

A Sale ... and a Reunion

We were called in to value a most unusual business. It had revenues of \$5 million and pre-tax profits of \$1 million. It carried no inventory, no A/R, no furniture or fixtures, and operated out of a rental facility of approximately 2,000 square feet. The company purchased components and assembled them and shipped them to their customers under their own trade name. At the end of the day this company's biggest asset was its trade name.

Phil, the owner, was about fifty-eight. He really wanted to put his feet up and retire.

We initiated a Comprehensive Analysis on the business and came up with a figure of \$5 million, which was composed mostly of goodwill. We told Phil that in our opinion, we couldn't sell the business without seriously compromising it.

He looked at me strangely.

"Well," I explained, "as soon as we tell a prospective purchaser about your business, that purchaser can simply go out and source the product from similar suppliers; run advertisements similar to yours in similar magazines; take the orders; package them; and ship them. Why would a purchaser want to pay anything for something that they can easily replicate?"

We recommended that he run the business for another couple of years and then quietly close it down.

This left Phil in a bit of a quandary.

I understood from our initial discussion that Phil had a daughter who was a corporate lawyer living in another province. I suggested that she might take over the business.

"I don't think so," Phil said. "I haven't talked to Patty in five years."

I inquired why that was the case and he quickly explained, "I divorced her mother. When her mother moved to another province, Patty went with her. I haven't spoken to her since she left."

Further probing revealed that in Phil's eyes, Patty was extraordinarily competent and undoubtedly could run the business.

"Give me a budget of \$5,000 and let me see what I can do."

I got Patty on the phone a couple of days later.

"Do you have your computer on?" I asked her.

She did, so I had her go to the Robbinex website.

"This is who you are talking to," I said. "I am in a position to offer you an opportunity – provided that you are competent, capable, and passionate – that will make you \$1 million profit a year for the rest of your life. At this point I cannot tell you who your benefactor is until I am confident that you are both willing and capable of running a business."

I told her I had arranged for a first-class return ticket for her to Toronto on Wednesday. I invited her to call Air Canada to verify that this was true. I gave her the confirmation number and told her I had

arranged for a limousine to pick her up and take her to the Sheraton Hotel in Toronto where a suite had been reserved for her.

“On Thursday,” I continued, “you will meet with a vocational psychologist. He will have you write a couple of tests and ask you a bunch of questions. And based on his recommendations, a determination will be made whether the offer is made.”

“Is this some kind of joke?” Patty asked.

“Call the airline, the limousine service, and the hotel.

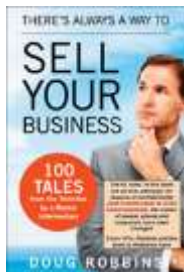
And call me back within half an hour to confirm that you will be on that flight.”

Patty called me back and confirmed that she would be on the flight. She wanted to know more about the situation. I refused to tell her anything.

“After you meet with the psychologist you will be returned to the airport. You will hear from us within a week or so.”

Needless to say, Patty passed the psychological assessment with flying colours. Ninety days later, she was the proud owner of a very profitable business. She not only came back to be with her father, but she brought her husband with her. Phil didn’t know that she had married.

About a year later, she delivered Phil’s first grandson.



This story is from Chapter 12 of Doug Robbins’ book “**There’s Always a Way to Sell Your Business**”

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