Founders Trust Discusses how to achieve success in an Exit, and how “Buyer Selection” is the most critical component

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NAPERVILLE, IL, USA, April 13, 2023 /EINPresswire.com/ -- Founders Trust is a private investor granted the 2022 industry award for Best US Small & Medium-Sized Business Buyer, and the 2022 industry award for Best SME-Focused Acquisition Firm, USA, based on its past five years of acquisitions, and the stable operating history of these companies over the same time period.

We talked with members of the Founders Trust team, and asked them why they are different.

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There are two types of business owners who want to sell their company, or sell a majority interest in their company.

(1) First is the business owner who is extremely good at what they do, they have a passion for one area of the business, but they are suffering, doing the work and administration for so many layers of the Company that their life has no joy anymore, and they have no time for their personal life, or what they loved best about working on, in their company. In this case, the ideal situation would be to sell to a buyer who will not dismantle the company, but rather, take over this work and administration for all of the layers of the company that used to be on the shoulders of the founder – so that he can now continue to work in the business, but he is able to have a personal life, and work on just those areas that he loves in the business, and has a passion for.

"Owners want to achieve their Exit, and all the crucial things that means. But they see the 2 types of buyer and they don't want their company dismantled. We believe there should be a better buyer."

Matt Williamson, CEO

(2) The second is the business owner who wants to retire. This includes both the owners facing health challenges, and owners who would hope to exit and then stay on but graduate to some sort of occasional advisory or inspirational/fulfilling role.

For both types of owners, it is an important transition. It is the basis of their ability to "graduate" from business owner, through a successful exit, to being the leader of their own Family Office.

"A lot of business owners are familiar with this, and realize that this exit is critical to their success and their family's success in the long term: the exit is their transition up to a Family Office," says Matt Williamson, CEO of Founders Trust. "For as many business owners are familiar with this, there are just as many who don't realize the need to transition to Family Office – and so they see the sale of their company as 'giving up' or a 'defeat' of some sort, which is the opposite of reality," says Williamson.

"But also, it might be because they look at the buyers, and these are all either financial or strategic buyers. In other words, the buyers out there are either competitors, or private equity buyers.

Competitors: Historically speaking, competitors find the company valuable because they can add their customer list to their own, and/or add a product or intellectual property to their product line, after modifying it. People see the news through the decades, about declining quality, aggregation and layoffs.

Private equity: private equity firms raise capital in order to do acquisitions. Typically the fund life is 8 to 10 years. For each company acquisition, the firm buys then sells each company in a span of approximately 3 to 5 years. There is a focus on internal rates of return (IRRs) for their investors. In order to reach their target IRRs, dramatic changes must usually be made at the companies they buy. Most people have seen in the news through the years, the stories of declining quality and layoffs and pension fund problems.

"The two types of buyers on the landscape present cognitive dissonance with owners," says Williamson. "Owners very much want to achieve their Exit, so they can take that success and move up to a better life that they design. But they see the 2 types of buyer on the landscape and they are rightfully concerned about layoffs and their life's work being dismantled. We believe there should be a better buyer."

"We saw a broken industry," he says. "We basically saw an industry which lacked the types of buyers that business owners really wanted." There are very few White Knight types of buyers, with a philosophy similar to Warren Buffet, but for smaller companies, and for private companies.

Founders Trust focuses on private companies, and on middle market companies and smaller companies only, in a selected industries, with a stable operating history.

"Buffett explains this well when he says, 'In fact, we delegate almost to the point of abdication,' and that they 'mainly attend to capital allocation and the care and feeding of our key managers. Most of these managers are happiest when they are left alone to run their businesses, and that is customarily just how we leave them.' In this strategy, the core of the strategy is that there is intrinsic value in companies," says Williamson.

"You support them and help them to organically grow," he says. "There is intrinsic value in standalone companies doing good work, with stable businesses. This is how we are a very different buyer."

"So, while this achievement of Exit, and transition to Family Office is so critical and so important," explains Williamson, "there is this struggle to find a buyer whose strategy will not dismantle their life's work, or lay off their employees, or harm their name and reputation in their community. "This is reason for being of Founders Trust," he explains.

The Founders Trust strategy is similar to Buffett's, in that they are a "White Knight" buyer, who supports each portfolio company, and supports it in functioning independently. However, Founders Trust works with middle market and small companies, and with private companies. "There is no reason to not see intrinsic value in a standalone company as a stable and ongoing entity," explains Williamson. "You don't need to do dramatic cost cutting or merge multiple companies to create value."

"We are active in the middle market as well as the small companies market. One thing you see is that for small companies, 95% of companies that are listed for sale with intermediaries never sell, and, depending on the source, somewhere between 90% and 95% of these companies never sell. We really think that this amounts to an existential crisis in the industry," Williamson explains.

"There is also a lack of buyers in the small private companies space. It is also a more difficult space, because the same amount of the buyer team's work, go into the acquisition mechanics of either a $10 million or a $100 million company. This may be the reason," he explains.

This lack of buyers in the small private companies space, and the fact that most of them cannot sell, has a huge negative impact on the quality and services available for people in the nation. Most companies in the U.S. are these small private companies. "Someone needs to buy and steward and grow these companies," Williamson says.

Jon Adams
Editorial Staff
email us here
