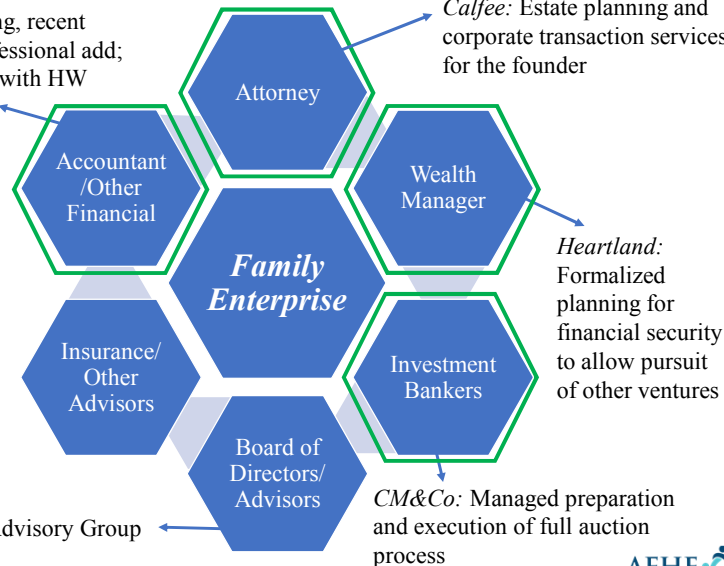
Plans for the Next Stage

- Operation of entrepreneurial business servicing professional and college football and other outdoor cold weather team sports
- Effort to try and commercialize a technology developed by his son

Commercial Equipment Rental – Working with Advisors

HW&Co.: Strong, recent accounting professional add; worked closely with HW through close

Calfee: Estate planning and corporate transaction services for the founder



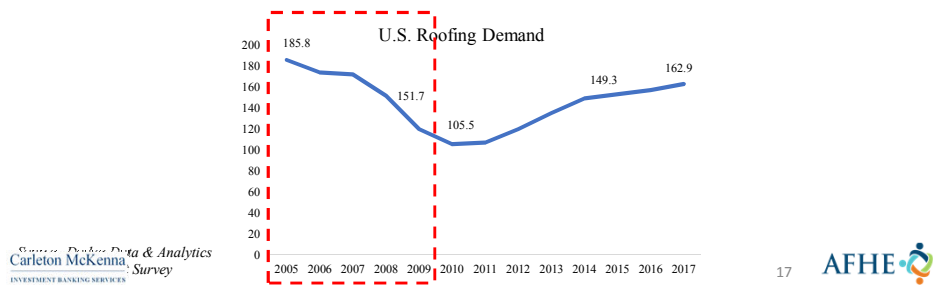
Informed Advisory Group

Case Study 4: Specialty Metal Roof Coatings

Business Profile

- Founded in late 1950s in Cleveland, OH
- Sales of \$30 million, EBTIDA \$4 million
- Manufacturer of reflective roof coatings for mobile homes and other metal roofs
- Significant big box customer concentration
- Small roof repair effort in the south
- Ownership split between 7 siblings of founder

In addition to significant customer concentration, the metal roof mobile home market was declining at annual rate of approximately 10%



Specialty Metal Roof Coatings – Generational Status & Situation Summary

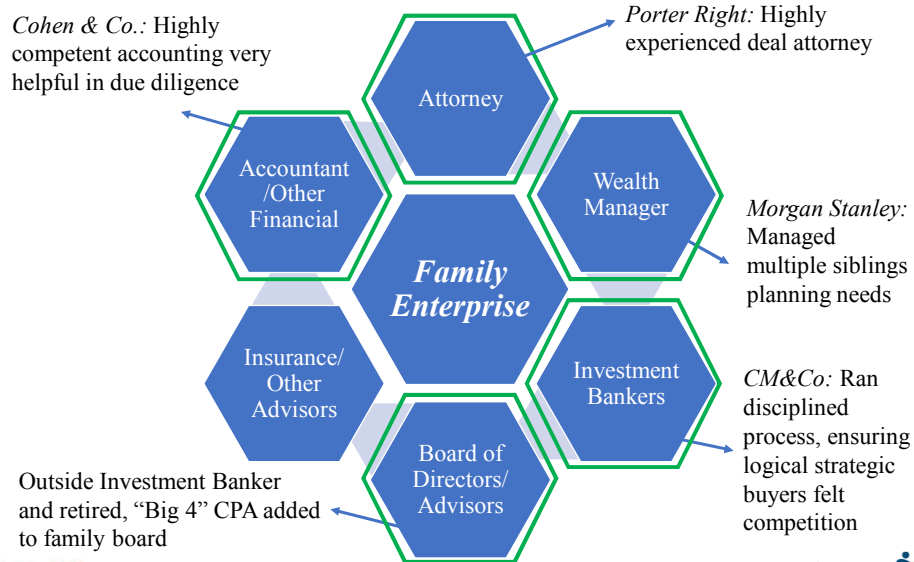
Generational Status

- Three second generation family members as Board of Directors
- The company added outside advisors to its Board of Directors in efforts to strengthen experience getting the business ready for sale:
 - Retired, “Big Four” accountant
 - Investment banker with building products experience

Situation Summary

- Concentration of customers with majority of sales through retail outlets, minority direct to contracting companies
- Significant capital committed to service business
 - Process-oriented production required regular reinvestment
- More capital invested in product development initiatives
 - Innovation required for both commercial and home-use coatings

Specialty Metal Roof Coatings – Working with Advisors



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Thank You!



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