



EPISODE
238

THE DEAL ROOM

An unusual acquisition story and the unintended opportunities in growth through acquisition Part 1
(An unusual journey)

The Deal Room Podcast

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Transcript

Joanna:

Hi, it's Joanna Oakey here and welcome back to The Deal Room Podcast, a podcast proudly brought to you by our commercial legal practice Aspect Legal. Now today we have the first part of a very exciting three-part series. Very exciting because our guest is just so full of fabulous information. I think you're absolutely going to love it. And this is a three part series today is part one of the three part series and our guest is a serial entrepreneur from Canada, Jean-Eric Plamondon. And so John takes us through his journey today in this first episode talking all about his unusual acquisition stories. And the unintended opportunities in growth through acquisition. This is indeed a story all about acquisition. But there is also a lot here for those of you who are growing a business or ultimately looking to exit the business. We talk about John's background to his acquisition, why he acquired and in fact, why he acquired in multiple acquisitions and what you learned throughout that acquisition journey, and then we will be back with part two and part three, which you will be able to find a link to in your show notes where we talk in part two about tales of a serial entrepreneur with four sales under his belt....

and we talk about everything relating to exit and the essential elements to be aware of when you're exiting a business and in part three of our three part series we are talking about innovation, innovation in business, and innovation in acquisitions, and sales of businesses. So without further ado, here we go with part one of our three part series,

Joanna:

Jean, welcome to The Deal Room Podcast. I'm so excited to have you on the show.

Jean-Eric:

Likewise, thank you Joanna.

Joanna:

No, do you know what I know? I know I said I'm excited but I just want to be clear. I am really excited. Because you have got such a fabulous story. So many fabulous stories and this is just the first podcast of many that we're going to do together. But why don't we kick it off with a bit of your quick background, Jean because one of the reasons I really wanted you on this podcast and one of the one of my most passionate topics is acquisition for growth, and you have such a good story in in that area. So why don't you kick it off? Give us a bit of a background to your acquisition story. And we're going to get to other stories soon but we're talking about acquisition story today.

Jean-Eric:

Yeah, certainly. So I guess what I'm what most people would call a serial entrepreneur. Apparently. I'm not supposed to use the word serial anymore, but I think

Joanna:

like serial killer is that the idea? Hahaha

Jean-Eric:

People are watching tomatoes, or mystery shows or whatever. Serial Killer it just means that how a lot of companies so that'll be 10 companies now. And technically scaling up by 11 as we speak. And that started in in the business worlds quite early and as doing a little bit of consulting work for a company that was growing quickly needed some help with systems, and that's when I found my first opportunity to acquire it. The owner at the time was just bored of the company didn't know you can even sell a company. And so that's when I came in and thought you know, this is a perfect opportunity to acquire, scale it up and little did I know, I built it to a place where I could sell it nine months later for something that was three times the price of something I didn't even really pay for at the beginning. Because I did buy it on that vendor take back terms and conditions. So yeah, that was my first taste of, you know, entrepreneurship. And then it went from there.

Joanna:

Okay, I absolutely love that. So you didn't end it. There's a lot of there's a lot of people in the market at the moment talking about, you know, buy businesses without paying any money for them. And you know, and I'm a bit sceptical. I have to say I have a lot of this talk around but here you are, you're proving me wrong. You're showing me that it can and our listeners that it can actually be done. So what Where did you get a the idea to structure a transaction in this way, but how did you structure it talk to us about both of those things?

Jean-Eric:

Well keep in mind I was like 20 years old, so I had no money. I bought this place. This part of my life I had already I own one property and I was looking to acquire more properties. I was into the rental game as well. And I knew how to leverage other people's money so when I saw the opportunity here it was more of a I had put it together because of necessity. So you know, there's many things you can negotiate in a transaction and so they wanted a certain price. And so I give them the price, but you know on the terms where I could pay them off over time, so we gave him a nice lucrative interest rate. At the time that was probably nothing compared to today.

But you know, it was a an interest rate on the finance feedback for the purchase of what I could buy. Buy it for.

Joanna:

Yeah, brilliant. There's a lot of these going on at the moment here in Australia. And so you know, I think it's really timely this, this discussion and what just so that we can ground ourselves what kind of business was at the border?

Jean-Eric:

That was an E commerce business, where we were wholesaling and retailing paintball goods.

Joanna:

Okay, wonderful .

Jean-Eric:

And note that I never tried paintballing when I even when I acquired the company.

Joanna:

So why did you buy a paintballing in company then what was the reasons behind it?

Jean-Eric:

I had excellent cash flow. It was a business that I could run from my laptop and I thought, why not? It's already got an established market. We had a bit footing in the Canadian market. You know, we were kind of the, in the central part of the country. For distribution. We were also selling down to the US. We're only an hour from the border. And I thought this is fantastic. You know, I don't care about what the widget is. There was already a proven market proven sales so we jumped in.

Joanna:

Okay, so you were 20 years old. And you found this business in an area that you hadn't had experience in before, which makes sense because you're 20 years old, you probably hadn't had the opportunity to have a heck of a lot of experience in any industries. But so why buy a business what Had you listened to things that talked about the benefits of business ownership and, you know, like, explain to us what why buying a business at that point?

Jean-Eric:

That's a good question. When I was you know, between the ages of like 17 to 20 I I got looped into one of those multilevel marketing companies and but they weren't a multi level marketing, but they were, you know how they say, right, yeah, yeah. But they did a lot of good training. And so I learned a lot and they had some really good programs where they would do would do book a month program where we would read a book a month, and they had a lot of information that you would consume that is back and dating myself now. So CDs we receive CDs in the car and I would listen to three or four hours a day of this content, range from everything from personal finance. How to Leverage finances to work for you. And business was a topic that was often discussed. To me that was the ultimate form of self-improvement, but also for leverage. And so there was always this goal of freedom as well around that which is perhaps a bit ironic. Because when you're getting into business, you don't always have that.

Joanna:

But you have control. So you think.

Jean-Eric:

So, so nonetheless, that was the idea behind it. That was the dream and I didn't come from a family with business owners. So you know, we're, we're French Canadian here and in Canada, and generally speaking, like we all kind of just go work for the government. And so all my family members, they'll have government or unions of some sort, and I was kind of the black sheep that just wanted to go do something on my own.

And so I didn't have anybody to look up to or family business or any of that stuff in terms of how do I do business. So I just started to network and get out there. And so originally, this multilevel marketing company exposed me to a whole bunch of new concepts. I read books like Rich Dad, Poor Dad and understood the difference between you know the quadrants, the ES IB quadrants, which stands for employee, self employed investor business owner, and they realize, okay, how do I switch over to that side? How do I become that? And so when the opportunity presented itself, I structured the deal.

Joanna:

Love it, love it. So many questions. Don't know where to start. But I'll start with where did you find it? And this this wasn't your only acquisition was it was just the beginning of change.

Jean-Eric:

Yes, exactly. Yeah. And so it was really just through a network so the business was never actually for sale. And so I think that's the number one thing when you say, you can buy businesses for no money down, you know, if you're going through a broker, it's very unlikely that you're going to get that deal. So you, you know, in essence, I stumbled upon this company that wasn't really for sale. And I happened to land myself there as formal as a 20 year old consultant in the EU, but I guess, you know, I came in as a consultant, essentially, to help them just with some processes. I've always been really tech savvy, and I always had understood how things connect technology wise and so some e commerce business this is long time ago now, where e commerce was not what it is today with the Shopify 's of the world, etc. And so I thought, You know what, I'm going to help them get through the day. One day, the owner just said, I'm just tired of this thing and he was starting up. He was a typical visionary starting up all these other entities and businesses and he was just going to close it down. And so that's when I convinced him to, hey, we can do something here. He didn't even think he could sell a company, but that's when I convinced him well, let's make a deal. We'll have

Joanna:

Okay, and so and so what was the next thing in terms of your acquisition journey? Okay. And before we get into that, sorry, let's go back. You said you sold it nine months later, for three times what you, well, didn't pay I guess. Well meant to pay at some point along the way and probably ultimately did. A quick synopsis, How did you do that? How did you build it up to three times the value in nine months?

Jean-Eric:

Well, I ended up acquiring two other companies while running already at a time so now my time was getting split between three companies. Thankfully, they're all mostly digital ecommerce, but I actually owned the physical products. I wasn't drop shipping so at this point, I had a 6000 square foot warehouse space and, you know, forklift people and all this stuff. So I realized you know, there's an opportunity to probably package this thing quite nicely with a bow on it. So I approached a couple paintball yards and I made a an introduction, showing them how they can supplement their paint ball facility with this have on site inventory, but also sell around the world. And that's when we made the deal.

Joanna:

Oh, I love it. And did you think just after this, you know, after this exposure, this the eye and tear of acquiring building selling is that sort of did that happen? I can imagine hearing that one would be.

Jean-Eric:

for sure. I mean, there may have been beginner's luck in that as well. Because you know, it's also small deals. We didn't have legal and all the stuff involved and if we did, it probably would have crushed the deal, right? Because it was small, and we were young and all this fun stuff. I mean, I guess I was young, but I don't know. The other players weren't necessarily so but for sure at the time, I thought, well, this was fun. You know, so is this a thing like are there people who go around and turn companies around?

You know, and that was the thing I started to put on my business cards like I flipped companies and you know, I quickly taken that off my business card, but you know, that looks fantastic.

Joanna:

Okay, tell me about the acquisitions. What was the most exciting acquisition?

Jean-Eric:

you know, so, one of the companies I acquired we were, it was a company that sold collectible pieces. So bullion is the industry name. B-u-l-l-i-o-n-s. Which is like collectible bars, coins, etc. And within that, we were doing really well. We were Canada's second largest eBay store at the time, we were doing really well I was also wholesaling these products around the world. And so we were manufacturing of China. So I was making the trip out there. You know, manufacturing, constantly sourcing and quality assurance. I had where I was trying to in the US, Canada, and we were shipping all around the world. So it was a good little business. But our biggest and fastest growing commodity or product was copper, copper ingots and copper bars and coins and rounds and etc. So But China was going through a boom at the time and copper was just going through the roof and it got to the point where it was breaking the economics of it, I couldn't get it made anymore. So even though the input costs were so cheap, the commodity the raw material costs, were just going through the roof and so during all this time, I was constantly going to conferences and seminars, I was coaching all these different things and that member being in a conference, or a seminar and I heard about how the, the Vanderbilts created that vertical integration in their company and I wonder how I can do that. So I started to think about okay, well, where can I get copper at its cheapest source. And I landed up on the idea of scrap. So scrap metal is the cheapest form of commodities of metals, because it's cheaper to even mine it out of the ground. So I went off on a path and went through my network and try to find a scrap yard so I could buy so I landed in this little town, you know, just probably 20 minutes north of the US border and was talking to an old couple that are in their 60s trying to convince them to sell me their scrap yard. And you know of course you can imagine I'm the city boy, not rural at all and also probably quite young, especially to them and there's but they said look at another yard in another one province west of us in that from Manitoba, Saskatchewan. Go check it out because that's might be an opportunity for you to buy, you know, they acquired it in the 0708 recession, with you know, how everything unfolded with that. And they said, well, we don't really want and we acquired it because you know, someone had to pay us a debt. But check it out. So I went and checked it out. And I thought this is fantastic. There's lots of copper, but there's also all these other metals, mostly like steel, ferrous type metals. And so at the time I we made a deal, so I was going to buy that scrap yard, but they had one condition and it was you have to work here for six months and prove that you can actually run this business so if we're going to finance you, you got to show us that you got what it takes because you know at the time over fancy things I was wearing this like designer scarf or something and fly up here. And Battleford Saskatchewan and so that's like now we're talking like 14 hours north of the US border. You know like we're so far north now that you know the sun in the summertime like doesn't set till like 11:30pm like that kind of stuff. So, long story short, I got my class one trucking license, solid heavy truck license, I went and got that in two weeks came back started driving trucks and learning how to do this loading scrap metal into trucks, bins, running excavators and loaders and within six months though, I got excited because I was learning very quickly. You know, and I started to see all these inefficiencies. And I started to so I started to implement all these things. We installed a new scale and digitize it and put cameras in I equipped everybody with, you know, iPhones time it was like iPhone fours. So you can get an idea of when that was but now we can get real time data and GPS and then I acquired this specific type of loaders, we can load all of our equipment or of our scrap metal into containers. We struck a deal with Hyundai out of South Korea and we were now shipping all our steel the Hyundai so they could make stuff like cars I guess. And it was a very exciting summer for me because I learned all this done all of this. Except I had made a really great mistake. Because then the summer sat down with the owner and he paid me quite handsomely for my time and all this stuff. But he said you know, John, he called me John. "John, I don't know if I really want to sell this thing anymore" I said "Why not?". He says "It's been the best summer I've ever had. Trucks are all great. We have an idea we have GPS, I don't even know what that was.

All of our scales are accurate or we got the biggest contracts. we've ever had." So I built up the company before I actually acquired it and to the point where it took the pain away and they felt why would we sell this thing. And so the contract you know, it was a they were unsure so the price naturally went up now and you know, weird ends and I was told not to talk about this but I think this this will really tie into a theme that's really important, especially towards the end of the podcast, in their due diligence because they were going to finance me you know, and it was millions of dollars and of assets and all this stuff. They wanted to make sure that I was credible. They had discovered that my wife was cheating on me through social media, because I was blocked from all the channels. But she didn't block them because she didn't know who they were. And so that was a really fun turn of events. So they are the ones who actually brought this to the table and it was a user they said look, go figure this out maybe you can restore this and come back when you're ready to buy this thing but you know if you're going to be in the middle of a divorce, we don't want to be in the middle of this, you know, and that's fine. The marriage was done before it was done. Just unfortunate I was the last one to find out about it but hey, And so fast forward six months, I was I went back to the family and thought okay, well is this for sale. And feel free to direct me or ask questions as you wish..

Joanna:

No, this is fascinating... please keep going.

Jean-Eric:

they said well, you know what, no, the business is going great. So we're fine, we're good. But one thing that I had discovered when I was working there is that a lot of farmers kept dropping into the scrap yard trying to give us and sell us their scrap metal and we would always refuse it and in this in the scrap industry. We always wanted the heavy dense scrap because it's easy to transport high yield high return. And the farm stuff was always called like popcorn scrap because if you think about it in the metal business, you get paid by the pound. So if you imagine what a bowl of steel would wake or do a bowl of popcorn right so if you got popcorn scrap, not interesting. And so then I thought about that it will I wonder if there's an opportunity here so we fast forward we made a deal with the largest smelter in the central part of Canada and where they we wouldn't take no for an answer. So they would take our scrap metal in and we created our model to be a scrap yard without the yard centrally. And so they deal with this, we ended up just we wouldn't take no for an answer. So I guess there was a bit of perseverance there. And they said look, what would it take for you to consider us to make a deal with us from large volume. And so at the time, they said, Look, you can do 1000 tons of steel through our door in the next 30 days. We'll talk, we'll make a deal. So we got to work. So, I partnered with a gentleman that had some experience in the scrap industry. We came together and fast forward 30 within 30 days, we had brought in over 2000 tons of steel so they call us up they would you know and someone some from their North American office in Chicago causes Oh, who are you and where are you? Getting this stuff from? And so on. Because we had figured out in little niche. Farmers were unable to get rid of their scrap metal because no scrap business would want to deal with them. And stuff was full of contaminants. It was hard to get at. So farmers usually just left this stuff in their back pastures. So we had modified and did some innovation in terms of bringing in some of the big equipment that I was experiencing in the scrap yard. But how do we retrofit and modify it so that we can get onto the side roads, get into the farm and do a farm clean-up. And so that was one of the other companies that we that was essentially one of our unicorn companies where we were able to innovate through a whole bunch of products and we can talk about that stuff if you want it's boring, but nonetheless we were able to do what you know very few competitors out there were doing in six weeks. We were able to do in about six hours. And so we had this huge value proposition that we can bring to the client. And you know, in exchange we weren't really paying them for the scrap and we're also just doing a clean-up so now we're getting all this free scrap that we can flip right away to our clients or to our Smelter. So yeah, so I apologize if this was a long story...

Joanna:

Oh no! This is so good. And look, this is a great introduction to a couple of other podcasts that would that we will be having in our series with you and one is about innovation.

I am absolutely passionate about innovation but I love some of the things you've talked about. And we'll talk a bit about innovation in that later podcast. One of the other things you've talked about is bringing in systems and processes and you know, this is a really critical element for any business in any stage I talk about the business stages of being buy or acquisition stage growth and exit but each of those stages you're I'm a massive systems and processes person I can hear. I can hear how much you've done through innovation and systems and processes. And I just want to reiterate to the audience that this is in when you've acquired a business this is where the opportunity is quite often for you post acquisition to really drive value out of that business. Obviously in the growth phase for a business it's critical and in preparing for exit you know, you'll always have a more valuable business if you have tight systems and processes and before we finish up this podcast today. I do have one other question before we do but before we get to that, I just love for you to talk a little bit about your program that you run now in relation to systems and processes because that's what.. Is that the business you were talking about that you're building now?

Jean-Eric:

Yes, you know, it's interesting, I went through a very long and difficult divorce 10 years. I lost access to my son for a couple of years for that whole process. And when I got him back and I had end up selling one of my other bigger companies. I told myself, you know what, this is a perfect opportunity. I'm not going to go flip. I'm not going to turn around another company. I'm just going to do something low key and just spend some time with my son when I have and you know just the other day my advisor turns to me and says you do realize this is a company too.

Jean-Eric:

Yeah we got people on our team now I think we got to number eight coming on next week. So we are going through some pretty rapid growth and the reason being is because we've not having done a lot of this stuff a lot of people hire me because of some of the big wins and the successes that we've had with some of these unicorn startups. But a lot of people really get a lot of the value of the mistakes we've made. And so I love that you said the systems and processes. We're building courses and platforms for business owners. So that they can learn these tools and equip the tool. So the things that I did to scale these companies up the things that I do to scale my clients companies up, they can access it now and I'm packaging it. Some of them I'm teaching live still just so I can figure out what lands what doesn't. The goal eventually will be video on demand and stuff like that. But it seems to be something that and I believe that, you know, maybe a couple of decades ago I don't know if a lot of business owners were looking for that. I think they're just looking for sales, sales, but it seems to be in the vocabulary now where and I was told this by some of my older advisors, oh, don't talk about systems and processes. Nobody wants that. But I'm not getting that and I don't think the next generation of savvy business owners or want to be business owners to understand the value of that and that's, I think that's why we're just growing so quickly because people value that and they see that they're going to get consistent results, which gives them peace of mind predictability, particularly in everyday profit, cash flow, and then also staffing now, so there's a lot of great things that come of it and yeah, we're excited to live vicariously now through all of our clients.

Joanna:

Oh, I love that and how to how do our listeners find out more about these programs

Jean-Eric:

We do have a we have it on our website, and I'm constantly upgrading it and doing it all I have a marketing team right now that's doing it so our website growthstrategy.ca And it's ironic because a lot of people tell me no, my first meeting with them just so you know, I don't want to grow right now. And I say I get it. You know, if you don't have systems you don't want more chaos, I get it. But let's talk about systems which naturally brings you to grow. So grow stretch and section on courses and we're constantly updating it and rolling it out.

Joanna:

Love it so fabulous. Okay, the one last question before we close this out for these some first session together. What is the one thing that you've learned about acquisitions that you wish you knew right at the beginning or any or the key thing that you've learned about acquisitions?

Jean-Eric:

You know, I think if I were to go back that number one thing I would do differently because I love to work on the business and I sometimes see this with some of my clients as well or they, they read the books and they want to be the CEO and they want to lock themselves away in an ivory tower somewhere. And I just want to shake them and wake them up because I also saw see a little bit of that and myself for so I would buy the business and I would say I don't care what the product is. I just want to work on the systems. But it's so important to listen to the client. So in hindsight, I would have gone back to all the big mark clients segments or the big clients. Just get to know them get to learn why, and what and what can we do better. That's something that we do now incorporate a lot now. But in hindsight, I've made some pretty big mistakes by not listening to my clients.

Joanna:

I love that. What a brilliant one, that is so good. And you know, I guess inherent in that is that getting truly to understand the business that you're acquiring or but it's not just clients. It's also I think, you know, it can be broader as well the staff that, you know, and what makes the business tick and the industry itself. Great comment there, Jean-Eric, absolutely fabulous. I've had so much fun talking to you so much fun that indeed, that we're coming back for more we will have some episodes coming up where we talk about preparing for exit and also innovation. So I just say huge thank you to you for coming on the show today

Jean-Eric:

Thank you for having me.

Joanna:

Well that's it for this episode of The Deal Room Podcast. We hope you'll now prime for your next deal with these pointers and how to deal with these fascinating insights. If you'd like

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