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Selling a Business: Two Case Studies

By Barbara Mannino - FOXBusiness

One was a mint-condition business, the other needed a pre-sale makeover. Here are there stories and lessons learned.

Selling the Mint-Condition Business

Stream57, a webcasting and streaming-media company, was a company at a growth crossroads. Launched in 2001, it had grown from six employees and $250,000 in annual sales to a company with more than 40 employees and $9 million in sales. It even had a modest global presence, with a London office.

But, what was the next move?

“We could really blow up the business and take the venture-capital route,” said Ben Chodor, Stream57’s president, “or move forward like a slow, steady train.”

Then, the answer came for him. InterCall, a global audio and video web-conferencing company, approached Stream57 to talk purchase. Stream57 was looking at a tremendous opportunity: being part of a multimillion-dollar corporation with a full global presence and a sales force 900 deep.

After some negotiation, the deal closed at the end of 2009. “It was insanely quick,” said Chodor, “but we did not plunge head first into the deal; we also did not go kicking and screaming.” All 40 employees were retained and, according to Chodor, Stream57 won’t be changing its name or its culture.

From a pure business perspective, Chodor and his management team could see tremendous synergies. InterCall is one of the largest conferencing companies and audio and video resellers, but it didn’t own a streaming product. The buy would enable InterCall to own Stream57’s webcast and rich-media software suite while allowing Stream57 to expand its reach through InterCall’s deep pipeline of sales reps and vast global distribution channels.

Chodor maintains that InterCall saw Stream57 as an attractive niche buy with “that made it worthwhile to take a gamble.”

Stream57 has a short, but interesting, history. Its founding concept: being a flash-based streaming company that would target corporate America. This differed, according to Chodor, from the typical streaming company that wanted the glamour of being an entertainment aggregator like YouTube and made its money from ad revenue.

“Our concept was not about glamour, but about product and service,” said Chodor. “We wanted to target businesses, in particular the healthcare and pharmaceutical segments that needed internal training programs and communications to educate their diverse sales teams.”

It was the cleanliness of the business that helped make for a quick deal. The financials and synergies all made sense. “We were nimble, very nimble,” said Chodor. “And, it was as if the stars were aligned; our companies just fit. I want my entire staff to be here with me for years to grow Stream57 into what we dreamed of.”

Cleaning House Before the Sale

Logistics company Distribution Solutions, Inc. is typical of a family-owned business that was moving along fast enough to need a lot of capital for growth. Though the business needed additional capital, the family couldn’t personally support the debt to make that happen.

So Mike Wolpov, who founded Distribution Solutions in 1969, and his two sons Jeff and David, decided to cash out. In 2006 they hired consultant Chris Carey, principal of Carey Advisors, to develop Distribution Solutions, based in Port Newark, N.J., with an eye toward improving profitability to get the business ready for sale.

Carey said he saw Distribution Solutions as a good business with great customer service, but one lacking the right formal processes and systems to realize its profit potential.

With large retail clients, Distribution Solutions, with its more than 1.2 million square feet in warehousing space and about 150 trucks operating under its Jefco Trucking Inc. division in Secaucus, N.J., provides distribution and transportation services for its customers. The company targets the retail, apparel and consumer-goods businesses.

According to Carey, the company had experienced years of minimal growth and marginal profitability, and, in 2006 was bringing in $500,000 in profit despite $32 million in revenue. Carey helped the Wolpovs identify five strategic profit-improvement initiatives: raising productivity by better managing labor, maximizing facility usage through better utilization of space, adjusting prices, leveraging IT and reducing overhead costs.

The impact of the changes was felt in several ways. Then-CEO Jeff Wolpov was a terrific salesman, according to Carey, but was only spending about 5% of his time selling and 95% on day-to-day operations. Having a consultant around to take over some of his duties gave Wolpov the room to do what he does best and the opportunity to match his passion with his performance.

Initially that was disruptive and somewhat at odds with Wolpov’s preconceived notion of what his job should be, said Carey, who believes that leaders often have a vision derived from a book and not from their daily observation and experience in a business environment. Nonetheless, Wolpov came to realize where and how he could make the best contribution to the company, and knew, too, that he had good people on whom to rely. The result reaped rewards: Distribution Solutions significantly increased sales growth to $54 million ultimately cranking business up to $4 million in earnings.

By 2008, the Wolpovs got a buyer: Austin, Texas-based Austin Ventures, a private-equity firm that was using the Distribution Solutions platform to roll up several third-party logistics companies to build a leading nationwide provider of warehousing, distribution and transportation services in U.S. port cities under the Port Logistics Group name. The Wolpovs retained a small amount of ownership, and the senior Wolpov retired while the sons stayed on.