

Sunbelt Business Advisors

Selling a Manufacturing Company During COVID, Riots & Elections

by Melissa DeBilzan



Pictured left to right are Jon Tichich, Sunbelt Business Advisors' manufacturing expert, Scott Coffman, co-founder of CNC Metalcraft, and Evan Lundeen, new owner of CNC Metalcraft.

Founded by two brothers, CNC Metalcraft in Champlin has carved a niche in the commercial construction industry with custom metal cladding products. The 20-person shop fabricates metal wall panels, column covers, and other architectural components for retail and commercial buildings across the country.

"You probably pass by these products every day without even knowing it," explained Wade Coffman, co-founder. "Most car dealerships, for example, have silver or metallic siding – those panels are likely produced by CNC Metalcraft."

In 2004 the company opened its doors with little more than a CNC router and a forklift. Over the years, Wade and his brother Scott Coffman, who managed the day-to-day operations, added enough staff and equipment to round out a

40,000-square-foot facility. They built up the company as much as they could before deciding to retire in 2020.

However, neither of the brothers had ever sold a business. They began looking for companies to help them market the shop to prospective buyers and ensure their employees were left in good hands.

After interviewing several business brokers, the brothers selected Jon Tichich, Sunbelt Business Advisors' manufacturing expert and an active member of the Minnesota Precision Manufacturing Association (MPMA).

"We immediately felt comfortable with Jon," Wade said. "He understood our industry better than anyone else and brought up some factors that weren't even discussed in meetings with other brokers."

"Jon and his colleagues at Sunbelt went above and beyond what was expected. We were able to quickly find a good buyer, work through unexpected problems, sell at a respectable price, and walk away with no regrets."

Wade Coffman, CNC Metalcraft

BEYOND BUSINESS VALUATION

Sunbelt Business Advisors regularly sells between 10 and 20 manufacturing companies each year. One of the most common pitfalls of sellers, Tichich said, is focusing too much on price and not enough on other factors, such as price allocation and what should be included or excluded like working capital, accounts receivables and payables, cash, etc. – which has a direct impact on a business owner's net-after-tax cash proceeds.

"Business owners, especially in this industry, need to understand every aspect of a transaction, not simply what their business is worth," Tichich said. "Understanding how to maximize net proceeds requires solid information from an experienced advisor. As someone who regularly deals with manufacturing companies, I know what is important to buyers and sellers and how to leverage that intel to engineer a fair but favorable transaction for my clients."

Tichich often deals with third parties, for example, which can significantly influence a shop's value. In this case, the shop's landlord nearly shut down the entire deal after being unwilling to provide the buyer a lease due to the uncertainty caused by the pandemic.

"The landlord attempted to force Scott and Wade into making unreasonable and very costly improvements to their building at my client's expense," Tichich said, "I negotiated with the landlord for many weeks before we finally found a solution."

After bringing CNC Metalcraft to market in February of 2020, Sunbelt Business Advisors generated dozens of buyer inquiries. Within a week, Tichich had three qualified buyers ready to meet the brothers. Shortly after those meetings, there were multiple offers on the table.

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Jon Tichich, Sunbelt Business Advisors

The best offer came from a 23-year-old entrepreneur, fresh out of college. Evan Lundeen studied Business Management with an emphasis in Entrepreneurship at the University of North Dakota (UND). During his time at UND, Lundeen started multiple businesses, including a successful Delaware-based dog collar startup. Lundeen sold his shares in November 2019 and started looking for a company to acquire.

Lundeen grew up around manufacturing with a father and grandfather who owned several shops in the Twin Cities area. “After looking at several businesses over the span of a couple months, I couldn’t seem to find what I wanted until I saw the listing for CNC Metalcraft,” Lundeen said. “I met with the owners in early February and I submitted an offer the next day.”

In the weeks that followed, Lundeen secured financing and completed his due diligence. Yet there were also challenges that no one expected.

SOLVING UNEXPECTED PROBLEMS

Less than a month after signing a purchase agreement, COVID-19 hit. At the same time, the shop’s landlord denied Lundeen a new lease — unless the shop agreed to a costly relocation within the building. That move would have cost the seller \$450,000.

Through it all, Sunbelt communicated and negotiated with all parties to reach a compromise.

“The landlord wasn’t willing to budge after weeks of negotiation, so I was about ready to give up,” Wade said. “But Jon kept working toward a solution until he found one that everyone could live with. Without him, there would not have been a deal.”


CNC Metalcraft was able to relocate within the building for a fraction of the cost and was ultimately sold to Lundeen over the summer. It was one of many manufacturing companies Tichich sold in 2020.

Buyer activity in the Twin Cities in 2020 increased by 40 percent compared to the prior year, Tichich said. He attributed part of the surge to layoffs of successful individuals, who in turn were looking to buy their own companies, and to SBA incentives and low interest rates.

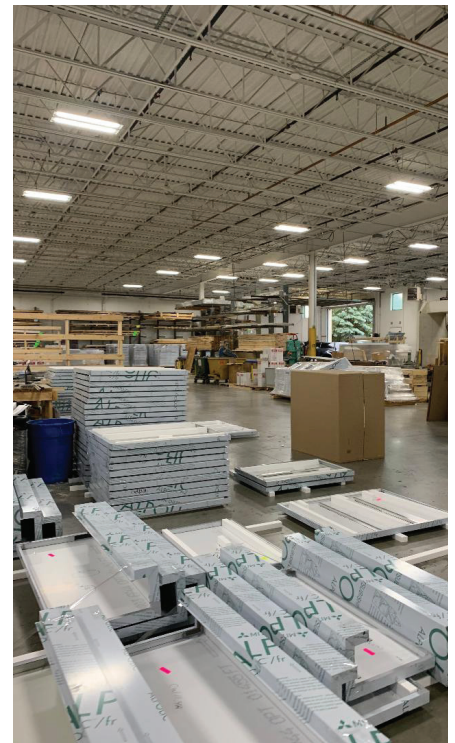
“Businesses that demonstrate their ability to maintain or even grow during a global pandemic, presidential election, and civil unrest are even more attractive and valuable,” Tichich said. “If your business is doing well this year, you may be surprised what the market will pay for it.”

Since taking over in June of 2020, Lundeen said orders have been strong and steady. September was a record month and revenue is estimated to grow by as much as 30 percent in 2021.

As for the Coffman brothers, they are enjoying every moment of retirement.

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CNC Metalcraft fabricates a variety of metal wall panels for the commercial construction industry out of its 40,000 square-foot facility in Champlin.

JON TICHICH NAMED 2020 BROKER OF THE YEAR

As a member of the Minnesota Precision Manufacturing Association, Jon Tichich has extensive experience in selling manufacturing companies and is recognized as one of the most trusted advisors in the industry. In 2020, he earned Sunbelt Business Advisor’s Broker of the Year award. CNC Metalcraft is one of 14 transactions Tichich brokered in 2020. He can be reached at jtichich@sunbeltmidwest.com.



The 20-person shop reached a record level of production in 2020.