



The Deal Room Podcast

Episode 230 – BUY GROW EXIT: The Ultimate Guide to Using Business as a Wealth-Creation Vehicle

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Transcript

Glen:

Joanna, let me just say that this beast of a book. Let me just say, there are very few books that I've read cover to cover this thick in, I got through this in four days. This is awesome.

Joanna:

Glen, that's really sweet, thank you.

Glen:

Total world class and hyper relevant to where we're now. And we just sold we bought a business. So, DENT is a portfolio of companies. We've acquired seven or eight businesses over the time, we just sold the first one that we acquired seven years ago for a multiple seven figure exit 60% Cash 40% shares, which we're very happy with. And yeah, the cash hit the account, like last week. And then we had an opportunity to sell another one that we brought on only two years ago. That's happening now. So, all this stuff has kind of been happening. And that was just like running on the side. Now it is turning it up as like, hang on, this should be a much bigger part of our of our portfolio strategy. And so, then this arrived in the mail. And we've kind of been

sort of making it up as we go along getting feedback from some advisors here and there, of course, etc. But this was like a full-on masterclass in terms of how grownups do it.

Joanna:

Glenn, I love it. You are fabulous. Thank you. And thank you for reading it cover to cover.

Glen:

No. I didn't do it as a favour. Because I mean, to be fair, we've produced over 1000 books now as you know, but I mean, we now have our own two publishing companies and through the KPI program. I don't, I had to give up reading books that our clients produce just because they wrote a book. I mean, it's just I couldn't do it. So, I didn't read it as a favour at all. I read it because it was super, super relevant. I mean, you've got this phrase called "acquisition entrepreneurship".

Joanna:

Yeah.

Glen:

And I'm like, I've never actually heard it summed up like that, don't know if that's a thing or not. But it's like, ah, that's interesting. That's what... that's what we've been doing. That's what we want to do more of. I mean, we've acquired quite over the last seven years, and we want to acquire 50 Over the next five years, maybe 10. And so, this is a so this is a big deal.

Joanna:

It's like deal fever, though, isn't it? And this is the thing, one of the things that I probably say in the book, but I've seen time and time again, when people get on to the idea of acquisition, and then the concept that you can build a business and use acquisition to build existing businesses and then build them for exit and then exit for great prices suddenly, you know, it's like, something goes off in an entrepreneur's head. That is, oh, my gosh, there's this whole other way that I didn't realize, and then they're on it.

Glen:

And I think it only really works for someone that's already got a stable, probably seven figure business. Ideally, or certainly the way we play with it is that the big insight that we had was, you know, we got a valuation done on our company many years ago. And it came in at about four or 5 million US and then a mentor of ours, who he made his hundreds of millions, buying and selling businesses and listing them and doing all this sort of stuff. He's like that equity is now currency. Right?

So, it's like, imagine you've now got a \$5 million home that you own outright, right? It's possible to now start leveraging that value to start acquiring other properties and their growth, you know, ends up overshadowing any of the costs or downsides or risks associated in in doing that as like, that's kind of where we really had the first year shift that most of our business focus had been on the P&L, right, how do we build revenue? How do we save costs, you know, that creates profit. Great. But what we found is where the real money is made is building and selling the balance sheet, right. And, you know, we've made more money in a couple of signatures, really, than we have in running sales teams and marketing teams, and operational teams and marketing and trying to like navigate brand and culture and all this kind of stuff that you put into building a business.

Whereas it's like, holy shit we've made from a profit perspective we've made we haven't made as much because the business is successful. But when we sit there and look at seven figures sitting in the bank, and how much energy went into producing that, from the sale is like this, compared to the gigantic amount of energy required to build the machine, but it's like a chicken and an egg that you kind of, well, certainly the way we approach it is you need the machine to, I guess, create the foundation to then be able to play this, this bigger, bigger game.

Glen:

So, Joanna, what made you write it? I mean, no one writes a book like this, that is so comprehensive on a whim, what was the catalyst?

Joanna:

Yeah, look, I guess I'd spent more than two decades, working with businesses in these different phases. So, buying businesses, growing businesses, selling businesses, and I'd seen business owners make the same mistake again, and again, and again and again. I'd seen some business owners and I talked about the stories in the book, some brilliant stories of people who had achieved this Nirvana and exit, you know, and spent all of these years building amazing businesses and then recognizing that value in the exit and being so excited about the exit and reflecting back on the process of the period of time of their growth and exit with such happiness.

I've seen the flip side so much more often, the business owners who've grown their businesses without having the proper legal infrastructure in place and blowing themselves up along the way, because they've created disputes, they've created issues in their business that they've not been on top of, because they've not built the right legal infrastructure. Or I don't know if it's even worse, but the business owners who've spent a lifetime in their business and gotten to the day of sale, and being completely disappointed, because they needed inverted commas, a certain amount of money from the sale of their business, but then they hadn't grown their business in a way that maximize that value. So, you know, I just thought there was so many key things that I saw that people did well, or slash poorly, that they could impact by a bit of knowledge in the area.

Glen:

Well, I've already referred this to a bunch of people, right, because I've got, I got a lot of friends of mine that have sort of found themselves stuck in the early seven figures, they've got a one to \$3 million business, they got hopes and dreams of kind of what we will call crossing the desert and growing through a 10 to \$15 million business. But they're caught in a paradigm of I've just got to work out how to sell more stuff, open more locations, grow a bigger business. And I end up having a conversation with them about how we've done it through acquisition because it's way easier to acquire revenue, because I think what often people don't understand is, you know, if I walked this past a friend of mine, I'm like, if you get your valuation, you're trading, like say four times revenue, but you acquire a small or even four times profit, four times multiple, right but if you require a smaller business, that's only trading at one times profit, for example, right. So, if you require them to 250,000, the moment that it hits your balance sheet, it costs you 250,000, maybe not even in cash, it could be debt, it could be a share swap, we haven't spent any money on any of our acquisitions. It's all been through shared swap.

But when we do this, the moment it hits our balance sheet, it goes from being a \$250,000 cost to a million-dollar profit because as soon as it hits our multiple, the value is realized against our multiple not against theirs. And this is where this book I think, helped businesses, business owners get it and now I've got something that I can refer to people and go just like read this, get your teeth into that. And you'll start to get it because when you start to realize how the game of business really works at this, I call it the adult level like, this is how the adults do it because it's like, oh, I'm going to acquire a \$250,000 asset and the moment my signature is on it, it's worth a million bucks. And I can then grow it and sell it. And it adds more value to my group because I've got more diversity. I've got more scale, I've got, you know, access to different markets and what have you. And it's just so necessary.

And so, I thank you for it, because now I've got some because people ask me all these questions. And that gets to the point where it's like, I'm not, I'm not the expert in this. And it really is a legal and accounting thing. One of the things I really loved how you talked about here is, it had some great case studies around how deals get killed by advisors, right. And I think it's so brilliant that you're so well positioned in your industry as the deal making lawyers and that you really understand like, don't kill the deal, what's the minimum amount you need to be involved to get the deal across the line as opposed to killing it through over protection?

Glen:

Really, so it's quite interesting, you really come at this from almost the anti-lawyer perspective, it's not about the legal stuff. It's about the result. And that's just so refreshing.

Joanna:

Yeah, look, you know, I'm an entrepreneur at heart. So, every time I deal with lawyers, because I deal with lawyers, you know, in our practice, you know, all the time, and it drives me mental, when I see a very non business approach from a lawyering perspective, because a 100% lawyers are absolutely imperative in the deal, accountants are imperative in the deal. There's lots of things you can get wrong, there's lots of risk. But you can, you can manage all that risk with the right approach. But the right approach is rarely a whole heap of clauses that nobody understands, you know, like we are living in the real world. It's about understanding the reality of the opportunity, the risk and how to manage that from a practical perspective. So, you can get good deals done, not killed deals along the way.

Glen:

I love it and look, if anyone's watching this, especially if you're already an established business, seven figures, you got a stable team, you've kind of hit the point where you're pulling money out of the company, it can survive without you reasonably well, etc. This is an amazing strategy, acquisition, entrepreneurship is like the way I would recommend growing from two or 3 million to 10 to 20 million. So yeah, you're going to keep growing your own business. But to be able to do that vertically or horizontally, lots of different ways to think about acquisition, using your own money using other people's money, you're not using money at all, and just using the value of shares like and all this stuff is covered in here. I would highly, highly, highly encourage you to get it. My big question, Joanna, is are you going to do the audiobook version?

Joanna:

That's a lot of talking Glen.

Glen:

Yeah, it's a lot of talking. But it would have been great for me to be able to have this in my ear on the fly when I go back from Dubai, etc. And I just find for something like this, given the power must change the way people really think about that. That would be amazing.

Joanna:

Well watch the space, I guess is the answer to that question Glen Carlson.

Glen:

Beautiful, so good. I just want to say congrats. It's really, it's well done. And it's just a beautiful book. So nice job.

Joanna:

Thank you, Glen.

Joanna:

Wonderful! Look, huge thank you, Glen. Really great to talk today. And look, you know, thanks for all your fabulous comments, but insightful comments as well talking from someone who is living and breathing this content that I've talked about. So, you know, huge thank you.

Glen:

Awesome. Thank you.