DEALMAKER | EMPIRE

Carl Allen's *Dealmaker Empire*:

How to Grow Your Business and Create Generational Wealth Through Acquisitions

INTRODUCTION

Welcome to this special report on how to grow your business empire by acquiring profitable businesses using other people's money. By the end, you will see how possible it can be to literally double the size of your business in a day — the day you buy another business and combine it with your existing entity.

As a business owner, you've likely heard the saying, "You're either growing or you're dying."

So how do you grow?

1. You can grow **organically** by securing new clients, developing more products and increasing the lifetime value of your existing customers.

2. You can grow **via partnerships** by promoting your goods and services to other businesses's customers (and vice versa) while sharing a portion of the revenues.

3. You can grow **through acquisition** by purchasing another profitable business that has already gone through the work of building, finding and developing new customers, products and services.

The technical term for buying another business and combining it with your own is called a "bolt-on acquisition." And this type of acquisition can work for any business in any sector.

For example, say you own a brick-and-mortar electrical contracting business. You can buy a competitor and double your market share. Or you own an online business... you can acquire another one, perhaps even buy one with different products and then cross-sell products between the two. Or you own a PR firm... you can buy another one in a different location to expand your footprint or buy a complementary business like IT services or marketing to expand your offerings.

Acquiring a business is almost like buying a house. You find a business that you like, evaluate it via due diligence and negotiate a deal.

But that's where the similarities end. If you buy a house, you pay the seller the full negotiated amount at closing. You may pay some cash and supplement the rest with external financing, but 100% of the purchase price gets paid at closing, with very few exceptions.

For a business, you don't have to pay the full price at closing. And it's very rare that any buyer pays the full 100%.

In fact, it's quite possible to pay nothing at closing and instead pay the full consideration as future payments. The truly remarkable thing is all or part of this can be contingent on sales, profits or another measure. But typically, the purchase ends up a mix of some cash at closing with the balance paid over time in the form of yearly, quarterly or monthly payments. These payments can be fixed or contingent on performance.

Even more exciting is that you can often raise financing against the assets and profits of the business you are buying, which means you can readily acquire a business **without spending any of your personal capital**. You can even make money out of the deal at closing if the money you raise is greater than the closing payment and what's needed for you to operate and grow it.

So ask yourself this question: If you want to grow your existing business by acquiring another one, what would one of those businesses look like?

Well, there are three primary types of acquisitions. You can:

1. **Buy a competitor.** You can acquire another business just like yours, increase your market share and generate economies of scale in your cost base. Assuming your current business and acquired business are roughly the same size, your revenues will double but your profits will MORE than double due to the cost synergies you will realize.

2. **Vertically integrate in your niche.** Say for example you own a business that makes components. You can buy a business in your supply chain that provides the parts for those components. You can also buy your customer, the end user. In doing so, you control three parts of the supply chain that can help maximize revenue, profit and power in your industry.

3. **Enter a complementary market.** Take a look at what other products and services your core customers also typically buy. Go buy one of those types of businesses and capture more of your customers' overall budgets.

Best of all, you can buy any one of those types of businesses using *none of your own money*. Here's how I know…

WHO AM I?

Before we dive into HOW this can be done, let me explain who I am…

My name is Carl Allen. I am a veteran dealmaker with almost 30 years of experience buying and selling businesses big and small all over the world. I have been involved in more than 330 deals over the course of my career, totaling almost $48 billion in transactional value — deals ranging from as little as $1 to as much as $13.9 billion. I have advised some of the world's largest corporations on investments, acquisitions, disposals and restructuring, earning my chops on Wall Street doing M&A for Bank of America, Hewlett-Packard, Forrester and Gartner. I have also shown thousands of small to medium-sized business owners how to raise equity and debt finance either an existing business or a new business acquisition.

In 2008, I became an entrepreneur and have since acquired and sold more than 20 businesses for myself (and still currently own five.) I co-own private equity firm PROX Capital Group and co-founded **Dealmaker Wealth Society**, where I've taught nearly 5,000 dealmakers to date on how to buy their first businesses and expand their empires through acquisitions.

And I'm just beginning to scratch the surface…

THE MARKET OPPORTUNITY

Dealmakers are currently facing a once-in-a-lifetime occurrence — one of the biggest and most favorable business buying markets of the last 50 years. This is fueled by several factors:

- There are roughly 10,000 baby boomers retiring *every single day*, totaling almost 3.7 million annually. And according to the Exit Planning Institute, 19.9 million — or 66% of all — small and medium-sized businesses in the U.S. alone are owned by boomers.
- Entrepreneurs who WANT to buy a business in most cases don't know how to go about it, have no access to capital to close a deal... or both.
- The majority of business owners who try to SELL their businesses FAIL. Only one in 11 on average manages to close a deal within 12 months. Some are badly advised by a broker, some try to attempt to sell on their own and many fail to correctly groom, optimize and position their businesses to make them attractive to potential buyers.

Updated 2019 Model	Country Population	Number of Small Businesses	Small Businesses For Sale	Number Sold	1 in ?	UNSOLD
USA	329,920,774	30,200,000	2,250,000	206,240	10.9	2,043,760
UK	67,687,365	5,800,000	432,119	32,008	13.5	400,112
Canada	37,557,170	1,140,000	84,934	7,077	12.0	77,856
Australia	25,334,025	2,065,523	153,888	12,609	12.2	141,280
			2,920,941	**257,934**		**2,663,008**
			1 in	**11.3**		

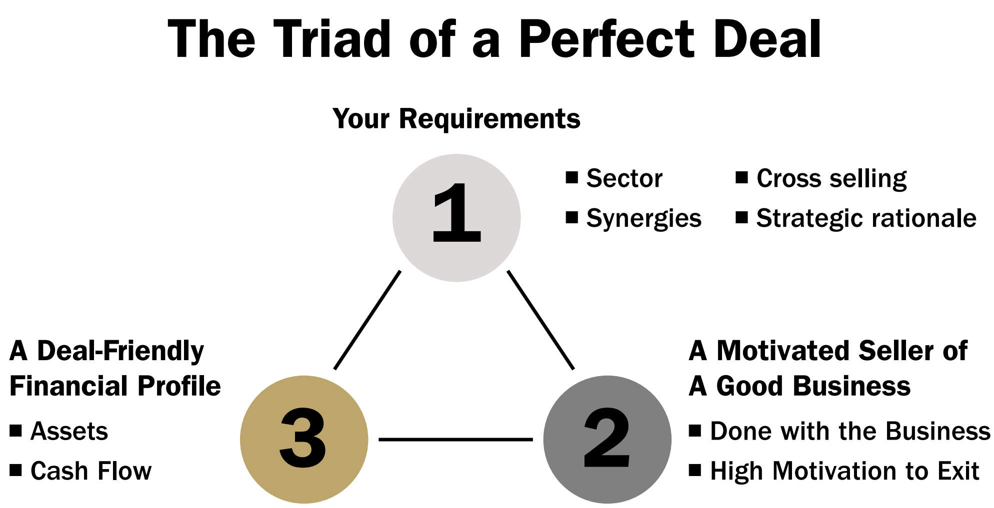
Today in the U.S. alone there are roughly 2.3 million small businesses for sale. (That's 7.5% of the 30.2 million small businesses trading.) Yet only one in 11, or 206K, sold within the past 12 months, leaving more than 2 million businesses still available. In other countries that ratio is even worse, reaching as high as one in 13.5 in the U.K.

Based on my years of experience, I know many of these available businesses could be a perfect fit for your current business and represent a MASSIVE way for you to:

- Grow revenue and profit
- Increase customers, products and services
- Increase employees and management in your business
- Grow your business's valuation and ultimately your personal net worth.

THE PERFECT DEAL TRIAD

Now that we've established that buying a business is a viable and lucrative way to expand your empire, you're likely asking yourself what that perfect deal looks like. Well, the answer depends on three sets of criteria:



1. Your requirements as the buyer.
2. A highly motivated (distressed) seller of a GOOD business.
3. A deal-friendly financial profile whereby the business's assets and cash flow enable you to finance the purchase without any of your own money.

1. YOUR REQUIREMENTS

You need to buy businesses that are strategically going to move the needle for you. Therefore, your requirements are a fundamental aspect of any deal.

Buying a competitor will allow you to grow market share and generate economies of scale. Supply chain partners will allow you to capture more of the profit margin and control in your niche. Complementary businesses will allow you to enter new areas of your niche (where you lack presence, expertise or both) and cross-sell products and services between the two customer groups.

You may also want to acquire a business to geographically expand. If you own a business that serves a local market and see opportunities in another location, acquiring a business that's resident there will shortcut the process and save you the time, effort and cost of setting up from scratch.

2. DISTRESSED SELLER OF A GOOD BUSINESS

There are plenty of distressed businesses out there, but I'm NOT an advocate of buying them. I would rather buy a GOOD business — one that's profitable, with a solid reputation, customers, products and services — with a distressed, or highly motivated, seller.

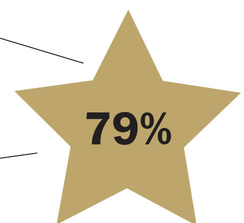
Distressed sellers are business owners who just don't want to be in their businesses anymore.

They may be bored, burned out, frustrated or just run out of ideas. They very well may want to retire… or could sadly be sick, dying or have a family member they need to take care of. They may be able to see a path to growing their business but just don't have the energy, desire or mindset to do it anymore.

These businesses exist in all sectors, and the sellers are both old and young.

Several years ago, I ran a survey to identify the selling motivation of almost 2,000 business owners in the U.S. and U.K. who had previously sold businesses.

Why Did You Sell?	%
Safe pair of hands to continue my legacy	45
Safeguard employees	18
Cash at closing	15
Relief & retirement	10
Cash eventually	6
Other reasons	6



Source: 1,921 small business sellers in the U.K. and U.S. ($1–10M revenue) surveyed 2010–13

Only 21% cited any kind of "cash" as the major driver of their exit decision.

The remaining cited the other reasons listed above. THOSE are your perfect target sellers — almost 80% of all sellers of small and medium-sized businesses.

This is confirmation that small-business deals (generally less than $10 million in annual revenue) are more about psychology than numbers.

You see, businesses are generally worth a multiple of profit. The average multiple for a small business in the U.S is currently around 2.5X EBITDA — earnings before interest, taxes, depreciation and amortization. An owner who's not distressed may want double that and worse... he may want the bulk of that cash the day the deal closes and the business is sold.

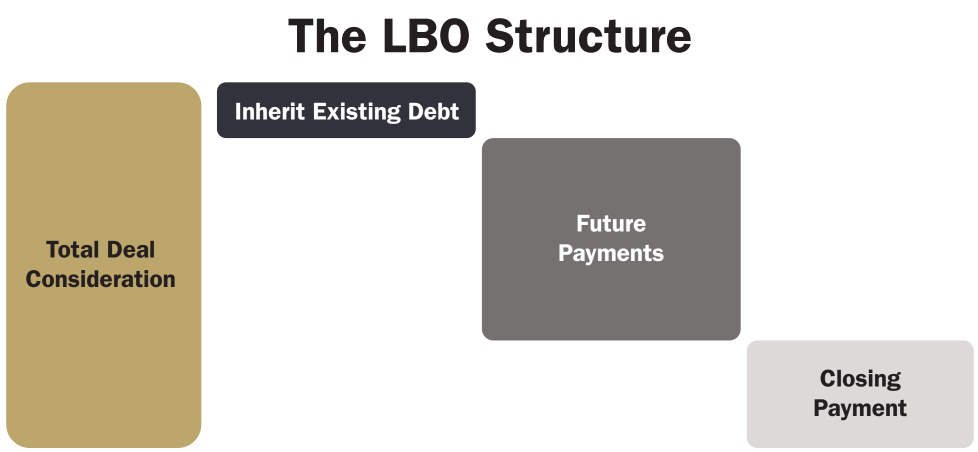
But an owner who's ready to get out will sell for a much lower multiple and, even better, will often agree to defer a large part of the deal price into the future. This is called **seller financing**, which we'll come back to later.

3. DEAL-FRIENDLY FINANCIAL PROFILE

This is where the numbers come into play. You're looking for the right mix of assets and/or cash flows against which to raise the necessary capital to buy the business.

Which brings me to the type of deal structure I teach the students who come through my programs. Called a **leveraged buyout** (LBO), it essentially means buying a business using other people's money, or what I refer to as OPM.

There are three parts to the LBO deal structure:



1. **Inherit existing debts.** The first step is to assume responsibility for any liabilities currently within the business — taxes, bank loans, overdrafts, etc. In some cases, just agreeing to do that will be enough to take over the business.

2. **Future payments.** Next, you negotiate to make regular payments to the seller over time. That's seller financing. These can be made monthly, quarterly, even annually, and they come from the profits the business generates after you acquire it. The more motivated the seller, the greater this amount can be as part of the overall deal structure.

3. **Closing payment.** Finally, in many cases the seller will still want some level of closing payment, which is made by raising capital from investors and financiers.

So that's the basic introduction to doing deals with other people's money. Now let's take a look inside how this works in practice...

HOW IT WORKS

Assume you own a public relations (PR) agency. You have products, services, customers, a list of prospects and employees.

Now you go buy something complementary, say a marketing agency. Your PR customers also need marketing services. Right now they buy those elsewhere. But if you had them, they would most likely buy from you. So once you acquire the marketing business, you can sell the PR services to the marketing customers and the marketing services to the PR customers.

The combined businesses will also save you money on overhead. These are called deal synergies. Administration costs, marketing, office space, IT, insurance and a ton of other things as well.

Here's a simple example:

Simple Example: The $$$

	Your Business	Target Business	Cross-Selling @ 25%	Cost Synergies @ 25%	TOTAL	Value Increase
Revenues	1,000,000	1,000,000	500,000		2,500,000	
Costs	(800,000)	(800,000)	(400,000)	500,000	(1,500,000)	
Margin %	20%	20%	20%		40%	
Profit	200,000	200,000	100,000	500,000	1,000,000	
Multiple	3x	3x			5X	
Value	600,000	600,000			5,000,000	4,400,000
					8.3X	

Assume your current business generates $1 million in annual revenue and your profit is 20%, or $200K. And assume your business is worth a 3X multiple of that $200K profit, or $600K.

Now say you buy an identical business. Same revenues, profits and valuation. You are going to double your revenues and profits for $600,000, right?

But look what happens…

First, you begin to cross-sell, selling your current products to your new customers and vice versa. Assume that's an incremental 25% (or $500K) of the combined revenue of the two businesses (or $2 million) for a total of $2.5 million.

And assume for now that cross-selling revenue is at the same 20% profit margin as before, so additional costs are $400K, or 80% of the incremental revenue.

So the combined business has a $1.6 million in base cost plus another $400K from the cross-selling, for a new total cost base of $2 million.

However, there will be definite cost synergies in the new entity thanks to savings on overhead. It's highly likely you can save 25% of that total cost base, so another $500K (which, by the way, drops straight to the bottom line).

So let's look at the final numbers…

Total revenue after cross selling = $2.5 million. Total cost base = $1.5 million. And the new profit is $1 million (the combined entity's original $400K + $100K from cross-selling + $500K from cost synergies.)

Now that you have a business with a seven-figure profit, it's worth at least a 5X multiple, making the new valuation $1 million X 5 = $5 million!

Before the acquisition, your business was worth $600K. By bolting on a profitable, complementary business, you just created $4.4 million in new value. That's WAY more than doubling your business — it's **an 8.3X increase**! (And since you own the business, your net worth just increased by the same amount.)

Not bad for just one deal.

How long would it take you to increase the value of your business by 8.3X through organic growth? How many more customers would you need to bring on, and over what time frame?

With my proprietary eight-step system, **you can buy a business in as few as 99 days**.

Here's how…

MY 8-STEP EMPIRE BUSINESS-BUYING PROCESS

In 2008, I left the comfort of large corporations and became a dealmaker for myself. I used my experiences since 1992 to develop a simple yet effective eight-step process for finding quality, established businesses and acquiring them for no personal cash — even completely free in some cases. This is the checklist:

- ❑ **1. Mindset**
- ❑ **2. Deal Specification**
- ❑ **3. Deal Origination**
- ❑ **4. Deal Analysis & Meetings**
- ❑ **5. Financial Analysis & Deal Structuring**
- ❑ **6. Offers & Negotiations**
- ❑ **7. Financing**
- ❑ **8. Deal Execution & Closing**

Let's break it down step by step…

STEP 1: MINDSET

Mindset is the most overlooked part of any deal, yet it's the most critical piece. When you truly believe you will succeed no matter what obstacles you encounter, you will succeed. But if you have doubts, you'll almost certainly give up when you hit your first roadblock.

Your role as the CEO of your business (however big or small) is to be the visionary. The chief thinker. The strategist. Your operations lead or general manager (GM) is there to handle the day-to-day management and keep the train on the tracks.

You need to primarily work ON your business rather than IN your business. Working ON your business involves these five things:

- **Mergers**
- **Acquisitions**
- **Exits**
- **Joint ventures**
- **Vision and strategy.**

Have you thought about what you want your business to look like in three years, five years or beyond? When do you want to cash out?

To free you up to do this vital visionary and dealmaking work, you need to leverage your time and outsource some of what you are currently doing to a GM or chief of operations. You also need to assemble a professional team of certified advisers including a CPA, a lawyer and a financier to handle various steps of the process.

Your job now is to be the quarterback of the dealmaking team that's going to help you build your empire.

STEP 2: DEAL SPECIFICATION

Your one-sheet deal specification is where you will nail down what type of deal you want to do. Do you want to acquire a competitor or a business within your supply chain? Do you want to acquire a complementary business to enter a different corner of your niche? You may be open to one or all of these.

You also need to think about location. If you dominate the market for your services in Boston, does it make sense to branch out to Chicago? It's quicker and easier to do that via acquiring a business there versus starting one up yourself.

Are there market or product opportunities you want to exploit or weaknesses you need to shore up? An acquisition will make that happen faster. What about your channels to market? Say you currently only sell to large businesses and have no online direct-to-consumer presence. This too can be solved quickly via an acquisition.

Once you know what type of business you want to buy, its key characteristics and how you can leverage it to exploit opportunities, fix weaknesses, fill talent gaps, generate synergies, scale customers, products and services, etc.… it's time to start hunting for deals.

STEP 3: DEAL ORIGINATION

Deal origination is similar to a sales process inside of a business. You build a funnel, qualify the opportunities and close the ones that work best for both sides.

As in selling, dealmaking is a numbers game. It's very difficult to identify just one deal and close it on terms that are sensible. You need leverage from other opportunities. Not only does it give you options, but having multiple deals completely changes your mindset when it comes to negotiating.

So be prepared to look at 10–20 opportunities before finding the perfect business to buy — one that ticks all three points of the deal triad: being a strategic fit for your requirements, finding a motivated seller of a good business and having the financial makeup to support an LBO.

There are four primary methods you can leverage to fill your deal origination funnel:

- **Direct approach**
- **Your professional network**
- **Social media**
- **Business brokers.**

And the one common thread running through all of those methods is relationships. Deal making is a relationship business. It's critical to master the art and science of building rapport and credibility in order to get the seller to know, like and trust you enough to take over their business and preserve their legacy.

STEP 4: DEAL ANALYSIS & MEETINGS

Once your deal origination funnel is full of opportunities, you need to qualify them and determine which ones best fit the requirements of your deal specification. It's rare to get a 100% hit, so you'll want to focus on the ones that will make the biggest impact.

For the businesses you want to target, make a connection with the owners as soon as possible. Your goal at this point is to set up an introductory face-to-face meeting so you can establish a relationship, initially vet the business and ideally leave with the financial information you need to determine a price and deal structure.

When meeting with sellers, it's critical to build rapport. Ask them how they started their business and then just let them talk. Find out what their interests are and why they want to sell. I use a series of 30 questions to help me understand what they want out of the transaction — and it's usually not "as much money as possible." When you show a seller that you're a good listener and that you want to help them get what they want, you'll build a ton of credibility, respect and trust.

STEP 5: FINANCIAL ANALYSIS & DEAL STRUCTURING

This stage is about looking at the basic sales and profit numbers of the target business to determine how much it's worth so you can construct your initial offer. The most common way of valuing a business is using something called the enterprise value (EV) method. I've developed a very simple, easy-to-use model to help you value a business on a multiple of profit, adjust for surplus cash and assets (like real estate) and discount for liabilities you will inherit (like taxes due, overdrafts, loans, etc.). Because before you make an offer, you need a feel for the type of financing that will be available and where it's likely to come from.

That said, even more important than the valuation of the business is the structure of the deal. Most buyers get hung up on the multiple and the total purchase price. But the goal of every LBO is to push as much of the deal into future payments as possible. When you have to pay more at closing, you'll either have to raise financing against the business's assets or invest that capital from your own resources. But the more you can defer, the more you'll be able to pay the seller.

STEP 6: OFFERS & NEGOTIATIONS

Now that you have a broad outline of a deal structure, you're ready to make an offer. It's a simple letter outlining the terms of the offer: the total consideration and the structure (i.e., how much will be paid at closing versus over time through seller financing).

No matter how good the business is, at first I only ever offer to take over the liabilities of the business (leases, contracts, etc.). From experience, 10% of business owners will accept this. I then have up to five additional offers ready to go depending on how the seller counters and how badly I want the business.

Being able to effectively negotiate is one of the most important skills a dealmaker can learn, and I've honed my proprietary "5-6-7 Negotiation Blueprint" over the course of my career. It uses specific strategies to take the seller on a psychological journey, overcome any objection or deal hurdle and achieve a win-win outcome.

STEP 7: FINANCING

Once you have agreed to deal terms, you need to get to work on financing it. Remember, you are not borrowing the money to buy the business. The business you are buying is borrowing the money, and that business is a completely separate legal entity.

There are three ways to finance a deal over and above you inheriting any existing liabilities:

- **Debt (asset- and cash flow-based)**
- **Equity**
- **Seller financing.**

You need to assess the fundability of the balance sheet to raise financing against the business's assets. The cash raised is to pay the seller some cash at close if they need any. It is also useful for providing capital to grow the business and to personally take some cash out of the business at completion.

Some deals may require an equity injection, particularly if the business has few assets to finance. You can provide this from your own resources or use the reserves in your current business. You can also raise equity capital from investors — ideally high-net-worth angel investors who, in addition to cash, add value through their credibility, networks and sector experiences.

Finally, virtually every LBO I've ever executed involved some form of seller financing by way of regular or bonus future payments to be made over a specified period of time. Seller financing is the best form of financing because it transfers the deal risk onto the seller.

The goal for the financing stage is to solicit term sheets from financiers willing to fund your deal, subject to their own due diligence and legal review.

STEP 8: DEAL EXECUTION & CLOSING

As part of deal execution, you'll sign a letter of intent (LOI) to complete the deal within a specific period and subject to the high-level terms agreed. The LOI gives you exclusivity, free of competition, to complete the deal. Then your deal team — your advisers — will conduct the official financial, commercial and legal due diligence. This work is meant to uncover any glaring issues and is typically performed on a contingent basis, meaning the advisers get paid only when the deal is done.

Once the due diligence is completed, your lawyer will negotiate the purchase agreement and any financial contracts. This work will also include negotiating warranties and guarantees from the seller. These are essential to provide you an adequate safety net should anything that was not disclosed by the seller materialize during your ownership.

And so the day arrives! You sign the legal paperwork, the funds transfer to the seller (and you) and you get to work integrating your new business into your empire.

JOIN DEALMAKER EMPIRE TODAY!

There you have it. My time-tested eight-step system for growing your business faster than you ever thought possible by buying businesses using none of your own money.

Though I only had time to give you the 50,000-foot view here today…

Every few months I'll be hosting an intensive eight-week training and group mentoring program for a select group of entrepreneurs like yourself who are dedicated to building their empires…

Business owners who want to learn how to exponentially grow their revenue, maximize their profits and create their own path to massive success, net worth and generational wealth…

Without pounding the pavement day after day in search of one customer at a time.

So today I'm inviting you to become part of our distinct community. My ***Dealmaker Empire*** training program will show you how to:

- **Leverage your limited time, current employees and professional network** to get deals done
- **Uncover prime acquisition opportunities** that are right for YOU and create an always-on deal funnel
- **Identify highly motivated sellers** and build massive trust, credibility and rapport
- **Value your acquisition target** with my proprietary and easy-to-use simple model
- **Negotiate a win-win deal** using the 5-6-7 negotiation strategy I've refined over the last 27 years
- **Secure financing for the closing payment**, which includes access to our confidential Financier Rolodex
- **And much more!**

Best of all… Every week me and my business partner Adam Markley — a dealmaker with more than 15 years' experience himself — will host a **group mentoring call** to keep you accountable and review how you're progressing through the acquisition process. You'll also have access to our **private Facebook group** where you can network with and lean on others in the program.

So if you're ready to grow your empire via acquisitions, keep an eye out over the coming weeks for information on how to enroll in the inaugural session of my one-of-a-kind eight-week ***Dealmaker Empire*** training program.

And get ready to make your business a masterpiece, my friend.

Until then, bye for now.

Carl

Carl Allen
Editor and Co-founder, Dealmaker Wealth Society
June 2020

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