Mike Koenigs: Now if you own a business that produces between five million and $100 million every year, do you want to sell it? And what is your business worth? What's your exit strategy? And what's your dream come true? And more importantly, what do you want to do once you've sold that business?

Now, according to PitchBook in 2019, 11,304 deals were made valued at over $2 trillion in North America. And approximately 64% of those deals were under 100 million. You're going to meet Steve Little. He's a unique mergers and acquisitions expert who's done over 400 deals over his 40-year career and he's known by his clients for getting more. You might recognize him from deals he's done with IBM, Seagate or REDfly or speaking to business leaders at EO, Cadre or MMT.

Now he started his technology career working directly with Jack Welch at GE as an operating systems performance modeling specialist, which is a fancy way of saying a mathematician who simulated operating systems to increase productivity and profit. And now, he uses his superpowers to increase the value of the businesses he sells. So the most important thing and what you can expect to get out of today's conversation in meeting Steve, is how you can position your business to sell it for the maximum amount of money possible in the shortest period of time.

My name is Mike Koenigs. I've had the great pleasure of getting to know Steve, understand his systems, his principles and share them with you today. So at the end of this, he's going to be giving you some great tools and resources that you'll be able to use to elevate the value of your business and yourself and also head towards that big exit. So Steve, what a pleasure. It's nice to be here with you.

Steve Little: Thank you very much. I'm glad to be here.

Mike Koenigs: All right. So, I think, the best way to get this interview rolling is talk a little bit about the big idea which is businesses are bought and not sold. So what's that all about?

Steve Little: Right. Well, I think the best way to do that is with a story, Mike. So it's called The Watch, and the story goes like this. Before he died, a father came to his son and gave his son his grandfather's watch. It's about 200 years old. And he said, "Before I give it to you, take the watch down to the jewelry store and see what they'll give you for it." So the son goes down to the jewelry store and comes back and said, "They offered me $150 for it because it's so old." So the father said, "Okay, now take it to the pawn shop, see what they'll give you for it." Son comes back and said, "They offered me $10 because it's so worn."

Then the father said, "Okay, now take it down to a museum and see what they'll give you for it." The son came back and said, "They offered me $500,000 for it because it's so rare." And so, the point of the story is and what the father was communicating to the son is that the right people will value you the right way and that's true in your business as well. Having the right buyer who values what you've built will make all the difference in terms of what you can expect to get for.

Mike Koenigs: That's great. And one of the things that I've learned before preparing for this presentation today is you've got a background. Again, 40 years, 400 deals. You've pretty much seen it all. And what you've developed is a system. It's a process that you're going to share today. And also some case studies, some step by steps that any business owner is going to be able to relate to. But why don't you talk about the core principles that are fundamental to actually preparing a business for sale in the first place.

Steve Little: Yeah, well, so there's four. And the first one is that there's something I refer to as a risk value equation. And what I mean by that is that the greater the risk of ownership in your business, the lower the value you can expect. The lower the risk of ownership, the higher the value. So as a business owner, anything you can do that makes your business more predictable, more resilient or higher quality, reduces risk and increases value. That's the first principle.

The second principle is that valuation does not equal transaction value. Here's why this is important. Most business owners are focused on generating growth in revenue and earnings and that's not a bad place to focus but they're doing it because they've been taught or they've been shown that the expectation is that revenue and earnings equals value.

Well, now, revenue and earnings are in fact factors that are used in something called valuation. It's a bunch of mathematical formulas that takes into consideration a lot of things about the market and so forth and produces a fair market value representation of the business. But what's important to understand is that does not equal the transaction value of your business.

If it was, then you couldn't explain things like Snapchat, it's worth $39 billion, with no revenue and no earnings. Or why Amazon purchased Zappos for a billion dollars when they didn't have any customers that Amazon didn't already have and they didn't sell any products that Amazon couldn't already sell. So understanding that piece is critically important to understanding the value of your business.

The third one is that businesses are sold, not bought. And what I mean by that is that for every business at any time, there are multiple potential buyers. Each buyer is going to value your business uniquely. And they're going to use a factor

	that's related to how much more valuable their business will be by owning your business. So in order to maximize the value of your business, you need to understand how are you most valued by the right buyers. So it's very much like the watch story I just told.
	The fourth principle is that an exit strategy is not about the exit, it's about the strategy. And the fundamental principle here is that you cannot know what your business is actually worth in terms of the transaction it could derive from the market unless you know who the buyers are and why they're interested in buying and how much value they're going to associate with that.
Mike Koenigs:	Good. Now, one of the things that I think is important and full disclosure for anyone who doesn't know who I am, I've gone through and had six sales, two to publicly traded companies. And I also had been represented by brokers two of those times. And those brokers added no value other than an introduction. They didn't prepare me like you do. They didn't have a system. They didn't have a process and they didn't really do anything to help elevate the business. I was on my own.
	And I think it's important for anyone who's going to work with someone who's doing M&A, helping with a brokerage sale and increasing value of something. It's a unique combination of skills and talents you have to be working with someone who's been in the business a long time, done lots of deals and also comes from a history of that. So for the sake of the intro, can you tell people about your first exit and also your first business?
Steve Little:	Yeah, sure, of course. It's a fun story. So I was 13 years old when I started my first business. It was in lawn care. I started out cutting some neighbor's yards for eight to 10 bucks, something like that, and took on some more. And then I had the idea of hiring some laborers to actually do some of the cutting for me and that could get me more leverage and grow the business.
	And over the long term, I ended up with a large number of yards to cut every week. I was generating about $8,000 a month in revenue to the business, which translates to roughly $52,000 a month in today's money, and ultimately sold that business for almost a quarter million dollars, $247,000, to a large lawn care company that had moved into the area.
Mike Koenigs:	And here's the important story. So back then, a quarter million would be worth about what in today's dollars?
Steve Little:	A lot of money.
Mike Koenigs:	Yeah. Yeah, right. And the other thing that is important is they bought that for a reason and why is it that they were able to give at the time, you were 15 when

the transaction took place, a quarter million dollars, which went a long way then, but what was it? What was the magic sauce that you had at that point in your life?

Steve Little: Yeah, well, driven out of necessity, really. The unique attribute of that business was that rather than just cutting the grass and collecting the fee every week, I had my clients sign a quarterly, semiannual and annual contracts for service. So we expanded our service a bit. So in the summer, we cut the grass and kept the yard neat. In the fall, we raked the leaves. In the winter, we shoveled the snow. In the spring, we made sure everything was cleaned up after the storm, that kind of thing.

Our job was to keep the place looking nice and neat and groomed. We weren't doing any heavy landscaping or anything. But the point is that along the way, I had decided that it would be better business for me if I had recurring contracts. If I had monthly payments or quarterly payments and we just show up and do the service on an ongoing basis. Make it easier to run the business.

Well, when it came time to sell the business, when I went to the people that I was looking to sell it to, I was able to give them something I called Steve's big book of business which was a list of all those contracts in a binder and lay that on the man's desk and as he flipped through it, he could see that, "Wow this guy's already done the legwork, I'm buying over 100 customers here. I'm going to be able to sell them lots of additional services, pesticides and fertilizers and other kinds of services." So it was probably worth millions of dollars to him, but certainly worth $247,000 to me.

Mike Koenigs: Right. And as you moved forward and you've developed this into a business that you've been doing now for the past four decades, you don't just sell businesses, but very typically, you work with them. You elevate the value of the business. You also change the thinking of the owners and you go out and find the right buyer who will produce the maximum amount. Well, basically, buy for the maximum dollars but also buy into a new vision and a new dream.

So tell me a little bit about your value drivers and what those are? Because one of our promises to our viewers and watchers today is that we're going to give them a list of these value drivers so they can learn about them and also see how they can apply in their own business and be able to actually see what you do and how you do it. Also, it's a great sampler.

Steve Little: Right, right. Well, over the 40 years that we've been doing this, we've developed a list of 24 discrete value drivers. These are various areas of research that we do on the companies that we support. And we're able to identify how effectively the company is leveraging these value drivers to increase value in the business, right? And there's usually something that gets omitted along the way. Those are a lot of factors. Underneath those 24 value drivers, there's probably 5 to 600 different data elements that we analyze as we go through the process.

Mike Koenigs: All right, and as we go through the case studies today, you're going to share some of those. One thing I do want to say that in getting to know you, there's two interesting factoids about you too I learned. One of them is you're a drummer. And the other one is you've got an interesting boating experience and a Guinness Book of World Records. So before we get into the teaching part of this, why don't you tell us just a little bit about those two?

Steve Little: Well, I mean, I was like any other kid, wanted to play an instrument. And there's a rock band of teenagers, and so I learned how to play the drums. That was my contribution to it all. And we had a lot of fun and played at parties and whatnot. And one weekend, I was hanging out with a bunch of folks and there were some older folks there. They were having a party and we decided we'd want to go hang out with the older kids. And as it turned out, Steve Miller, from The Steve Miller Band was at the party, and they talked him into playing some music and he didn't have a drummer with him. So he asked if there's any drummers in the house and I volunteered and played drums with Steve Miller at a keg party.

Mike Koenigs: Yeah, that's an awesome story. Awesome story. Yeah. Okay. And then what about the other ones, your Guinness Book of World Records?

Steve Little: Well, yeah, it's funny. I have a personal value around mastery, right? I'm driven by mastering the things that I pursue. So, whether it's boat running or golfing, whatever it is, I'm interested until I master it. And I was introduced to the idea of racing offshore power boats by a friend of mine and I sort of fell in love with the sport and decided I'd do it. So, I invested in a race boat and got some training and some teaching from some other world champions on how to actually do that.

And put together a crew, a driver, a navigator and I was the throttle man. And we would just go out and do these competitive challenges, these sponsored challenges for the Chesapeake Bay and out into the Atlantic. And one time, we just were running particularly fast and set a world record kilo run. Really just having a good time but it was good. It last for a while. It's not in there anymore but it was fun.

Mike Koenigs: All right. Well, I think, one of the reasons why I wanted to bring this up is because in getting to know you and your business, when you describe your boating team that you're on, it's very similar to how you work today. You've got a tight team of researchers and analysts. You've got a game plan. You've got a way of analyzing, looking at a business and getting the most out of it. And it's really, that's who you are. And what you do is very congruent with who your character is.

And I think that's a really important thing to know when you're working with someone in M&A, is you need to genuinely like the person because they're going to be with you. And usually, business owners freak out at some point and do really dumb things and they need someone who's a master, who knows how to keep their head on straight even when there's a dangerous circumstance going on.

Steve Little: No question about that. Yeah, we see that window, we get within three months of a transaction and we start to see the behavior of the seller shift a little bit. And you start to pick up on signals that suggest you're going to need to give them a little tender loving care for a while. And it's a great part of doing what we do because we get to build deep relationships with people. We get to know who they are and what their goals and aspirations are. What they want to do in the world as a result of having built this great business.

And it's just so rewarding to be in a position to help people achieve the things that they've always wanted to achieve. And along the way, we have to use some techniques to sort of keep them calm and keep them focused. Because without that, there's a high probability they would blow the deal up before it gets done.

Mike Koenigs: Right. All right. Well, with that, let's talk a little bit about some deals because the goal in presenting these, first of all, is even though every business is different, in a lot of ways, the principles are all the same. And what you do in each of these is use your assessment tool and are able to determine what's going on in the business and then what to do next to elevate the value and get them ready and prep.

So once you share the first story, which is a trucking story, and we purposely picked what would seem like a completely non-sexy business that became a sexy business that became super valuable. So why don't you give us sort of the basic rundown of this business and what you did with it.

Steve Little: Yeah. Well, it's a great story because we took the business from a valuation of less than one times revenue and got it to a little bit north of six and a half times revenue. So it's about a seven times value gain, 700% growth.

Mike Koenigs: And in what period of time? How long did that take?

Steve Little: About six to nine months.

Mike Koenigs: Okay. So I think, that's again, it's a super important aspect of this is you operate super quickly and you think through that lens but it's all based upon the value. So, let's hear the story here.

Steve Little: Well, we get to focus, right? So the way this works, these guys, it was two brothers, they built the business. They've been running it for about 12 years. They wanted to move on and do something else. There wasn't anything wrong with the business. I'd like to say it was a good business. They had a Christmas party every year and people got vacations, right? So it's just a good solid going concern.

And they've gone out and had evaluation done, hoping to get ready to turn it over to a broker to sell it. And they were profoundly disappointed at the multiple they've got. And it was a 0.85, which is a horrible return. And they were really sort of distraught about that. I mean, imagine investing 12 years of your life building a business, going through all the risk, all this blood, sweat, tears, sorrow, pain, misery, all that stuff. And business ownership is tough, to only end up with a year's worth of revenue or something less than a year's worth of revenue in transaction.

Mike Koenigs: Yeah, more than likely, what that is, is what I've always called a low-paying job with all the risks, right?

Steve Little: That's right. Exactly right. So they asked us to come in and use our evaluation assessment to help figure out what they could do. We went in and we looked at all 24 factors, and we found a number that we could adjust and move the needle a little bit and that's pretty typical. But we always find a few that are really high leverage potential opportunities.

Now, in this case, it's a fascinating story because we found two that were very unusual. One of them was that, not by design but literally by happenstance, about 85% of their payload was energy and energy-related equipment. So they were serving the energy industry. Again, just by virtue of doing what they were doing to process the business that was coming in the door.

The other thing is that they had made a very wise investment some years earlier in some software. Having some software developed, which gave them a legitimate and measurable logistical advantage in their market. They could move payload more efficiently and more cost effectively, more profitably than anyone else. So they could just do better business, right?

So our team got together. We looked at all these factors. And we usually have a couple of brainstorming sessions where we get creative. I've been known to bring in artists and musicians to help us with the creative aspect of what we're doing. And we're looking for ways that we can pivot this business into a higher value position. Two opportunities emerged for us.

One was we could leverage that software. And we could take that software to other trucking companies and we could provide logistical support for them on a subscription basis. Shift the business model from payload-oriented trucking to subscription software services and look at picking up the kinds of multiples that software companies get. And that one had a lot of energy. We felt pretty good about that. Until I sat on it for a while.

I went home that evening and I was out on my back porch, having a nice glass of Barolo, and it occurred to me that these guys were truckers. The idea of them managing a software company just didn't seem like it was a good plan. So the next day, I brought the team back together and I explained my concern. And I thought it was a neat idea but probably not one that would be successful.

Well, in the interim, one of the analysts had uncovered something very interesting. He uncovered that in an adjacent market, so outside the trucking industry and in the logistics market, companies were getting seven times multiples. So we thought about, well, we could just rebrand this company. We could change their identity from trucking to energy logistics. Put them in a vertical segment in a logistics industry that was paying more.

Now we didn't get all seven points, but we got 5.7 of them, which is a 700% gain in value by doing that. So we did things like change the color of their trucks and change their website, change the name. But the business operated the way it had always operated.

Mike Koenigs: I think that's a really key takeaway is change the perception, you change the value and-

Steve Little: With the buyer.

Mike Koenigs: Right. And without having your, through my lens, the 400 deals, the 40 years and having this boutique team, but also the business valuation growth assessment. So why don't you, is there anything specific you want to talk about with regards to that before we get on to the next case study here?

Steve Little: I think it's important to know that, and you've mentioned it a couple of times, excuse me, that our structured approach is what really matters here. We have a repeatable, structured methodology that we've developed over the 40 years we've been doing this. And as I've mentioned, it's 24 drivers but it equates to probably 5 to 600 discrete data points about the company. Each one of those has different research elements associated with it. And in the competitive market, the growth trajectory of adjacent markets, human resources. I mean, there's all of these different things go into evaluation.

And as we gather all this data and we lay it out in a brainstorming session and we begin to sort of see patterns and we begin to see opportunities, things that the company is not doing a good job here, and then we'll go look, okay, what's the value potential associated with fixing that? Well, okay, so that's worthwhile or maybe it's not worthwhile, so we don't invest the time in it. But we come up with a strategy that's based on which levers to pull to accelerate value. And as I already mentioned in the beginning, a lot of that has to do with understanding who the potential buyer is.

So as we did in this case, when you realize that we're going to go for a different kind of buyer, that means all the analysis has to shift to be oriented to the interests of the new buyer. So we're not just selling to another trucking company, we're shifting to a new industry. We have to focus our attention on maximizing other factors.

Mike Koenigs: Great. So one thing that I think is important at this point for you watching right now is to realize what Steve's team is going to do is do the valuation, look at all the different opportunities with the value drivers, determine where to gain the maximum leverage, but also get his team looking at all these different industries, thinking about how can they reframe your business, reposition it, repackage it, elevate the value, but then go out and access their massive, massive database of potential buyers or create the relationships and connections and then start those conversations.

And that's where we're going to move to now is we're going to talk about another key aspect of how to increase the value of a business based upon some ideas. And that's another really interesting shift is how they can actually create connections and value and allow the new buyer to reap the benefits without having to execute. So, why don't you talk a little bit about that because I think this is super exciting. So, case study number two.

Steve Little: Yeah, no, this is a fun story. It's one that we were able to realize a 200% gain in about six months, a pretty short window of time. That's a fast transaction by almost any measure. And the interesting thing about this was it was a small business that had lots of business potential, right? It was a husband and wife team that were creating protective car seat covers for pets. So if you have a nice car and you want to take your dog with you, you want something to cover the seat. And they developed a superior product. It was a better product than most. And they were selling the product exclusively or pretty much exclusively on Amazon.

So they're an Amazon store. And what was interesting about it is, in our analysis, we uncovered that their product was substantially more expensive from anybody else's product, yet, they were still selling more of it than any other. As a matter of fact, many of them combined weren't selling as many. And that was a puzzle to us. We were like, "How could that be?" This is a fairly commodity style product, how were they able to do this?"

So we dug in more deeply on that scenario. And what we uncovered was that they had done something super smart. In the Amazon store, there's a rating system. Your customers can rate your product, right? And so they had over 5,000 five-star ratings, so thousands and thousands of these things. But more importantly, is as you drill down beneath the star ratings, you would find deep conversations that the company founders were having with their customers.

So, for instance, a customer might buy the product and try it out and come back and give them a five-star rating, say, "Great product, I love it." Well, instead of just leaving it at that, the founders would respond and say, "Well, that's great. What kind of dog do you have?" "Oh, we have Dobermans or we have German Shepherds," or whatever it is, and they would start a dialogue with the customer.

And they would share pictures of their dogs and they'd get pictures of the customers' dogs and one thing led to another and they'd be able to ask the customer, "Well, what other kinds of products would you be interested in having us deliver?" Well, we'd have customers say, "We want something to protect the door panels." So they created a door panel addition, so that's a value add to their initial sale. Or they created a hammock-style seat cover so the dogs wouldn't jump into the front seat. So all kinds of different things came out of these relationships that they were developing.

Now, here's the thing, as I said in the beginning, lower risk, more value, and nothing reduces risk as much as deep relationships with your customers, for a lot of reasons. Number one, they're going to buy more and spend more. They're going to refer you to other customers and they're going to give you ideas for more products. So that became a critical aspect of the value gain that we were able to achieve for that business was leveraging those relationships, right?

Then, as we look further, again, going back to the same basic limitation, reduction in risk increases value. Any business that has a single channel of distribution is at risk. If something happened to that channel for whatever reason, Amazon changes a policy or a pricing model or compensation or something, that could dramatically affect the security of your business. So that would be perceived as a risk for a buyer. So you wanted to eliminate that risk or at least reduce it.

We looked at all the options and our belief was because of the desired time horizon of the acquisition, the fastest way to alleviate that risk was to take the product into wholesale distribution in parallel to Amazon sales. So our team got together and we were looking for the kinds of distribution channels that could take large volumes of product and move that product through their normal path of distribution. We found a Ford Motor's aftermarket retailer. They were interested in taking the product. We found IHG, the hotel conglomerate, they were interested in using the product to protect their vehicles, their customer vehicles.

And probably the most exciting one is we got connected with Zipcar, and they have thousands of these cars all over the place that people can rent short term. And people that have pets would want to take their pets in the vehicle and if the seats weren't protected, then not only is Zipcar damaging their assets, see. So this was a double win for them, right? And that turned out to be a very substantial opportunity for this company.

Well, what's interesting about it, and the point that you made, is that as part of the due diligence process, when we were talking to the buyer, we would share with them that, "Hey, we just began discussions with Ford Motor. We just began discussions with Zipcar." And what was interesting was their response was, "Well, we'd like you to slow down." Now that puzzled us at first. Why wouldn't they want us to expand distribution? It's going to reduce risk. Well, here's why.

The buyer knew that if we inked those deals, we would be taking value off the table. In other words, the company would become a more valuable entity. And they would have to pay for that value when they wanted to get the value game themselves. So they felt like if we can accelerate our buy and keep you from making those deals, we'll link those deals after we own the company. And we'll get the value gain.

Mike Koenigs: Yep. So I think the way I define this when I've talked to you in the past about this is it's activating the greed glands of the buyer to accelerate and improve the price without the work. But also, the bigger picture is finding that right buyer where you can present an idea and they pay more for an unexecuted idea or a partially executed one.

Steve Little: Yeah.

Mike Koenigs: And the thought of earning an additional several million dollars or maybe even tens of millions or in the case of, think what Google did with YouTube, they bought the potential. Just like Amazon bought the vision, the potential of what Zappos represented. They bought an idea. That is an incredible distinction. It's really worth-

Steve Little: It's very different from what a broker will do.

Mike Koenigs: Mm-hmm (affirmative). Right on. All right, so let's move on to an intellectual property deal. In this particular case, you've got an example in the publishing industry that again saw huge multiples and prior to that, probably didn't or they didn't even know what they had. So it's about, again, finding the right buyer to value more but also being able to say no to the wrong opportunity that a lot of people would just say, "Yep, I'll go for the first thing that comes along." So, describe this one.

Steve Little: Yeah, this is an interesting one. This is a case where we had two guys, two very smart guys, that had developed a way, a methodology of scraping data off of the Amazon book reviews, and putting it through a modeling application that they could predict which book series would be successful, audio book series. They could then do an outbound inquiry to the author and offer them a royalty-based development of the audio book series and they would get a very high margin return and generate a lot of success. So it was an extremely predictable business. Extremely high margin business and very fast-growing business.

So it had a lot of value potential. The problem was that as we took it to market, when we went through the assessment process, and we found a bunch of things to clean up and fix, just like we always do. But we recognize that, "Okay, this is a publishing product. Let's see how the publishing industry responds to it." And what we found was most of the big publishing houses could not get their head around the fact that two guys had built an enterprise that had these kinds of growth characteristics and this kind of success trajectory so easily, what they thought was easily, right?

And they were looking for publishing houses with lots of people and buildings and sort of that world, right? So they wouldn't pursue it seriously because they couldn't imagine that it was really a viable enterprise. So that was a little disconcerting to me, honestly, because when I took the project, I thought this is going to be pretty easy to do, right?

So I put the team together. We did our initial brainstorming. We had a bunch of ideas, none of them really jumped out at me as being too big of a thrill. And I went home that night and this was not a wine night, this was a tequila kind of project.

Mike Koenigs: Guy's got to pick his poison the right way. There's one thing about you, you've got good taste, so.

Steve Little: That's right. So, I was sitting out on the back porch sort of thinking through the situation and thinking of the sellers and what they wanted and so on and so forth. And I recognized that we needed a different kind of buyer, right? We needed a buyer who was interested in investing in a platform. Something on which they could build long-term value gain, right? And we could use the innovation that these fellas had created in this methodology, this intellectual property we had as the leverage point to plant that platform in place. So what we needed was a firm with money and no product yet. Right?

So we went into the private equity world because there's a lot of companies there that are building platforms like these and we had a disappointing offer from one firm. It was a seven figure offer and the reason is they just saw this company as a collection of content. They didn't place any value on the intellectual property that the company actually represented to the market. And they couldn't catch the vision of the potential of the business if it were properly financed and properly invested it, and so we passed on that one.

Then I found a firm that was exactly the right kind of firm. They gone out and raised a very significant sum of capital. They had every intention of becoming a dominant player in the audio book space and beyond. And they didn't have anything yet. So it was the perfect opportunity for us to take this intellectual property, this capability that nobody else had. And lay that out to this buyer as the basis of the platform on which they could invest hundreds of millions of dollars and dominate that segment of the market. And that's exactly what transpired. We took that disappointing seven-figure offer and turn it into almost a nine-figure offer in about a year.

Mike Koenigs: What I love about this one, so not only do we have a testimonial from this particular story, which is great. The fact again that by repositioning, but also looking at knowing a buyer in the case of publishing, that's very linear thinking. And you had the knowledge and experience to not stop and try to retrain an old dog some new tricks, but in fact, find someone with the vision. And at that perfect timing place, which again, you said, lots of money, big vision, and they bought into a bigger vision which resulted in a bigger transaction. And if I remember correctly, there was also a substantial bonus that came along with this as well.

Steve Little: There was. There was. It was a little bit of a challenging negotiation in this case because we actually went through a part of the process. Look, no seller wants to accept an earn-out. And the initial transaction had a significant earn-out clause in it. And I had actually a lot of personal trepidation on this because I knew the seller wouldn't accept an earn-out long term, but I felt like I had a path to negotiate that away if I could get into due diligence. So, my encouragement to the seller was go ahead and accept the LOI. I promise you, we'll get the earn-out reduced before it's all said and done. And not only did we get it eliminated, but we got a big bonus tacked on.

Mike Koenigs: And that again is without a good broker with a lot of experience, that kind of thing wouldn't happen. So let's move on because a big part of the way you do business is focused on impact and mission. But it's also on making the unsexy sexy again, being able to take businesses that have gone through multiple cycles, multiple years and being able to repackage, reposition, and the trucking example is one of those. But you've also done that in technology spaces as well to take advantage of present-day valuations based upon new business cycles. So why don't you describe the services business, in this case.

Steve Little: Yeah. This is a great story. It's a work in progress, but we've been at the project for a little less than a year, about a year. And we've already realized 300% in value gain on our way to 1,000%. And so the story is this. This is a software company that sells services to deploy software into the banking industry. So banks invest millions of dollars in this software. They invest millions of dollars more in the core expertise to deploy that software. This is a business that had been in that business, doing that for 23 years. They had a great reputation. It was a solid business.

The problem is, because there's only so many of those transactions a company can do in a year, there's a high risk component. You lose a single client or one or two clients or you get economic disruption like we've had recently, it puts you out of business, right? So the value is compressed because the risk is high, right? And the typical company is going to be valued at one to one and a half times revenue in that industry.

These guys have been at this for a long time, though. And we went through the assessment process and we found a number of different things we could do. But then we found something very, very interesting. They had equipped their services team with some software plugins, really designed to make their job easier and more efficient. But what we recognized was that if we could productize those, deliver them to the market using a software as a service model, we could shift the business model from services to software services. And pick up the software as a services multiple, which is commonly 10 times, 15 times, even 23 times revenue. So we could go from one to one and a half to as high as 23. That's 1,000% value gain. That's pretty good.

And so we sat down and went through those recommendations with the team. They bought off on the idea. We helped them raise a little bit of capital necessary to actually productize this plugin, so to speak. They have now already established deep distribution relationships with three of the top four banking service providers in the industry.

They have customers. One of their customers actually invested in the company. They're so excited about it. So they're doing great things. And in order to raise that money, we had a subsequent valuation done and while we're not even done yet, we boosted the valuation by over 300% so far.

Now, one of the things that you mentioned is really in addition to this is that Jonathan the founder, and I spent a lot of time getting to know each other. He's a tremendously nice man. Very smart and very coachable. This is a big asset for a team like us if we can work with a founder that's coachable, we've got gold.

And so one of the things I sat down and talked to him about was the importance of an impact mission.

Impact mission is a core value driver. It's one of the ones that accelerates value more than anything else. And he has a mission. He has a desire to do good in his industry. Their offices are in a remote part of Maryland, not a tech center. So he sees himself as a, and he is, a leading entrepreneur in a space that could be an entrepreneur stronghold. So he wants to have that kind of impact on his local community.

So I explained to him that there's a difference between impact mission as in giving to charities and giving a percentage of your revenue or earnings or whatever it is, but instead, it's setting up a deeply seated core value of the company. It becomes a cultural element of who you are. Well, he was one of these rare individuals that really caught that vision.

He got very excited about it and we helped him implement a strategy to bring his whole team together. His employees, his customers, his investors all together to decide what impact mission are we going to choose and how are we going to go about organizing ourselves around delivering to that mission. That's a very powerful multiplier and that's going to add value beyond the multiples that we are already projecting.

Mike Koenigs: Right, which I think the other thing is when you're a typical entrepreneur, living on the entrepreneurial roller coaster, constantly dealing with all sorts of craziness, the last thing most think about is impact. But not realizing that it's going to help you find and retain better employees. There's going to be more why and people feel a deeper connection between there. But what are some of the other big benefits that you've seen? And also, if you're going to guess, what kind of additional multipliers do you see as a result of impact? Do you have any general thoughts on that?

Steve Little: Yeah, it can be a big deal. Again, it's really leveraging the first key principle again, is that a risk reduction increases value, right? And so imagine this. If you get it integrated properly, that mission becomes the purpose fulfillment that brings stakeholders together. It becomes the unifying force, the reason customers buy from you. It becomes the reason employees want to work for you, sometimes even for less money. It becomes the reason for the right investors to invest in you.

So it really becomes a defensive position that dramatically reduces risk in the market. So you can see one to two points in value return from an impact mission pretty easily and probably accelerate more. The more, the longer you're at it. But it's a very significant driver and it's one that doesn't often get attention. I don't know any other brokers that are out there telling people to do this but it's also aligned with my personal mission.

Mike Koenigs: Right. And I think I want to talk about that. And for staying here with us, one of the things that Steve's going to be giving you today is a document. It's a special report with the value drivers in it. So we promise that you're going to be receiving a followup message with all of that inside there. But I think now's a good time to ask you this question, Steve, which is what makes you different?

So for someone who's listening to this right now saying, "Yes, I want to prepare myself for the exit or I'm ready for the exit and I like how this story sounds. I like who you are. I like the values that I'm hearing." What makes you different from, let's say, a Goldman Sachs or one of the bigger firms? And also, inside of this, you've had so much success. You don't need to do this anymore. This is a choice for you. It's a want to, not a have to.

Steve Little: Well, that's really the key right there, Mike. I appreciate that segue. So because I don't need to do this, I'm doing it because I have a mission of my own. I have a desire to help others achieve the things that they want to achieve. And that leads to probably the single biggest differentiator I have with other brokers or bankers, right? To them, you're an opportunity as a transaction. And they're going to go through a process that's pretty standard, pretty typical, and they'll probably get you sold but you won't get any accelerated value. Right?

With us, because it's me and because I have a different field of vision on that. I care about the person. I care about the entrepreneur. I want to understand the entrepreneur's goals, aspirations, dreams, intentions. I want to know what they're up to in life. And I want the transaction that we do for them to deliver what they want, right? So we're going to invest a lot more time, tender loving care and feeding through the process. And we're going to bring the transaction to fruition in a way that delivers what that founder wants.

Now, the reason I do that is that I look at the world through the lens I'm in now. I've been blessed. I've had a lot of success. I worked hard for it but I've been blessed. There's no question about it. And I see the world as having a lot of problems. There's a lot of things that plague humanity. Whether there's not enough water in parts of the world or not enough housing or not enough food or there's plastics in the ocean or climate change, whatever it is, right. There's all kinds of things that plague humanity.

And I just fundamentally believe that we can't give our way out of those problems. I don't think there's enough charitable horsepower in existence to give our way out of those complex issues. I instead think that we need to catalyze business to create sustainable businesses that are focused on solving these problems, excuse me, in a sustainable way, right? And so I envision my role as catalyzing those businesses.

If I can help a founder get 100, 200, 300, 400% more for his or her business, I'm then empowering them to go out and have the biggest possible impact they can have. If I can multiply that time and time and time again by using the systems and the processes we have, then I'm mobilizing a large population of people who I think ultimately can create sustainable businesses that address these problems.

Mike Koenigs: Okay, so that brings us to the opportunity to work with you right now. So who would you say is a for sure, right fit, and would be ideal to head over, fill out an application and for your team to review it and determine what the next step would be? Who are you looking for? Who is in an ideal position? Who's ready for the transaction, ready for the sale or who you know you can elevate and bring to the next level?

Steve Little: I think any business owner that's running a business producing $5 million or more, usually up to about $100 million would be a place of interest for us. So anybody that's operating in that range and is interested in understanding how to accelerate the value potential of their business. Right now, the process we use is very systematic. We go through the value driver evaluation. It's called a value growth assessment.

We look in three different areas. We look at things that exist in the business that are constraining its value. We develop strategies and plans to alleviate those constraints. We look at things that either do or don't exist in the business that could create more value if they are leveraged more effectively or perhaps differently. And we look for things in the market or in the adjacent markets that could enhance value potential in the business as well. We put all that together in a report we call a summary of recommendations.

In that report, we reveal every value enhancement potential we identify and provide very detailed instruction and recommendations on exactly how the business owner can go about capturing that value. Now, frankly, at that juncture, the client can be done with us. They can take that report. They can go off and do it themselves. They can go off and give it to another broker. They can do anything they want with it at that point.

What happens is typically, 99% of the time though, the process of creating that report has developed a deep relationship of trust and that's really an important aspect of this. When we're working with a client to sell their company, we're responsible for one of, if not the largest financial transaction they're ever going to experience in their lifetime. You have to be able to trust the person that's representing you to do that. And we use another aspect of the evaluation growth assessment to establish that trust.

So what usually happens is after we review the report and all the data that's available in the report with the founder, they usually come back and say, "Okay, can you help us, actually, with the implementation of these and help us get the company packaged up properly for a maximum return acquisition at an appropriate time?"

Mike Koenigs: Good. So what that really translates into is you meet with them. First of all, if you fit the criteria, 5 to 100 million, ideally coachable. They fill out the application and you do the assessment. You determine where there's opportunity. As soon as the assessment is done, they've got all the information they need.

They can either take that and implement themselves, you go about your way, or you go out and start building value, implementing, introducing to a huge database of vendors, relationships, attorneys, executors, get this thing to the point where it can be sold, find the buyer, do the negotiations, deal with the attorneys, the back and forth, while keeping the business owners sane in the process as well. And then to the final transaction and hopefully, delivering an impact vision in addition to a big check. Is that fair enough?

Steve Little: Exactly right. It's important to understand though that the single biggest problem, the single biggest risk, the single biggest reason transactions fail is that the business owner tries to do this him or herself. It's the biggest mistake he can make.

First of all, there's very high risk to that. When you get into due diligence, your time is now occupied with due diligence. You're not running your business anymore. You miss the numbers, the value just bleeds right out from under you, right? So it's important to have a third party do this work for you. A third party that's deeply integrated and has deep understanding of the business is going to do a better job. Right?

So as you pointed out, if we're engaged in that follow-on transaction, we actually come up with a plan for implementation of all the different recommendations that need to be implemented and those that don't go into the planning process. We do all of the preparation of all the representative materials, all the sales documents, marketing documents, due diligence material, data rooms and so forth. We get all that ready. We do all the market making for the company. We do all the prospecting, all the qualification, all the NDA presentations. Ideally, we get it ready and you're there to sign the contract at the end of the negotiation and get your check.

Mike Koenigs: Right on. All right. Well, so the final question is, where do they go to apply for the, just first of all, to work with you and also start the process of getting the business valuation growth assessment and all the other goodies that go along with it?

Steve Little: Excuse me, it's very simple process. You go to zerolimitsventures.com/apply. You fill out the application. That's going to send a bunch of information off to my team and I and we're going to evaluate that information. We'll respond in a very short period of time with what we think are the next best steps for you and set up the meetings to discuss what's next accordingly.

Mike Koenigs: All right. Well, I want to thank you today. This is awesome and for you watching, this should be an absolute no brainer for you. If you fit the criteria, again, head on over to Steve's website, which is zerolimitsventures.com/apply, fill out the short application. This team is going to follow up with you. And remember, you're also going to get the document that's in the free report that we promised to you, which are the business growth drivers so you can review them and get familiar with them ahead of time as well.

So on behalf of myself, Steve, thanks a lot for watching today and we're looking forward to seeing what you do with Steve in the future as well. Bye-bye.