

Grow Your Business
Grow Your Wealth
Grow Your Self



Developing Leaders
Developing Companies
Developing Opportunities

UNITING BUSINESS OWNERS FOR PERSONAL & PROFESSIONAL GROWTH
PEER GROUPS • EDUCATIONAL WORKSHOPS • COACHING

NOTES FROM THE EVENT

ALLIED EXECUTIVES SYMPOSIUM

Business & Economic Outlook 2009

450 Business Owners & Leaders in attendance

1/27/2009

Moderated by:

John Palen Founder & CEO of Allied Executives

Panel:

Ted Capistrant - Profit Builder Network, Bob Cass - Wells Fargo,
Jim Hynes - Federal Reserve, Chuck Mueller - Fidelity Bank,
Phil Paquette - Boyum & Barescheer, Molly Simmons - Gemini Investors,
Mike Sweeney - Goldner Hawn, Jeff Werbalowsky - Houlihan Lokey,
Mike Wigley - Great Plains Companies

Expect:

Troubled waters for 12-24 mos.
(More shoes to drop)

Currently:

- Profit margins are declining because everyone's cutting price
- Remember that 10% unemployment means that 90% ARE employed
- 4-5% is considered acceptable, anytime
- Company values are greatly discounted, today
- Past performance must be discounted
- Deal makers are doing: Recaps, Earn Outs and looking at Retained Equity
- Banks are cutting credit availability
- Turning revolving lines to term



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Actions to Consider:

- **Don't be controlled by fear**
- Focus on stability
- It's about stability for the next months
- **Hunker down and be a street fighter**
- **Make the tough decisions**
- **Control expenses**
- Don't bet the farm one way
- Hunker down and fight through
- But, don't just wait and see
- **Focus (re-focus) on your core mission**
- Look for new business opportunities
- Cut out extraneous projects that consume cash
- Focus on stability
- Look to help from local banks
- Adjust compensation
- Can you go to accrual (pay)
- Turn salaried to hourly
- **Use outside contractors/providers, more**
- **Readjust your exit strategy: look at earn in, ESOP, etc.**
- Have a 13 week to 6 mos. Cash flow plan
- Maintain employee benefits
- Keep your good people
- Trim Costs
- Control Overhead
- Renegotiate Leases
- Can possibly acquire competitor(s) at attractive prices
- **Get an outside objective viewpoint**
- If you are afraid so are your employees
- Be diligent, attract better people

Time will reward the patient and plan full vs. reactive

Expect a slow deliberate recovery

Three rules:

- Never run out of cash
- Never ever run out of cash
- Never ever ever run out of cash

Also:

- Conserve cash
- Term out your debt as far as you can
- Focus



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- Optimism is friend and foe
- Ignore rationality and persevere has served but won't anymore
- Cut to save the big picture
- It is sometimes true that YOU CAN'T MAKE IT WORK
- **Trust someone to tell you the truth**
- **(It's easier to solve others problems than your own)**
- **Hope is not a strategy**

If you project income, and don't adapt costs to a shortfall – you will fail
(use variable budgets)

Look at more joint ventures

- Find the profit and try to get it
- Maybe i.e. take over distribution or partner with the distribution org.
- Take out a distributor or a supplier

Look at liquidity

- Can you convert assets to cash flow
- Develop a logic for investment of your personal wealth
- Match risk to need
- Many take more risk than necessary to achieve the desired 10 year objective
- If you don't understand the investment and there is no logic for you – don't be there
- Mistake- people not knowing what they owned or why they owned it

Have an expense structure you can live with

What if your customers fail? File for bankruptcy? Stop ordering

What if your vendors tighten their terms?

Some community banks are better at having liquidity and are looking for opportunities!

- They've been more conservative and reasonable through this
- Companies need access to capital
- Work with a healthy bank
- Go to bauerfinancial.com to get bank ratings (up to 5 star)
- Also Wells Fargo and US Bank have been good
- GE Capital – egregious, terrible – avoid it
- In banking, relationships are key
- Be loyal to your bank
- Know the people there (know a lot of them), go in, have them in
- Don't drop them for 1/4% of interest



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In buying and selling businesses the most important asset is

- Preserve 401K plans, the people and your commitments to the people
- **Integrity of management is critical**
- Integrity matters and loyalty (all stakeholders) matters
- **Make the right cuts (of people)**
- Don't go by tenure – get to micro profit matters

Profit rules . . .

If you're not making money you're not having fun! (for sure)

Faith in capitalism as a chaotic and self healing system

We've over consumed and now or have to save more

You don't tell people to cure over consumption by consuming more

Opportunities:

- There will be growth in government – can you serve that market?
- Growth in renewable energy
- Big talent pool is available – get some of it

- Sell on trumpets buy on cannons
- Buffet – do the opposite of others

- Buy decent hard assets (at bargain prices) and
- Leverage them legitimately

Timing:

- When will asset prices hit bottom? Thursday!
- (I wish)

- We all expect asset values to fall (deflation)
- Wait for now, there will be more troubled assets to buy later
- Be patient
- You'll feel it
- Know your bill to book ratio and it it's getting better you'll see it and feel it

What to watch for:

- A Fed Treasury auction that won't go well
- A major shock and it'll affect asset prices
- Now at nothing for 1 month and 3\$ for 30 years – paying the government to watch your money
- U.S. is still seen as safer than elsewhere

- Better to be early back into the stock market than late
- The upswing will be swift



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- If liquid buy some stocks
- Best year ever in stock market? 1933! (Then went into the toilet)
- When the train leaves in 3-4 mos. You can have missed a 40% move

How to allocate/reduce expenses:

- Try to cut fixed Overhead
- People – cut and/or try to make them variable expenses
- Salary is fixed, Change to hourly (variable)
- Renegotiate rent
- Renegotiate with vendors
- Will they give a discount for better terms?
- Manage liquidity and working capital
- Cut deep, cut once and change
- And watch liquidity
- Manage liquidity and working capital

What's your plan?

- Your vision?
- Where do you want to be in 2, 3, 4 years?
- Make THAT the driver
- If lease renews in 2-3 years
- Offer to extend the term for a rent reduction
- Drive a strong deal

More opportunities:

- Business model, niches, labor productivity, change the throughput, machine balancing
- Inspect: debt load, savings rate, retirement plans

Bigger picture:

- New auto sales and housing starts are not the whole story
- Look also at housing prices (stability needed)
- Jobless claims (stability needed)

- Consumer confidence
- Healthy dwarfs unhealthy households
- There are people with money who could but won't spend, right now
- People used houses as cash machines
- Expect a commercial real estate crisis
- There are Zombie companies (dead men walking)
- If government tries to save them they will be able to unfairly compete with the ones who made it on their own



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Look for a state budget crisis and Medicare crisis, social security, too
We need to collectively do things that are against our own personal self interest
Need to let it crash and fix itself

There is new leadership at the SBA – that's hopeful, too

No matter how tough you think it gets, Keep your attitude, energy and focus in check.
You need to set the example. Your employees are looking to you.
You can plan and work your way through any challenge. Keep your thoughts and action positive and productive.

Thank you to Theresa Samudio for taking the event notes.