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Rural Grocery
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PURCHASER PERSPECTIVES

Thursday, May 19, 2022

Featuring:

Will Katz, Blue Owl Valuation

Chris Thomson, co-owner of Hometown Market in Bird City, KS

About this series

- Monthly webinars hosted throughout 2022
- Continuation of business transition work & *Keeping Groceries Alive*
- Goals
 - Highlight resource providers
 - Identify key succession planning considerations
 - Present options
 - Share examples of grocery ownership transitions
- Additional resources available at www.ruralgrocery.org.

Our Sponsor

*Ewing Marion Kauffman
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Housekeeping

- This session is being recorded.
- A recording of today's webinar will be available at www.ruralgrocery.org.
- We will leave time at the end of the webinar for Q&A.
- Please use the Q&A feature to post your questions to our presenters.

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Buying/selling a rural grocery

Will Katz—Blue Owl Valuation

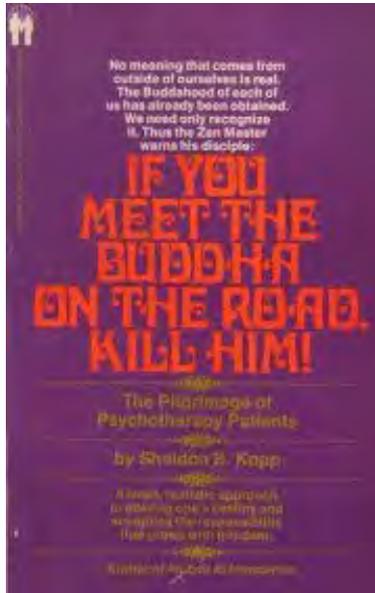


The life of a business owner...

- Cliche, but it's not easy.
 - Not one boss, but hundreds of customers.
 - It all comes back on you. The money. The employees who call in sick. All of it.
- On the other hand, it can be pretty rewarding.
 - You are a steward of your community..a true pillar!
 - Financially? TBD
- **Why does this path interest you?**
- Focus on that..**NOT** the notion of “winning” a transaction.

Is it worth it?

The marketplace for small businesses is opaque and illiquid. How do you know?



- “If you meet the Buddha on the road...”
- There are no simple formulas. NONE. So when you hear “4x EBITDA” or “3x SDE”...
- Think of it like you would think about buying a house. You have to be able to service debt.
- What services debt? Profitable cash flows of the business.
- Minimum of 1.25x DSCR

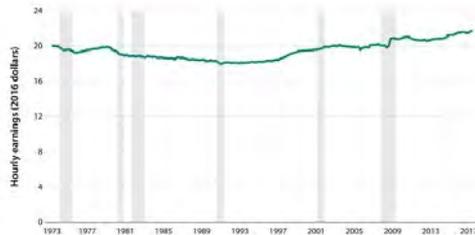
How do I pay for it?

Being debt-free is never a bad thing...but debt isn't necessarily a bad thing, either.

Beware of the Dave Ramsey approach. This probably works better in your personal household budget than it does for a business. And YES IT IS DIFFERENT.

Ramsey's approach is built on an important truth. But does that truth apply here?

FIGURE A.
Real Average Hourly Earnings, 1973–2017



- Believe it or not, the world of small business finance is LESS regulated and LESS rigid than the world of home mortgage financing.
- If you apply for a mortgage and you get it, you would probably qualify just about anywhere.
- Differentiation? Not really. A few basis points.
- For small biz lending, it's completely different.
- NOT lending on physical assets. What did I say services the debt? Cash flows! They are lending on what they see as probable future profitable cash flows.
- Different banks WILL view this differently.
- In mortgage lending, if you get a “no” you might have to re-think your approach. In small biz, you can and should try a different bank.
- **SBA/non-SBA. Network Kansas, SCKEDD, all kinds of other potential partners to fill in a gap.**
- Working capital may be an issue. Listen to your financing partners.

How do we move forward? Get a deal done?

I'm assuming a non-brokered deal...if brokered deal, a business broker should mostly handle the interactions, financial documentation, possibly even lender relations.

Again, there is no one, true path.

If you meet the Buddha...

- Some point of contact..you will probably initiate.
- They may ask you to sign an NDA. That's very standard.
- Some exchange of financial docs. Probably 3-5 years of income statements and balance sheets..and/or tax returns.
- Tax returns are not the holy gospel. What does your BANK need?
- Some kind of LOI, usually non-binding. Gives you chance to dig in, ask questions.
- Move toward a contract. In addition to financing, will likely need a CPA and an attorney.

Case study: Hometown Market, Bird City

Chris Thomson



Overview of Bird City and Hometown Market



How did
you learn
the store
was up for
sale?



What kinds of conversations and interactions did you have with the previous owner?



What were the different considerations you had to weigh?



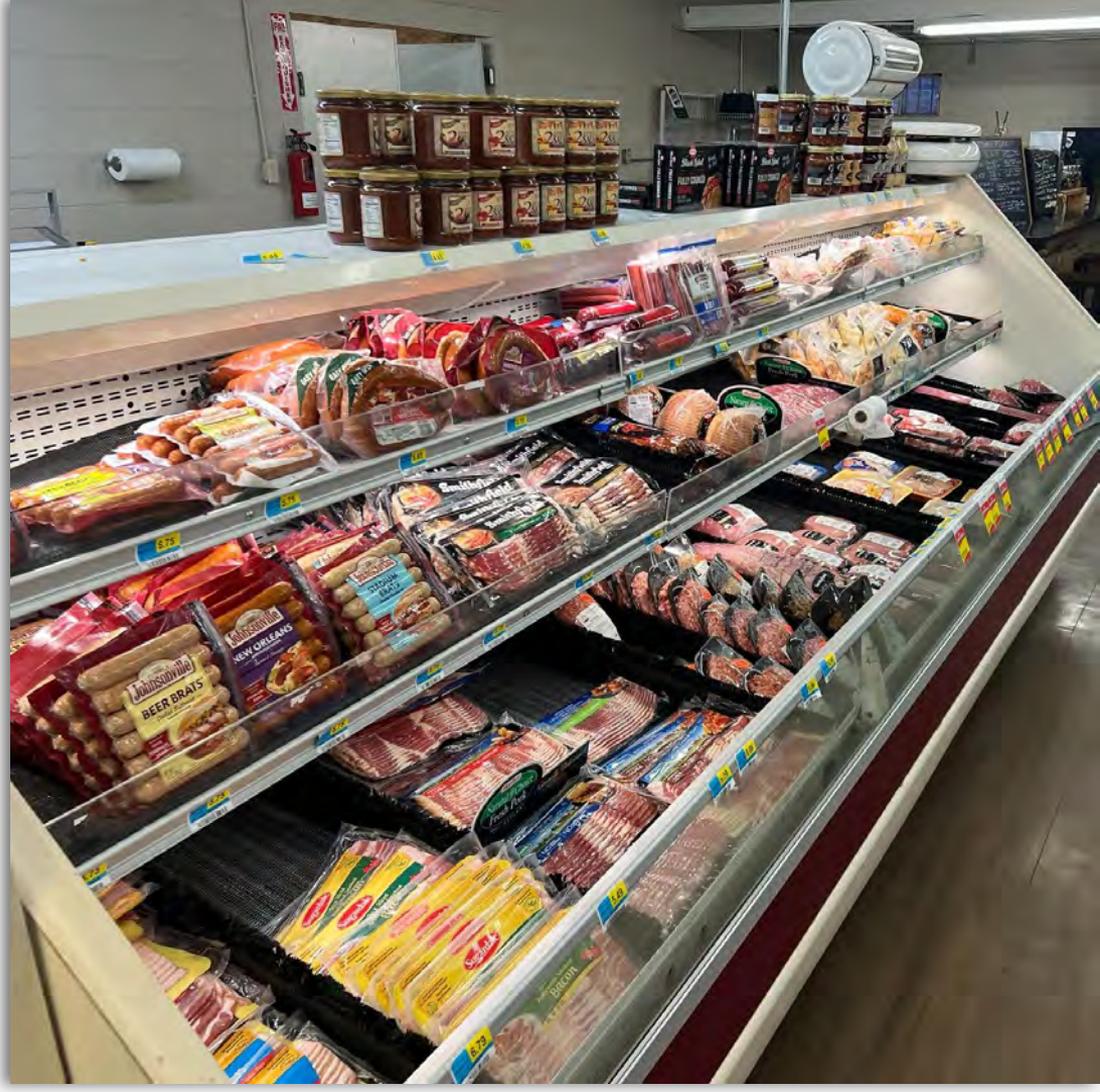
What information / documentation did you need to decide this was the right move? About the business, market, and community?



Did you get any
outside help?
From who?



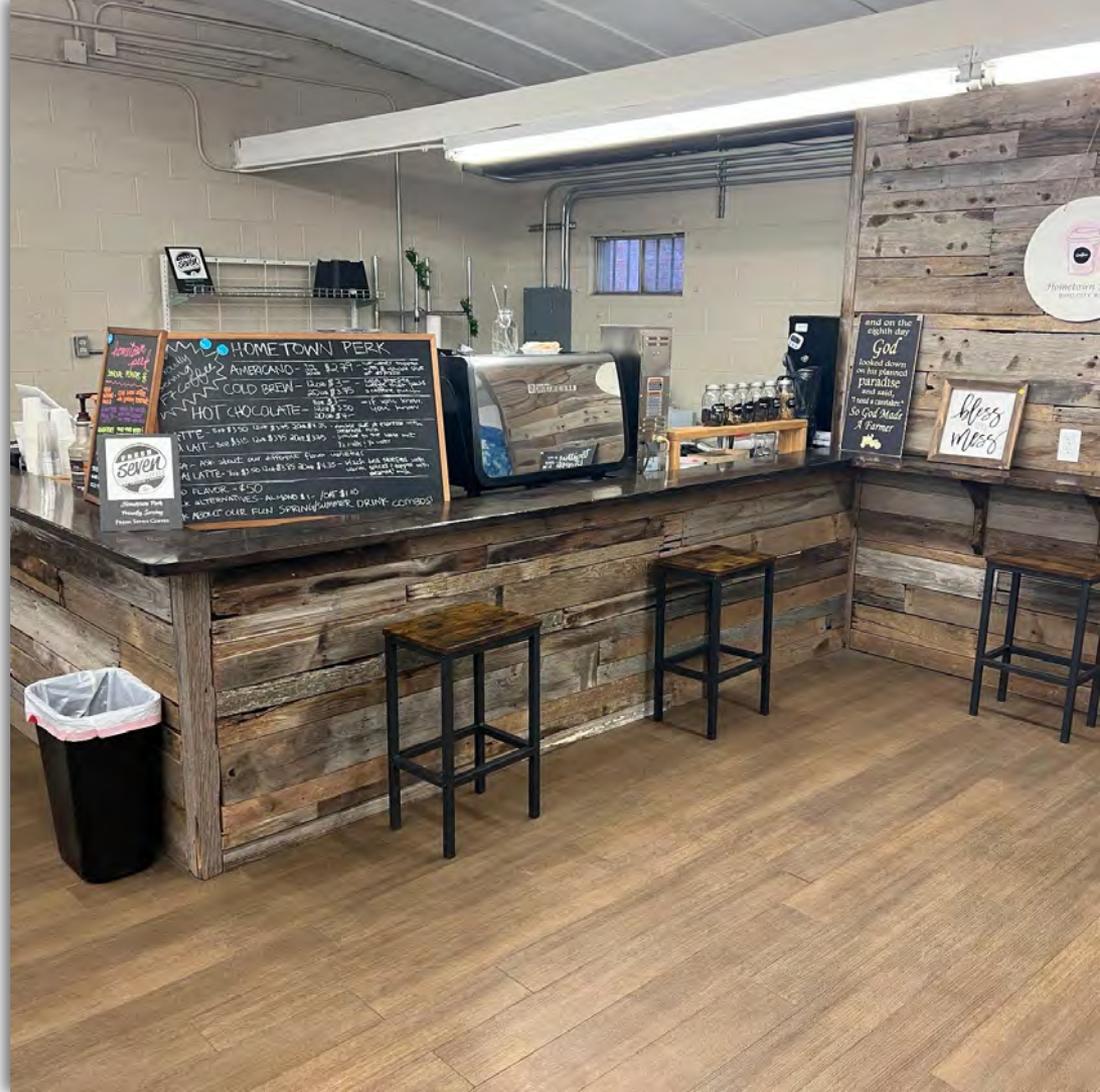
What
challenges did
you face?



How have you continued working with the previous owner after the sale?



What have you
done differently
to make the
store your own?



What advice would you give others who are considering purchasing a grocery store?



Questions

Survey

*Please share your
feedback to help us improve
future webinars*

NATIONAL RURAL GROCERY SUMMIT

June 20-21, 2022
Wichita, KS

Find more details at
www.ruralgrocery.org

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Registration
OPEN!

Rural Grocery Succession Planning



Webinars will resume in August. See you then!