MAXIMIZE BUSINESS VALUE PODCAST - EPISODE 72 Transcript

Announcer (5s):
Welcome to the maximize business value podcast. This podcast is brought to you by mastery partners, where our mission is to equip business Ernest, to maximize business value so they can transition their business on their terms. Our mission was born from the lessons we've learned from over 100 business transactions, which fuels our desire to share our experiences and wisdom. So you can succeed. Now, here's your host CEO mastery partners, Tom Bronson.

Tom Bronson (36s):
Hi, this is Tom Bronson and welcome to maximize business value podcast for business owners who are passionate about building long-term sustainable value in their businesses. This episode Is part of our series called tales from the 17% club, as we've said over and over again, a full 83% of attempted business transitions failed to reach the finish line, meaning that only 17% are successful. So in this series, we interview people who have successfully sold their businesses. We call them the 17% club and learn more about the process and hear probably some interesting stories along the way.

Tom Bronson (1m 20s):
So in this episode, I'd like to welcome our guests, Dave Casey, he's the founder of Calvis cloud, a technology business based in the DFW area. We'll talk about that in the second half. I'm not sure where I first met Dave. I was thinking about that this morning. It could have been through business navigators or through biz owners, ed, another great organization that helps business owners. That Dave was one of the founders for, I think we might actually have another podcast in the future to talk specifically about biz

owners, ed. But interestingly, Dave went to high school with my sidekick, Kim Benson, many of you know her.

Tom Bronson (2m 0s):
I mentioned her frequently on the podcast and she's around when we do a webinars, but I didn't put those two things together until about a year ago. Oh, the stories that we could probably share. So they've founded Western communications in 1985. It was a business that served the, a voiceover IP Boyd and information security space. He successfully sold that business in 2012, placing him firmly in the 17% club. And today we're going to talk about that transition. So welcome to maximize business value,

Dave Casey (2m 39s):
Dave. Well, thank you, Tom. I appreciate it much, you know, before we really kick things off, I've got to do a quick correction for you though. Kim and I did not go to school together, but I met her when she was 17 years old and she was the daughter while she was girlfriend of one of my wife's colleagues. That the, well, she was the daughter of one of my wife's colleagues. Let's put it that way. So there's a little bit of age gap between Kim and I. So if you say she and I went to high school together, she'll kill me.

Dave Casey (3m 20s):
So for you probably,

Tom Bronson (3m 22s):
Well, you know, Hey, you know, she, she, you of course raging like a fine wine, right? So, so I guess that, I guess that you were as young as Kim is, how's that?

Dave Casey (3m 34s):
Well, that's a great compliment and I appreciate that stuff. Awesome. I am quick on my feet if nothing else.

Tom Bronson (3m 43s):
Well, thank you for that correction. So tell us about Western communications.

Dave Casey (3m 48s):
Yes, thanks. So, so Westran founded the company back in 1985, long, long time ago. And we were actually in the data networking business and with the company was founded to take advantage of the, the dissolution of the at and T monopoly, if you will, when there was a divestiture of all the telephone companies and that created a lot of churn, create a lot of opportunity. So we, we actually founded the company in, in that time and grew it over. Gosh, I guess I sold it 28 years later. So quite a long time. And so it was a long run and a lot of morphing in between there. So as most companies do you start going in one direction and you kind of change to, to adapt to the market conditions, competitive conditions and so on.

Dave Casey (4m 37s):
So it was, it was a long ride w it was a fun one and, and it came out with a good exit. So that's even better

Tom Bronson (4m 45s):
Almost 20 years, I guess, that, that you had that business, man, when you, when you mentioned the UL, right? So it would've been close to 30 years, I guess. So when you mentioned the AAT and T divestiture, boy, that's such a distant memory. I hadn't even remembered that. So yeah, that takes me all the way back to that age when, when that happened. So you were basically, you founded the business to take advantage of what was going on in the marketplace,

Dave Casey (5m 18s):
That's it? That's correct. Yeah. It was a great time to great time to found it, even though there was a lot, you know, the economy is obviously up and down a few times during those years, but we, we made it through every one of those dips. So, so

Tom Bronson (5m 30s):
Fast forward 27 years, I guess, to, to an exit, let's talk about that exit strategy. Did you have an exit strategy as you were working in the business all of those years, or did an exit strategy just appear and sort of fall

Dave Casey (5m 48s):
In your lap? Well, I'd love to say that we've thought about it carefully all the way through there, but actually most of the time during those years, I was of heads down just kind of running the company, building the company and not really looking at the future. I figured the future would take care of itself. Like I think a lot of entrepreneurs do and that's really, probably not the best way to look at things. So it wasn't until the last couple of three years that I really considered what an exit would look like and then started making moves toward that. So it

Tom Bronson (6m 23s):
Wasn't something that was necessarily intentional, but who are the end? I mean, as, as you went through the business, look, I I've said over and over, I never get into a business without first understanding the exit strategy doesn't mean that there is a strategy won't morph over time, but I recognize that I am a, just a, a very small percentage of business owners who thinks about exit strategy a lot. And so do you remember kind of how many years before you exited, did you actually decide to sell and what was the decision point for you and okay, it's time to start doing that?

Dave Casey (7m 1s):
Well, it's interesting. I was a member of a group that you're familiar with called Vistige and as a CEO peer group. And when I joined Vistige, my eyes were kind of open into the, you know, the, all the aspects of business beyond just the normal things that you think about. One of those was an exit strategy and that it, it became very apparent that everyone exits their business one way or the other. And you should probably try to do it on your own terms. What I also looked at was what was happening in the marketplace and our company had served, I'd say the SMB marketplace, as well as the medium size enterprise market, and primarily working with companies with voice and data communications that were on-premise.

Dave Casey (7m 48s):
And, and there was a move afoot around that time to start to transition everything to the cloud, everything was moving to a hosted environment and buying software as a service and things like that. So I looked at our company, it really wasn't positioned for that. And I

had a decision to make, I could make a tremendous amount of reinvestment in the company to take advantage of this kind of change in market conditions. Or I could look for an exit and decide to, you know, maybe take checks, take some chips off the table. And so I pursued the second alternative. Okay.

Tom Bronson (8m 25s):
So yeah, that when you founded Western, Ron gore had not yet invented the internet.

Dave Casey (8m 33s):
Yeah. It's true. Very true. We didn't, we didn't know about it then. Right.

Tom Bronson (8m 39s):
That's right. I I'm trying to even remember when I first learned about the internet, it was probably through a university. Some, I think it was one of the vice chancellors and one of the universities that I was very involved in that mentioned something, the internet. And I was like, I didn't even understand what that was. And that would, that would have been probably in the late eighties. I'm guessing.

Dave Casey (9m 2s):
Yeah, probably mid eighties is really when it got started. And again, initially it was government and education oriented and it really wasn't until Netscape came out with a browser and all that, that, that it became something that was more commercially usable. And we have certainly had one of our clients was one of the first commercial organizations in Dallas to take advantage of the internet. And that's really when I saw things change. And it was a big boost to our company. Actually, we were early on supplying to internet service providers with all the gear they needed to turn things up and make things work. That's awesome.

Tom Bronson (9m 38s):
So when you made the decision that, that rather than reinvesting in the business, now we're going to go ahead and look for an exit. Did you have a timeline for that? Do you remember? So you sold in 2012, was this in 2008 or 2010 or, or somewhere? Yeah,

Dave Casey (9m 54s):
It was probably around 2010 that I started thinking about it. And, you know, I looked at a couple of alternatives. I looked, I belonged to an organization. Actually, we, we helped found an organization of companies like ourselves. It was nationwide in scope. We had about 24 member companies with an aggregate revenue of about $2.2 billion. And it was a loose knit organization. Everybody's still owned their own company. We just had a mutual service agreements with each other, but we did incorporate the, the, the entire organization kind of, not as a holding company, but more as a director board of directors kind of further thing.

Dave Casey (10m 34s):
And so I, I looked at merging with some of my fellow guys from around the country. And when I looked at it, I said, you know, it would be great and we'd be much bigger, but we wouldn't have any more money. You know, if we would just, you're basically just pooling what you have and your is not any bigger in aggregate than it was. There's, you know, there's probably a little struggle for control that goes on and all that. So that didn't look to be a way to, to secure any wealth. Really. So then I started looking outside and looking for an acquisition, somebody that would be interested in acquiring us, and that took a little while, and actually ended up selling the company to a company that I had done business with over the years.

Dave Casey (11m 18s):
It was a similar company to mine, but probably three or four times the size of my company and cover a larger regional footprint than we did. We covered basically the north Texas area, a little bit into Houston and Austin, but primarily this, this part of the world. And they covered like a six 70 state area. So,

Tom Bronson (11m 39s):
Oh, I want to back up, you touched on something that I didn't know that you had actually talked about kind of merging and forming a bigger company with these other companies you're familiar with. I did that once and, and my past when we a distribution business serving the radiology marketplace and hospitals and doctor's offices, and we merged simultaneously four companies together to form one holding company, but

you're right. The outcome there is, there's no additional revenue that comes from that. There's no, it's just the aggregate of, of the total of the independence.

Tom Bronson (12m 20s):
You can look for ways of course, to, to eliminate some redundancies and things like that. But the reason we did it versus the decision tree that you guys had to decide not to do that was that that wasn't our end game. We knew the end game was going to be raise some capital and go out and roll up the industry. We knew our industry was very ripe for a roll-up and raise capital, start rolling up the industry, take the company public and exit that way. So, you know, very rare circumstance of a company going public as an exit strategy. Ultimately, on the other hand, we wound up at least starting our plan.

Tom Bronson (13m 2s):
We did some acquisitions, raised some capital, and then we sold ourselves to a publicly traded company later. So rather than taking ourselves public. So, so my point being is that that if coming together is the strategy, I think you made the right decision, but if you, if coming together as a piece of a larger strategy, to be able to exit on a larger scale, because the company is bigger, now that's a solid exit strategy. We actually have clients that are doing that even today,

Dave Casey (13m 37s):
Working on, particularly because your evaluation then becomes that of a public company. So you look at your multiples and everything, you know, measuring it against a public company, not a private small company. So yeah, that's definitely, if we could have achieved that. And, and we had, we had grandiose visions of doing that in the late nineties, actually, when, when the tech boom was really booming and we had these 23 companies, we said, what if we all joined together and sold ourselves to the market as a $2.3 billion a year organization would have been great, unfortunately at 24 CEOs with 24 egos and 24 ideas of who was going to run the show. And so it didn't didn't really pan out.

Dave Casey (14m 18s):
So yeah, in our,

Tom Bronson (14m 20s):
In our case, it was very clear. We knew where the reporting responsibilities were going to be. And, and that's, those are some of the things that you have to work out because you're right. 24 CEOs do not make a decision together very frequently if at all. And so, yeah, maybe,

Dave Casey (14m 42s):
Maybe so.

Tom Bronson (14m 45s):
So you decided that it was time to sell. W what did you do next? Did you just start looking for companies, you hire an investment banker or a business broker? What did you do?

Dave Casey (14m 56s):
You know, I, I didn't, I really did it pretty much all my, myself that might have been a mistake, and I really looked at it, you know, like, I think a lot of entrepreneurs do, I'm looking at it in terms of my employees. I want to do the best by them. We had a team that had worked together through a lot of adversity over many years. I had folks that had worked for me over 20 years in the technology world, which is unheard of. And so what we did was I really, when we found this other company that, you know, their, their go to market strategy was similar to mine. They were just a bigger version of myself, really. And, and so it kind of trusted people, a captured one of my former employees work there. So there was a lot of pluses to doing that.

Dave Casey (15m 38s):
So I didn't really shop around, you know, like I probably should have, but I was content with, you know, the direction we were going. And then 2012 was kind of significant because there was an upcoming capital gains change coming at the end of the year that had been telegraphed by the Obama administration, and they're going to raise capital gains. So I see, you know, I kind of have an impetus to get it done before the end of 2012. Right. And we actually closed on the 26th of December in 2012 was our close

date. So we have, we achieved that, but it's, but yeah, that last, it's kind of the Venturi effect that last several months kind of things got faster and faster and faster goading, and I'll kind of go into that funnel and then the churn and it was, it was exciting.

Dave Casey (16m 30s):
Yeah. Yes.

Tom Bronson (16m 31s):
It sure can be. Right. Well, that sounds very familiar to what we're seeing today. A lot of business owners are hoping to be able to exit this year before any potential changes in the capital gains tax, because, you know, th there's never anything new under the sun, right. The same where we just keep recycling, right. If, if we can get to a conservative administration, it'll go back the other way. And then you get a liberal administration, then it, then it goes back toward the higher taxation. So it's a very similar story to what business owners are going through right now. So I'm glad that, that you mentioned

Dave Casey (17m 7s):
That. So did you have a timeline,

Tom Bronson (17m 11s):
You decided to do this in 2010, you closed in 2012. Did you have a timeline or were you just kind of working as the process?

Dave Casey (17m 21s):
Yeah, we kind of, as the process worked, I think I got to probably may of, of 2012 is when I really said, you know, really want to get this buttoned up by the end of the year. And I had assembled a team of people that helped me through this transition. And so I said, guys, let's, let's put a timeframe on this. And, you know, the end of December is our number. And so I had my CPA who is a real strong CPA. I had a great attorney. I had a gentleman that, you know, well, David hammer, who was advising me from the M and a perspective. And so those folks really steered me through the process and, and really, really helped me a lot through that whole deal.

Dave Casey (18m 8s):
So

Tom Bronson (18m 9s):
Very important to surround yourself with a great transition team. Yeah. David, David hammer is absolutely one of my favorites, as you probably already know. He was my chief counsel for one of my businesses and investor in one of my companies and still just a, a wonderful friend and, and, and very free with his information. Right. I mean, he, when he, when he's helping a friend, he just digs in his heels and, and is happy to help out any way he can. In fact, I recently talked to David, he's really not doing a lot of M and a, now he's more really straight attorney again, which is disappointing because I think he was a great investment banker.

Dave Casey (18m 51s):
Yeah. And he, I talked to him just within the last week or two, and he said, the deal flow though, is getting crazy, you know, because of some of the factors that you've mentioned there, it's kind of like, I know he's trying to kind of back out of the business a little bit, but it's, you know, the businesses coming to him. Well,

Tom Bronson (19m 7s):
You know, that's funny, you mentioned that he's trying to back out, he confirmed to me that he's not going to, he's, he's enjoying what he's doing and that's great. That's, it's like us, you know, we've sold our businesses, but here we are still working. And so I, I enjoy the thrill of the game and I know that David was as well. So, so what I know kind of where David was, but what, what role did your CPA and your attorney and David kind of all working together? What role did they play in kind of helping you through the process?

Dave Casey (19m 35s):
Well, I'd say David was kind of the quarterback of that process. My corporate attorney I'd worked with for several years and he had done several transactions in the past. So he kind of brought, you know, some good knowledge base to, you know, what to expect when to expect it, any kind of bumps in the road from a legal perspective that may pop up. My CPA was really good in that we did not have like a chief financial officer. We had

a bookkeeper who was very, very good, and she was, could always trust her numbers. She knew exactly where everything was and that my CPA had.

Dave Casey (20m 15s):
Can you bend my outside CFO if you will. So he kinda knew all the ratios to look for all the, all the history on everything we'd done. Our books were squeaky clean. Actually, I had done an audit like three years before I actually paid for an audit, as opposed to just a review, just to get a baseline, make sure that we were good for somebody looking at us from the outside. And a lot of that was from my Vistage buddies that had been through transactions and say, you know, when you get to due diligence, if you, you got any, any gremlins in there, they're going bring those up at the top and make it a big scene. And this is going to, you know, reduce your value and all that kind of stuff. So I try to clean things up as best we could in our business that translated into inventory, you know, in, in a business over 20 years old, you accumulate a lot of stuff.

Dave Casey (21m 4s):
That's still on the books, as far as inventory that is essentially worthless. So in about a four year period, we wrote that stuff down to zero. So I really had nothing, but, you know, goods in process inventory on the books and, you know, obviously service bears and things like that. But, but I'd really cleaned up our books before we started the down the process for you.

Tom Bronson (21m 27s):
Boy, I hear that so frequently, I'll go into a business that's 20, 30, 40 years old. And the inventory there's so much dead stock that inventory. We helped a client at the end of last year who wound up writing off like two and a half million dollars of inventory. That's basically where all of his cash was sitting is in debt inventory. Right. So you've got to figure out how to do that. You've mentioned the due diligence. I call it the dreaded due diligence process. How did your due diligence process,

Dave Casey (21m 59s):
You know, I think maybe because some of that stuff we had done was kind of eye-opening to our acquirer. We were the 14th company they had acquired. So they were

pretty good at it. Well, in some ways they were good at it. Some ways they weren't, and it gets a little complicated. The parent company of the guys that bought me was an oil and gas company. And they had actually four divisions. If you will, they had an exploration production side, they had a midstream energy side or real estate side and a technology side and their, and their, I guess their go to market deal was that, you know, economies go up and down.

Dave Casey (22m 40s):
So if, if oil is down, technology might be pop or real estate might be up. And so they try to balance things out of that. And which I think was for the most part, worked out well for them, but having done 14 acquisitions, they just kind of zeroed in on the stuff that they would normally see as low hanging fruit in an acquisition. And I think in retrospect, a lot of the acquisitions they made were wounded ducks. They were companies that were struggling that had a reason to sell that needed to sell and so on. And I was a little unique in that I didn't need to sell. We were very profitable. Things were rocking along, had a great team assembled. We had some really nice backend processes.

Dave Casey (23m 22s):
It wasn't like we were struggling, but so it was like selling at the top if you will. And so they dug in and try to find a lot of stuff and they literally, they couldn't find anything to discount a guy, you know, so a couple of very minor things, but, you know, overall that our books flipped grid and everything, you know, that's why I say the valuation kind of stayed where it was at the beginning. So your Vistige

Tom Bronson (23m 47s):
Buddies did just solid there by the way, really well,

Dave Casey (23m 50s):
I'll tell you, I feel alone. I still don't.

Tom Bronson (23m 53s):
By telling you, don't try to hide anything as fiscally to buyer, which you're dealing with, right? In this case, you had somebody who had bought 14 companies, a sophisticated

buyer is going to find everything because that's what they do. And so many times the business owner will try to hide that stuff. I always say, get that stuff. If you can't fix it, then get it out and get a commentary around it early. So that it's disclosed before you sign a letter of intent. You know, my own experience was we had an issue that came up after due diligence, that that was going to be a $2 million reduction in the purchase price.

Tom Bronson (24m 37s):
And I pointed out when they, when they brought it up to me, I pointed out that we had disclosed this prior to getting their LOI. And I showed them where we disclosed it, how we disclosed it. And by the way, the improvements that had been made sense. And while I told him, while I appreciate that this is the, what I call the retrade conversation. It's not going to be on that item because you already knew that stuff before you, you didn't discover that in due diligence. And so a really skilled buyers are going to be digging for stuff during due diligence in order to reduce the price. That is such a common thing that happens in transactions that I say that due diligence is really nothing more than looking for ways to reduce the price.

Tom Bronson (25m 20s):
And that's the way it is and a lot of cases. So, so I called that the retrade conversation, when they call you to say, okay, here's what we discovered. So let's retrain our deal. Did you have that retrade conversation?

Dave Casey (25m 35s):
Yeah, I think we did in a fashion, you know, they brought up a couple of things. Well, how about this and how about these service contracts and so on? And I was pretty well-prepared and again, I've got to say, David hammer helped me a lot there. Cause he said, you know, they're going to ask for this, take your time, getting this information to them. They're going to ask for this over here, do that in 15 minutes, get a, get an email back to them right away. So, and I wasn't discerning the difference between those things, you know, and he did a great job at that, but it, it really was. I was pretty well-prepared. I mean, I could explain everything that was on our books. One of the things that, and again, I don't wanna get too far off tangent here, but one of the things in

a service business, when you have service contracts and you write a three-year service contract for somebody, a lot of times we collect the money for that upfront.

Dave Casey (26m 27s):
So you realize cash, but you don't realize revenue. You only realize revenue on a monthly basis. And the rest of that is carried on your books as a liability, until that contract is, is fulfilled. And for years we didn't run our business. That way was almost like we were half cash, half accrual in our books. And that was, that was a hard time. Cause we, we, we actually fixed that over probably a three or four year period where we adjusted all our service contracts. So we only realized revenue, you know, as the months went by and I think in a service oriented business, that's one of the things that due diligence guys jump on quickly is, you know, okay, you've got this cash, but where's the offsetting entry.

Dave Casey (27m 9s):
Well, it's the service contract we're obligated for, for the next 35 months. You know,

Tom Bronson (27m 14s):
It's one of the things that we dive into when we do an assessment of a business. If I know it's a services business, and I know that their customers prepay for a lot of their contracts, I'm always looking for the liability on the balance sheet. I know you got the cash, I get it, you got the cash, but where is the liability on the balance sheet? So just as a quick example for our listeners, let's say that you have a $12,000 annual contract and they pay you for that in advance. You put a 1000 because it's 12 months, 1000 on your income statement and 11,000 goes on your balance sheet in that first month. And then for the rest of the year, you relieve that balance sheet of the thousand dollars a month because that is when the services are actually performed.

Tom Bronson (28m 4s):
And so it's a very common mistake that I hear in a lot of businesses. And a lot of business owners don't realize the massive size of an adjustment that could be made post due diligence because of that liability that after you close, somebody else has to do the work. And so therefore they get the credit for the money that that was deposited.

Dave Casey (28m 27s):
So it's, you know, and again, you get caught up working in your business as opposed to on it. So you're really just looking at cash management, you know, that's, that becomes your big focus and you don't really look at those items, which are very important in an acquisition. So, yeah.

Tom Bronson (28m 43s):
Well, before we take a break, let me just ask a quick question about your employees because you brought them up. It was very important for you to take care of your employees. You know, having a business for 27 years meant that you probably had some employees that had been with you, if not the entire time, darn close to the entire time. And so how did they react when you actually close this transaction? And, and now,

Dave Casey (29m 8s):
Well, I gotta say it was a mixed reaction. So some of them were fine. You know, this is, you know, new adventure, obviously a bigger company, more opportunity. Some are very wary that this, how is this going to be good for me? You know, certainly good for Dave. I don't know if it's good for me, that kind of thing. And, but by and large, we have had, well, I had one employee leave out of, I guess our employee count at that time was probably 18 or 19 employees. And we had one leave like immediately just said, I've been through an acquisition. It wasn't pretty, I don't want to stick around and see how it comes out. I had a couple of key employees that I had actually put together a, a plan for them to, to not only keep them on board, but also reward them.

Dave Casey (29m 59s):
So I, I, I did that and, and, you know, they participated a little bit in the transaction, so that was good for them, I think. And good for us, you know, subsequent to that, one of them did leave because she, she just was not happy not being the number one person in her department anymore, but that, that those things happen. I mean, it's the way, the way of the world, I guess. But so I, you know, I think most entrepreneurs, if they've been successful, then they have taken care of their employees and look out for their employees. And that's a big, that's a big, hard thing when you're trying to sell your

company is what's going to happen to my employees because it literally you're relinquishing control.

Dave Casey (30m 42s):
So you can't really control how the new company is going to treat those folks. Right. And the only thing you can look at is maybe prior acquisitions that company's done and how those things worked out, how many people stayed on board and how happy they were. So, so that was, that was probably the hardest thing about selling the company to tell you the truth was, you know, what's gonna happen to my employees because we had you're right. We had, several of us had worked together for a long time, had a strong team, strong bond. And so it was not, it was not easy. Yeah.

Tom Bronson (31m 14s):
It, sometimes it's shocking. I I've always been a big fan of, of telling my employees that the company is always for sale. Right. And when I parade people through, they know that I may be selling the business. We talk about exit strategy and all of my businesses that I've been involved in. And so that when the transaction actually comes, it's not a surprise to anybody and, and I've done the same thing, set up, you know, reward systems to reward the employees that, that get you there, setting aside things for key employees that that'll be a subject maybe for a future podcast, is how to set up some incentives for key employees, because it's so important to take care of them.

Tom Bronson (31m 56s):
But, but it can be almost all about me when you're, when you're closing in. And you've got to think about those people that you're leaving behind as well, because the second after you deposit that check is the first second that you no longer have control.

Dave Casey (32m 14s):
Correct. Yeah. So very true. Yeah. And there's some folks that, you know, I think from our business owners said a group that they're masters at that they're masters at when they found a company, they build a team and everyone on that team knows that someday this company will transition. And in most cases, those team members are going to really benefit from that. And in the interim, they're going to have fun. They're going to, they're

going to make a lot of money and, and you know, it's going to be a great ride. So I think that you're correct, that's it, that's the correct way to do it. And I've got to say, we probably didn't do it that way. For most of the time that I owned the company, it was a kind of a secret thing. And we're, you know, we don't talk about company business and all that.

Dave Casey (32m 56s):
And, and in retrospect really should have been much, much more open with that. Yeah.

Tom Bronson (33m 1s):
I'm glad to hear that because so many entrepreneurs are just like, yeah, I mean, look, you're, you're in the majority, most entrepreneurs don't talk about these things, but I'm just a big fan of, of open communication, open book management, you know, all of those kinds of things. So, so because a hundred percent of every business will eventually transition. Let's take a break. We're talking with Dave Casey, a member of the 17% club. We're going to take a quick break, but we'll be back in

Announcer (33m 29s):
30 seconds. If you want to be a 17 percenter too, of course you do. And we can help you get there. This fall mastery partners is on a mission to unmask the value of your business without incredible to the transition readiness assessment that as we like to call it, it's CRA in a simple and complicated way. The tra unmasks where you are generating value in your business and where you aren't this comprehensive assessment, pinpoints your hits and misses. You can focus on what's working and solve. What's not what you do today matters and will have a tremendous impact on the future value of your business. Get your tra today and be a 17% boom to masterypartners.com.

Announcer (34m 13s):
Schedule a call with Tom and join a tra challenge. Don't be deceived, I'm covered and know how to build massive value in your business. We're

Tom Bronson (34m 24s):

Back with Dave Casey, a business owner who successfully sold his business in 2012. So Dave, as you think about The process and the things, since you did this, mostly on your own, you had a great team of CPA attorney and an M and a advisor, and that's good. It's important to have surround yourself with the right people, as you think back in kind of retrospect, what did you learn going through the process?

Dave Casey (34m 55s):
Oh, it was interesting. A couple of things. I learned a little bit about myself and about could, could I make those kinds of decisions? You know, I've been used to making decisions and running the company. I'm pretty comfortable with those. This was a major decision. This was like, you know, I, I haven't had the advantage you have of buying and selling a ton of companies. This was my company, the one company had founded that I'm selling. So it really was a psychological process I went through. Then the other thing was just, I got really kind of a namerd with the process itself and just all the way things fell into place, the bumps in the road and all those things.

Dave Casey (35m 38s):
And I see why you do what you do. Cause this is really a fascinating thing when you, when you transition a business and particularly when it comes out on the other side and it's good, you know, and it's a successful in, in that more people create more wealth, more people have more opportunities and so on. So that's, that's always a good thing. I think. So that part of it was really cool. The act of going through it, it was probably not as cool.

Tom Bronson (36m 12s):
It can get a little emotional at times, can't

Dave Casey (36m 14s):
It? Yeah, yeah, yeah. Yeah.

Tom Bronson (36m 17s):
There's a, there's a great book by Denise Logan called the seller's journey and it walks through the whole emotional process that business owners go through strongly,

strongly recommend that for any business owner, that's thinking about selling your business in the future. Cause I'm a big fan of saying that I can better prepare emotionally for things that I know about. If I know I'm going to be emotional and, and I know what the situation is, then I can control that rather than being slapped in the face with a two by four, because I'm a very emotional guy and my reaction is not going to be good for anybody.

Tom Bronson (36m 57s):
And so,

Dave Casey (36m 59s):
Yeah, I'm kind of the opposite. I'm pretty low key. I've always, yeah, that pretty even keel. And this, that process really got my emotions going. So that's, that's something that was new to me. I had to really, really, you know, stay on top of it really did. Let's say, you

Tom Bronson (37m 16s):
Know, for our listeners, if you didn't listen to last week's episode with Mike and Nicole Rose, you should go back and listen to that because there's a story about that. Very same thing on Nicole is the very, non-emotional more like you, Dave, Mike and I are more alike, but it was her who mentioned when they were getting close, that she pulled the plug once because of the emotional side of it. So go back and listen to that podcast. If you haven't done that now again, in retrospect, is there anything that you would've done differently knowing now since it was your first process and it's a once in a lifetime opportunity for most business owners, but is there anything that you would have done differently?

Dave Casey (38m 1s):
Oh gosh. Yes. One thing is, remember it's only a one hour podcast. Well, you know, you said, you know, when did you start the timeline? How did this thing all come together? And I, you know, it was really just the last couple of years of my ownership of the company when really we're headed toward a sale. But I think that the wisdom you shared earlier of preparing from day one to exit really, and to make decisions as you

build a company around, what does this look like? Does this contribute to an exit? Does it detract an exit? Does it, and some of that is just, do I take money off the table?

Dave Casey (38m 42s):
Now, if we have a spectacular year, do you just, you know, go to Europe for a month or buy a boat or something stupid like that? Or do you actually say, wow, okay. That we had that year? Well, let's just reinvest. Let's, let's, let's better our systems and processes and people and upgrade and, and do things better. And we'll have an even better year, you know, two years out, you know, things like that. So those are the things along the way I could really should have done better. I mean, we, we took significant amounts of money out of the company along the way. I probably should have left that some of that money back in there and built the company better, built it, bigger, a stronger team, stronger, you know, everything that

Tom Bronson (39m 28s):
Is great, solid advice. So many business owners basically ran all the cash and, and, and do those things. And by the way, I don't think your boat is stupid. You know, I don't know, one myself, my favorite boat is, is the ones that are owned by my friends. Right. Cause then

Dave Casey (39m 44s):
I'd probably say I've never owned a boat and I've always enjoyed going on my friend's boat. So

Tom Bronson (39m 49s):
Exactly, exactly. So cars

Dave Casey (39m 51s):
Are something different motorcycles, something different. Everyone has their vices. I've got

Tom Bronson (39m 57s):
A client that just bought a very expensive classic car with his year end. So

Dave Casey (40m 2s):
There you go. Yeah,

Tom Bronson (40m 4s):
Exactly. So, so now when you were kind of getting close to the end of the process, did you have any idea what you were going to do next?

Dave Casey (40m 13s):
Well, had a little bit of an idea because I actually, you know, in most businesses when the, when the business transitions, the owner sticks around for a few months just to, and there may be an earn-out involved, you know, that keeps them there for a period of time. I did have an earn-out with this business. I did establish an earn-out, but it was, it was a tiny amount of the entire transaction, but believe it or not, I stayed and worked for the company I sold to for four years, I stayed off some 2012 to 20 to the end of 2016 and, and really helped them build the Texas market, you know, largely kept my team together.

Dave Casey (40m 55s):
So I made, it was, it was a little different than a lot of other, you know, folks that leave their business and they walk out the door. So, and that that's, you know, but four years was a long time. I would say that in retrospect, I probably should have left a little bit earlier than that, but

Tom Bronson (41m 15s):
Were you planning to be there just long-term or, or no, the long term,

Dave Casey (41m 19s):
But certainly plan to be there for a little bit a while. And then, then just kind of look at what's happening within the industry and the marketplace. And as you mentioned early on, you know, Calvis flout is, is involved in, in it security consulting. And when we had Western Han, we did, you know, security was a part of what we did, but a lot of what we did was also unified communications communications as a service, a network services,

you know, we're a managed service provider. So we did a lot of overall network support for companies, not just security, but during those four years, I kind of watched security, really gain importance.

Dave Casey (42m 4s):
And, and it's always been important in the it world. It's not always been important in a boardroom because a lot of times the boards as well, you know, we, we need to have firewalls, we need to have some security software, but the it guys take care of that. And you know, we're, we're good until you get breached and then you go, why didn't we do this the right way? Because you can give us any budget, sir. You know? So I, it's kinda what I, that, so when I decided to leave F finally leave and go back on my own, I really zeroed in on it security as an area that there's, there's still a lot of requirements out there and it's, and it's a place where we can actually sit down with people and make differences at the board level as opposed to at the, at the frontline level.

Dave Casey (42m 51s):
So that's

Tom Bronson (42m 52s):
Great. And tell us, tell us more about what Calvis cloud does before we start to wrap

Dave Casey (42m 56s):
Up. Yeah. So it's, as I mentioned, it, it, security is our primary thing because I spent so many years in that unified communications world. I have been brought into several clients and help them transition their messaging. Well, basically telephone systems, messaging, video, all that stuff to the cloud, as opposed to doing it on site. So we've done some consulting around that as well. And then, and then just in general, helping people move all of their it assets to the cloud, it sounds like it's simple. It's really not simple. And you do need somebody to kind of quarterback that and in some cases, and then, but certainly it security and, and a lot of what we've done in it, security has not been the frontline stuff where we're implementing a security software and things like that, or, or the backend where there's been a breach.

Dave Casey (43m 52s):
And you're trying to fix the holes and get back on your feet. But it's more proactive in saying, you know, what, as a corporation, what is our security profile need to look like? What are our systems and processes need to look like? How do we educate our employees to be security conscious and, and not be the contributing force to us having a breach, but actually being out in front and preventing us from having a breach. So it's been an intriguing business proposition and a lot of fun over the last several years doing that. I think that's

Tom Bronson (44m 28s):
A, that's very now, even though Western, by the way, I have to acknowledge that, that you've got it's, it must be a throwback day. Cause you've got a Western shirt on for those who haven't picked up on that. How many of those do you have in your closet? More, more, more than I care to when I, when I had a company that I sold to that publicly traded company, I promise you, I don't think I had an, a, an item of clothing that did not have their logo on it. I mean, I mean, all the way down to my underwear in some cases, I mean, it was,

Dave Casey (45m 5s):
It's a wonderful thing. It's guys like Mike Rose that enable those kinds of people. Exactly,

Tom Bronson (45m 10s):
Exactly. So that is awesome. The, but it's a w where I was going with this is that Western was doing some security and now you're doing that. Was that not competitive? Or did you not have any issue with west run over that?

Dave Casey (45m 25s):
Well, I did have a non-compete agreement, but it's long expired. And, and certainly that was not, that was not the core focus of the company that I left. I mean, they were much more into basically it support desktop support administering Citrix, or, you know, the, the virtual environments and stuff like that. So security was a portion, but not a big portion. And certainly I wasn't in competition. And frankly, I haven't really done any business with any of my former clients, which is amazing in itself. But, you know, certainly some of the

individuals from those former corporations have moved on to other companies and I've done business with them, but, you know, I felt pretty strongly.

Dave Casey (46m 15s):
I'm not going to go back into my old client base and say, Hey, I got a new logo and I'm here again. You know, I didn't really pursue that. Yeah. You

Tom Bronson (46m 24s):
Gotta be strategic about those kinds of things. So one last business question. So the podcast is about maximizing business value, but this one has sort of a different bent. It's all about preparing business owners who are looking for eventually transitioning their business the way you successfully did. So if you could give one piece of advice to a business owner on something that you would recommend that they do to build value and prepare for that transition, what would that be?

Dave Casey (46m 53s):
You know, it's, I say one thing it's hard, but the thing that I think is so important is to run your business day to day is if you're going to sell it tomorrow, not so that doesn't mean cut corners and cut expenses and so on, but build the business, make decisions that make the business stronger, whether it's topgrading your people, whether it's investing in systems, investing in backend processes, marketing, all the things it takes to run a business, do those things all the time. And you will maximize your value on the, on the way out, because it's amazing.

Dave Casey (47m 35s):
I've watched businesses B be purchased and, and I'm saying, well, this guy got a huge multiple. And he said, yeah, because he had these, this company that acquired them, had three other companies they'd acquire that were similar, that were disaster. They acquire this guy, they take all his systems and processes apply it to the other ones. They get a great return on investment right away. So they really attach value to that. And so I think that's something and it was hard. It was very hard for me to do when I was in the business. I kept saying, you know, okay, we had a good year, but I really don't need to move to salesforce.com because that's going to be very expensive.

Dave Casey (48m 15s):
And I'd much rather just take, you know, some money and put it in the bank or, you know, go buy something. So w when I really should have been making those decisions to reinvest in the company. And, and again, that when you're struggling, it's hard. I mean, you, you can't, you don't have the money to reinvest in the company, but when you're having good years, you know, don't be afraid to do that. And I think that really pays dividends.

Tom Bronson (48m 40s):
I think that is brilliant. You know, it's interesting this I'm going to use this quote, in fact, I'm sure it will appear on a future newsletter or blog run your business. Like it's a run your business day to day. Like you're going to sell it tomorrow. If Casey said that you heard it here first, it's interesting because I advise business owners, the exact opposite, run your business. Even when you're in a process, like you're going to own it for the next 20 years. And, but this goes hand in hand, they sound like they're opposing, but they go hand in hand. I love this. I'm going to use this a lot. And I will give you credit. I always give credit where credit is due.

Tom Bronson (49m 23s):
So I'll be very happy. Exactly. Absolutely. So if I make a dollar off of it, it's yours. I'm not even going to keep on kind of that I will give you that dollar. So, so our, our longtime listeners know that we always end with a, my favorite question. And it's always their favorite question too. So I have to ask it, Dave, what personality trait has gotten you into the most trouble

Dave Casey (49m 48s):
Through the years? Ooh, boy, let's see. I, I need to answer this carefully that I asked Doris. No, don't, don't, don't do that. You know, this is going to sound very self-serving I think, but I am a person that, that I always, I don't know if generous is the word, but I always want to make sure the other person makes out in a transaction that they, they, you know, that they make out better than I do if you will. And I don't, it really is a terrible way to say that, but I've always found in, in whether it's engaging with competition or

engaging with a client, you know, I was trying to find out how they're paid, how they make money, how they are compensated, and then let's, let's do this transaction.

Dave Casey (50m 43s):
So that's the best result for them. And normally that the reason I do that, you know, I, I like to feel like I'm doing the right thing, but the other thing is, that's not the last transaction I do with them. You know, I do a succession, a series of transactions. So in, in 27 years of business, we had clients that we'd had over 20 years, you know, so that, because we constantly always made sure that it was the best decision for them. So that's, I don't know if that's a personality trait, but it's just kind of a way that I like to do business.

Tom Bronson (51m 15s):
I don't think it sounds self-serving at all. Actually, that's a, that's sort of a, of a quirk of mine as well. I'm more concerned about the other guy than I am me. And as my wife would tell you that she would call that a definitely a personality problem. Well, if you get out of control and it can get out of control. And I, you know, I'm usually the last guy I think about. And, and, and sometimes I think to myself, why don't I just think about me more often, right. And, and, but that I hadn't thought about getting me in trouble, but it has. So thanks for pointing that out. Dave, how can our, how can our viewers and listeners get in touch with you, especially if they want to do business or talk about Calvis cloud, which I encourage them to do?

Dave Casey (52m 2s):
Oh, we're out there. So my email is dave.Casey@calviscloud.com. It's pretty easy. The, we are certainly on LinkedIn. Our website is a work in progress, but it does get across a little bit about what we do. And you know, it's also, if you really want to meet me, you should just come to a business navigators meeting or there's owner's ed event. And I'll probably be at those for sure. That's

Tom Bronson (52m 31s):
Awesome. That is a great way to get in touch. Both wonderful organizations that you and I are, both members of this has been so fun. Thank you for being my guest today.

Dave Casey (52m 42s):
Thank you, Tom. Appreciate it much.

Tom Bronson (52m 45s):
You can find Dave Casey at calviscloud.com or on LinkedIn, and as always, don't ever hesitate to reach out to me and I will make a warm introduction to my good friend, Dave Casey. This is the maximize business value podcast, where we give practical advice to business owners who are passionate about building long-term sustainable value in their businesses. Be sure to tune in each week and follow us wherever you found this podcast. That way you'll get notified. Each time we drop a new one, be sure to comment. We love your comments. And if you don't mind, let us know some topics that you'd love to hear about. Tell us some things you'd like to learn, because we are passionate about teaching folks.

Tom Bronson (53m 29s):
So until next time I'm Tom Bronson reminding you that it is never too early to start thinking about and planning for that ideal desired exit strategy while you maximize your business value.

Announcer (53m 48s):
Thank you for tuning into the maximize business value podcast with Tom Bronson. This podcast is brought to you by mastery partners, where our mission is to equip business owners to maximize business value so they can transition on their terms on how to build long-term sustainable business value and get free value building tools by visiting our website, www.masterypartners.com that's master with a Y masterypartners.com. Check it out.

Tom Bronson (54m 33s):
That was perfect. I wouldn't make any changes.