Announcer (3s):

Welcome to the Maximize Business Value Podcast. 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 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 of Mastery Partners, Tom Bronson.

Tom Bronson (35s):

Hi, this is Tom Bronson and welcome back to Maximize Business Value, a podcast for business owners who are passionate about building long-term sustainable value in their businesses. This podcast is part of our series with speakers from the upcoming Business Transitions Summit. The b t s, as we call it, is our event coming up in a, in just a few weeks, on May 2nd, 2023. And it's for business owners to come and learn how to maximize the value of their business and begin preparing for their ideal transition. You know, the sad fact is that every business on the planet will eventually transition, and it's our opinion that, that those trans, those transitions happen better by design than by default.

Tom Bronson (1m 28s):

And so come to the Business Transitions Summit and learn how to transition your business on your own terms. Registration is now open@businesstransitionssummit.com. That's transitions with an s business transitions summit.com. In this episode, I'd like to welcome our guest Burt Copeland. He is the founder of New Life C F o. Burt will be one of our featured speakers at the Business Transition Summit, and he will be talking on the topic of the dreaded due diligence. So welcome to Maximize Business Value, Bert.

Burt Copeland (2m 4s):

Wow, that was quite an introduction. I, I kind of sound like, you know, maybe the Darth Vader song ought to be coming in or something like

Tom Bronson (2m 11s):

That. It's like

Burt Copeland (2m 15s):

That was, hopefully it doesn't come across that heavy when we actually do the presentation.

Tom Bronson (2m 20s):

No, but you know, it's one of those topics that, that everybody needs to know about. Right? I mean, I, I did a, a series of podcasts and, and blogs on what I call the dreaded due diligence cuz it can sure be a, a challenge, but I'm not gonna say anything about that. We'll, we'll get into that and I hope that folks will come to your presentation because it's something that they really need to learn about. Before we get there, tell us a little bit about New Life C F O.

Burt Copeland (2m 47s):

Yeah, so I started New Life C F O services back in 2013 and it was really the genesis from my prior business. So previously as a C F O of a large commercial construction company became president and then I bought the North Texas operations. And I, when I bought it, it was 7 million that I bought out of the like 70 million. We quickly grew that from 7 million up to 24 million going towards 30 fast within just a few years. But in that third year was the great recession. And I literally went from a run rate of over two, two and a half million a month in revenue down to 325,000.

Tom Bronson (3m 26s):

Ooh

Burt Copeland (3m 28s):

Che. Yes sir. Yes sir. Che is is the nicest words I've used around that. Yes,

Tom Bronson (3m 37s):

This is a family podcast.

Burt Copeland (3m 39s):

Exactly. But you know, the, the interesting thing was is I was blessed because I had fantastic staff and experience in doing turnarounds and workouts and bankruptcies and stuff like that. So we got, the company turned around 2009. So that happened in 2008. 2009 was my most profitable year. But I really had an epiphany about, oh my goodness, if I can step in this bear trap and barely get out, what about the average entrepreneur? And so I became very passionate about it. I need to go out and serve the, the entrepreneurs of the world because they need help and making sure that their dreams become reality. Cuz they started their businesses with a big dream, which is always a great discussion about what is your big dream, but why did you start this business?

Burt Copeland (4m 23s):

And so I ultimately sold my business off to a strategic buyer. I didn't even know what a fractional CFO was, but we just went out there. And what makes us a little bit unique is we only hire CFOs that have an operating background in addition. So our CFOs have also served as a c o o, a general manager president, couple of us have owned our companies cuz we think it's really important to have sat on the other side of the desk and be an empathetic partner to the person who has all their chips on the table. And I'll tell you what, I am virtually unemployable now cuz I love what I do and there's no way I'm going back to a regular job.

Burt Copeland (5m 3s):

It is, it's great to help people understand what really creates value in their business. Did that kind of cover it?

Tom Bronson (5m 10s):

Yeah, that is, that is great. You know, it's funny when you talk about entrepreneurs big dreams, many times their big dreams turn into big nightmares. And so, so they need folks like new life, c f O to come in and help them to really get back on track to, to really getting back to what that dream is. Right. You know, so many times they start it, they have that big dream and then, and then they just get caught in the day-to-day and they forget what the dream was. Right. And so, and

Burt Copeland (5m 40s):
Not only that, they, they don't even realize we're part of the dream is becoming a nightmare, but they don't see it for what it is.

Tom Bronson (5m 46s):
That's right. That's right.

Burt Copeland (5m 48s):
And that's why I love that you teed up this whole business transition summit because it's a huge reality check into do you really understand what's going on with your business? Do you, you really understand what adds value if you're going to take it to the table and try and sell it. And I'll tell you, most people wait until the 12th hour, like suddenly Tom comes to me and wants to buy my business. You know, I, I get away from the Zoom screen, I do a happy dance over here, and then I come back and I pray that it's just gonna work out. And it's, it's really so sad. That's why I'm passionate about being involved in this. And thank you very much for the invite

Tom Bronson (6m 24s):
And I am so glad that you're a part of it because I love what you guys are doing over at, at New Life, just the, the the help that you're giving entrepreneurs. And you're right, every entrepreneur needs to learn this. Not only your session, but all of the sessions that we're going to have and all the speakers that we're going to have. Let's focus in on your session. You're speaking on one of my favorite subjects, get your skeletons out of the closet, talking about due diligence. So, and that's at the upcoming of course Business Transition Summit. Tell us a little bit about what you're gonna cover in this session.

Burt Copeland (6m 55s):
Well, you know, I, I just, honestly, I I kind of feel like the session should be entitled, get your Landmines outta the Closet. Right? Yes. I'm, I didn't make that suggestion earlier, but it's much more of a visceral reality. You know, Tom, the stunning fact for me is, and what we become very passionate about is people invest their livelihood, they invest their time and effort into building a business and it's usually 65 to 85% of their net worth. And then they go to sell it. And the stats are, as I believe it's only out of a hundred companies that go and put their companies up for sale. Only 20%, 20 out of a hundred will even get to a transaction.

Tom Bronson (7m 39s):

Clearly you didn't read my book, it's 17%, but you're close.

Burt Copeland (7m 44s):
Gosh, I did read the book. I should have, I'm

Tom Bronson (7m 47s):
Giving you a hard time. Yeah, yeah. That most people say 20%. The hard numbers I think will point just a slightly lower than that, which is alarming. Right. But

Burt Copeland (7m 56s):
It, and not, not only is that alarming, but only a small sliver that's 17% actually get sold at a premium.

Tom Bronson (8m 4s):
Right.

Burt Copeland (8m 5s):
So when you look at the whole diligence and this thing about, let's get your landmines out of the closet, due diligence is, is really a negotiating ploy is a, as much as it is a validation ploy. And unfortunately the other people on the other side of the table, they do this a lot. You might sell, I know you've sold hundreds of businesses, but the average entrepreneur might sell two Two. Yeah. So you're sitting on the other side of the table and you know what this looks like and if I don't know what due diligence really looks like I'm going to get killed. Cuz here's the interesting thing about due diligence. It's not only test your financials, it's a test of your infrastructure.

Burt Copeland (8m 48s):
But just as importantly, it's a test of your credibility. How much do you really know about your business? And when you start losing the credibility battle in due diligence, well in the, in the buyer's mind, even if they're not playing games on the negotiation, you losing credibility means that the risk profile, this transaction is going up and we all know how risk and return goes. Yeah. The risk goes up and the price is coming down.

Tom Bronson (9m 17s):
Yeah.

Burt Copeland (9m 18s):
So if you think about this thing as a battle, I interrupt you. Go

Tom Bronson (9m 22s):
Right ahead. No, no, no. That's, you're, you're absolutely right. A lot of times, you know, the common perception is that due diligence is there to verify the numbers and verify the, the operation of the business.

But sophisticated buyers, and there's a lot of those sophisticated buyers are looking for things they're to discover to lower the price after due diligence. Right. I mean that's, I call that the retrade conversation. And that happens many times. Very few transactions that I've ever heard about or, or talked with folks about have come back after due diligence and didn't have a new price. So a lot of folks think that at the beginning when you get that loi, the letter of intent that now we've got the price, well, we're not done negotiating until due diligence is complete.

Tom Bronson (10m 7s):
Right.

Burt Copeland (10m 9s):
You're not done negotiating until you get through the working capital and everything else.

Tom Bronson (10m 12s):
That's right.

Burt Copeland (10m 14s):
But you know, if you, what we really want people to do is look at those landmines in your closet and look at 'em from a buyer's perspective. So put on a buyer'ss set of glasses and then come in and start taking a critical look at your business. Act like you're buying your own business and you're gonna see it in a totally different light. Because now you're not just starting a business where you have, you know, the biggest risk that you have is, is lack of a paycheck. Now you'd be buying a business and you're assuming somebody else's risk, irrespective of how the deal is transferred. Whether it's credibility, risk, client risk, whatever. You're never gonna look at your business the same. And when you do that, so if you think about due diligence issues, those landmines as weapons, what you want to do is neutralize all those weapons before they open up that closet.

Tom Bronson (11m 5s):
Yep,

Burt Copeland (11m 6s):
Yep. And for the few companies that do that well, and so we're not even talking about the 17%, we're probably talking about the 2%. Cuz it's a small fraction. The reaction of the buyers is stunning because you now know all the questions that they're gonna ask. You can now explain it in terms of help the buyer mitigate risk that they may have otherwise perceived. And now we're on the flip side of that equation. Risk starts going down, credibility is going up, and as risk goes down, price goes up. I can pay a premium because I'm more assured that the future EBITDA or revenues are gonna happen. You get to that place and getting those skeletons might be the most viable thing that you ever do in preparing your company to sell.

Tom Bronson (11m 53s):

That is, that is great advice. I will tell you that I've told many, cause I've bought many, many companies in the, in in the past and I've told folks, you know, when, when things fall apart, you know, for whatever reason I per, I pursued, in my last company I bought 17 companies, I probably pursued 150 of them. And that means then that, you know, 130 of 'em fell apart for whatever reason. But as they were falling apart and the owners still wanted to sell, I would always tell them, look, if you'll go back and do these things, then I'll pay more for your company because I, I didn't wanna buy the company and then go do those things, go do them and then I'll pay you a premium.

Tom Bronson (12m 36s):

And so, so, and you know how many of the companies that I gave that advice to actually took it and went and did something about it? Zero. Which is the shame, right? I mean, cuz I'm telling them, here are the things that I will do or that if you can do these things, I'll pay more for your business. And yet they go out and they do the same old, same old. So, so

Burt Copeland (12m 60s):

It's just how many millions of dollars are left on the table? And I'm not talking about tens of thousand, I'm talking about millions of dollars even for a modest sized business.

Tom Bronson (13m 8s):

Yeah.

Burt Copeland (13m 9s):

It's just stunning to me. So one of the things that we like to do, cuz we, we do help people prepare, you know, to getting ready for a sale. So we're pretty familiar with this due diligence process and where the kinks in the armor are, is we kind really kind of go through and says, this is what your company looks like to a buyer. This is where all the kinks in the armor are. And, and we help to quantify if you correct these things, this is what's gonna happen with your EBITDA and this is what's gonna happen with your multiple. And then we, we hand over the plan of action and says, Hey Tom, buddy, if you can do all this stuff that's great, have at it. Here's the roadmap.

Tom Bronson (13m 48s):

Yep.

Burt Copeland (13m 49s):

But you can't. But if you, Tom, if you think you, you can, but you need assistance or guidance, we'll give you the guidance. Tom, if your team has never done this before, the likelihood of that coming out well is, is not great. And if you need us to do it, that's great. Yeah. But we're gonna give you the roadmap and quantify what the value of that is. And that's what I think anybody should be asking before. And so usually when you gave those companies advice about, Hey, here's what to do, how far in advance did you recommend that they do that before they'd be ready to sell?

Tom Bronson (14m 21s):
Oh, I told 'em they need to start now. And then I would visit back with 'em in a year or two years or three years. Because many times it would take that effort in order to, to get to the value that they were looking for. And, and, and, and of course they go right back to their business. They, they go back to, as I I call it, they go back to stirring the sauce. Right. Instead of thinking, working on their business or working in their business. And those things don't happen. Well let's, let's bring back to our, to our due diligence conversation. You are clearly passionate about this topic. Why are you so passionate about this, Burt?

Burt Copeland (14m 59s):
Well, you see so many people that invest so much of their efforts, time and everything into a business. And then when it comes to the final deal where we're going to get our big paycheck, it's half of what they should be getting. And you know, I know lots of entrepreneurs that without the right guidance, their companies struggle. Their companies fail or they become suboptimal. It's like, oh, you spent decades building this business. And it's, you know, our, our whole premise is, is we're here to serve. That's why I talk about that original story. My whole premise is, is I'm here to make sure that somebody that's willing to risk their net worth to make a better future for their family, their employees, customers and vendors, they need to be richly rewarded.

Burt Copeland (15m 47s):
Not surprised and stunned. So, and I hate to be visceral, but too often it's like, but what do you mean my baby's ugly? It's like, oh buddy. It's not even, it's not only ugly, I'm not sure that's a human form.

Tom Bronson (16m 5s):
Yeah. It's tough to hear that stuff. Right. It's tough if you really think that your baby's beautiful and and it's one of my favorite books, Justin, good bread. Your baby's ugly. Yeah. And so he talks about that. Right. Well, what qualifies you to be, you know, I think it, I think your, your session's gonna be a panel discussion. We're gonna have several folks in there kind of giving some of those war stories or, or or is that a panel or are you doing a presentation? I can't remember now. So,

Burt Copeland (16m 33s):
But luckily I do remember.

Tom Bronson (16m 36s):
You do remember.

Burt Copeland (16m 37s):

Yeah.

Tom Bronson (16m 38s):
What are we doing? I can't remember.

Burt Copeland (16m 40s):
We're gonna have a panel of investment bankers.

Tom Bronson (16m 43s):
Oh, got it. Okay.

Burt Copeland (16m 44s):
Right. Because they've, it's not just an entrepreneur that maybe sold their company twice. So I don't, I don't know that many Toms out there that have done hundreds these things. The investment banker has been on both sides of this table and they know very well. It's like, oh my gosh. Because they're paid on the price that they get and they know the kinks in the armor and how much it blows up deals to that 83% that don't get done. Yeah. And which one's really shifted. So really diving into their real world experiences about what makes for a successful preparation for a sale and which ones the war stories about how much value was lost or the deals that get blown up. That's a really important story to hear.

Burt Copeland (17m 26s):
And it's not a financial story, it's a visceral life story. Yeah. Right. You come back to, what do you mean my baby's not pretty? And, and you know, what we like to talk about is, you know what, we wanna take your baby and we wanna make sure it goes to Harvard on a scholarship.

Tom Bronson (17m 44s):
Right.

Burt Copeland (17m 46s):
We don't want it failing out in eighth grade here. But people starting to understand that these things radically affect the value that they think they will get. Because the big obstacle that we have, Tom, is a phrase that I use is country club valuations.

Tom Bronson (18m 2s):
Yes.

Burt Copeland (18m 3s):
Okay. So if your buddies around the 19th hole are telling you about the great multiples of your business and you're kind of licking your thumb going, there I go, that's the value of my business. You have no flipping club.

Tom Bronson (18m 17s):
Right.

Burt Copeland (18m 17s):
Yeah. And quite frankly, they probably have no flipping club.

Tom Bronson (18m 21s):
Yeah, yeah. That's, yeah. My definition of the country club is you played golf with a, your buddy, he sold his business for 10 million. Well he got 10 for his, so mine must be worth at least 10. What does your buddy do? Are you guys doing, were you guys having the same business? You know, so yeah, it's, it's crazy how emotional some of that gets. So, so of the 16, they're, they're gonna be, well there's actually four concurrent sessions going on. So there'll be three other sessions going on while yours goes on. And of course the, the folks that come to the event, they'll get access to recordings for these afterward.

Tom Bronson (19m 1s):
But why would, why should folks plan to come to your session versus any of the other sessions that are going on at that time?

Burt Copeland (19m 8s):
Well, not to demean any of the other sessions, cause I don't know of any bad sessions that are going on. But this is gonna be a very lively and engaging conversation about real world problems and real world solutions. Obviously I'm having a difficult time with my Rs so I'm a finance guy, but I don't talk about finances like a finance guy because my clients aren't finance people. They are Jack and Jill who are trying to, if you will, get up that hill and get it over. And so we're gonna be talking about really engaged things that really blow up businesses or really make for outstanding businesses and some of the hard work that it took to dis disarm that landmine in the closet.

Burt Copeland (19m 55s):
So I, I think especially, you know, what's great about your deal, as we talked about this isn't for companies that are wanting to sell this year, this is for companies that a either want to sell in the next three years. Cuz that's, you know, 18 months to three years is kind of the cycle to make sure your company's really ready. Without that, this is also a process in which you drive the value of your company and just make it easier to run the same principles apply. Yeah. So when we're talking about due diligence, it sounds like it's a transactional thing. We're really talking about the infrastructure of your company in which things will make your company run better.

Burt Copeland (20m 35s):
Because if it blows up due diligence, it's probably blowing up your head about once a quarter.

Tom Bronson (20m 41s):
Yeah. Yep. That's awesome. I, I think this is gonna be one of my favorite topics at the, at the event and so I'm looking forward to, to attending this as well. I hope I'm not speaking in another session opposite of yours cuz my room will be empty then. So cuz everybody should be coming to yours. So the, this podcast is all about maximizing business value and you've got a lot of experience in this. Bert, if you had to pick one thing, one thing to give recommendation to business owners on building long-term value in their business, what would that one thing be?

Burt Copeland (21m 21s):
Know your numbers and use accrual accounting. Right. Cause gap and accrual is the gold standard and it's really hard to make good decisions based on bad or untimely information.

Tom Bronson (21m 37s):
Right.

Burt Copeland (21m 38s):
So you could have the grandest strategy in the world, but if your numbers aren't good, then your people are gonna make bad decisions. But more importantly, good numbers and good KPIs should create what I call an appropriate level of anxiety to take action.

Tom Bronson (21m 57s):
I love that.

Burt Copeland (21m 59s):
You

Tom Bronson (21m 60s):
Know, I'm gonna borrow that. I'm gonna, I'm gonna give you credit for that phrase a couple of times and then it'll be mine.

Burt Copeland (22m 7s):
So you're gonna put a little r down there in a circle or, right.

Tom Bronson (22m 10s):
Exactly. Exactly. Now that is awesome.

Burt Copeland (22m 12s):
That's a real key cuz that means that your numbers are not only accurate, right? So that's table stakes. Now

they're meaningful and they're insightful for changing the future because your numbers, they're nothing more than a historical reflection of your people decisions, behaviors, processes, and systems.

Tom Bronson (22m 29s):
Well you said now your numbers and use accrual accounting. My argument would be if you're not using accrual accounting, you don't know your numbers.

Burt Copeland (22m 38s):
Oh, absolutely.

Tom Bronson (22m 40s):
Now there are, there are a couple of industries where cash accounting is important, but, but accrual I think is the way 99%, 99.9% of all businesses should be running that way. Well let's, we're running outta time, but let me ask you a bonus question here, Bert. Hopefully your 18 year old self would listen to you. Mine wouldn't listen to me, I guarantee. What advice would you give your 18 year old self?

Burt Copeland (23m 6s):
Oh gosh, that's always a tough question. You know, probably the most important thing is find what you're passionate about as soon as possible in life and, and don't think about how much money I make about the passion. Just think about how much you enjoy the passion. Because I started out in public accounting in audit, and I still describe audit as being skinned alive with a butter knife.

Tom Bronson (23m 32s):
Not fun, huh?

Burt Copeland (23m 33s):
No, not fun. Not what I do now. I love it. I could not be happier. Yeah. So find your passion as soon as possible. Don't worry about the money associated because passion creates its own uniqueness. Yeah. And with uniqueness is value and with value is reward.

Tom Bronson (23m 50s):
That's awesome. How can our viewers and listeners get in touch with you?

Burt Copeland (23m 54s):
Lemme see. The easiest way is you can give me a ring at 2 1 4 3 1 5 2 2 7 5 or my email address is bert c new life cfo.com.

Tom Bronson (24m 8s):
Awesome. Bert, thank you for this. Thank you for your passion. Thank you for your wisdom and thank you

for being part of this podcast and the Business Transition Summit.

Burt Copeland (24m 16s):
Well, I appreciate the invite, Tom. Always great talking to you.

Tom Bronson (24m 20s):
Likewise, you can find bertCopeland@newlifecfo.com or on LinkedIn and of course you can always reach out to me and I will be happy to make a warm introduction to my good friend Bert Copeland. This is the Maximized Business Value podcast where we give practical advice to business owners who want to build long-term sustainable value in their business. Be sure to tune in each week and subscribe to the channel wherever you found this podcast. That way you'll never miss another episode. Until next time, I'm Tom Bronson reminding you to register for the Business Transition Summit today@businesstransitionssummit.com so you can learn how to maximize business value.

Tom Bronson (25m 5s):
Value.

1 (25m 9s):
Thank

Announcer (25m 9s):
You for tuning into the Maximized 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, learn more 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 mastery partners.com. Check it out.

Tom Bronson (25m 44s):
That was perfect. I wouldn't make any changes on that.