



CASE STUDY

## *A Clean Exit: How Building Value Lead to a Successful Sale*

FocusCFO is proud to have worked alongside owners and leaders of this third-generation Michigan-based family business to build value and help organize and execute a successful sale.



## *The Challenge*

Jax Kar Wash had strong internal accounting and management; however, they needed a strategic partner that could not only provide strategic financial guidance but who could unify the ownership groups under a single goal.



Jax Kar Wash is a family-operated business serving drivers in Michigan since it opened in 1953. Today, Jax Kar Wash is led by second and third-generation family members who proudly continue the legacy of providing customers with a clean, dry, and shiny car quickly and in a friendly, efficient environment for a great value - as well as offering their famous Jax Unlimited Club!

In 2021, the Jax Kar Wash leadership team realized they had grown to a point where they needed a strategic partner to help them manage their capital expenses, debt service, cash flow, and help grow the value of the business.

The business had three family ownership groups, two of which were not involved in the day-to-day operations. As with many multi-generational family businesses, there was a lack of consensus among the members regarding the operations and strategic goals of the business. As is often the case, the crux of disagreement revolves around the trade-off between generating current income vs. investing in future value enhancement. Jax Kar Wash needed an advisor that could not only provide strategic financial direction but who could help the ownership groups navigate everything from organic growth, capital planning, building sustainable value, and, eventually, exit options.

One of Jax Kar Wash's trusted advisors referred FocusCFO to the company and, in the summer of 2020, Area President David Tramontana met with the Jax Kar Wash operating partners and Investors for discovery calls to learn more about their goals and challenges. It seemed FocusCFO could be a good match for their needs and goals.

The process with FocusCFO with Jax Kar Wash started with finding them the perfect fractional CFO: Tramontana introduced Jax Kar Wash to CFO Bob Palmerton. Tramontana felt that Palmerton had the experience, and skills to help Jax Kar Wash reach the next level, and was also an excellent fit for the company's culture.

Palmerton joined Jax Kar Wash as a fractional CFO in August 2020. In the following months, Tramontana and Palmerton embedded themselves in the Jax Kar Wash leadership team, actively participating in board meetings. During this time, it became clear that the ownership groups were not in agreement regarding if, when, or how they wanted to exit the business.

The first challenge was to build consensus on the business' capital plan. The managing partner had a number in mind, based upon his previous experience he had a general understanding of value. He believed they needed growth for increased value. One shareholder group felt there should be less capital investments and more distributions. Next was to determine what the group's "number" was, meaning the minimum value, or net proceeds, they all agreed would be acceptable to exit.

Then, through the development of various financial scenarios, which showed what the business could be worth if investments for growth and operational improvements were made, Tramontana and Palmerton were able to demonstrate how Jax Kar Wash could achieve their target business value through increased earnings and improving operations, working in tandem to help drive up the multiple on earnings the business could command.

This work was vital in getting all parties on the same page, working towards a mutual objective, and implementing their plan to grow to their target value and eventually sell.

## *How FocusCFO Responded*

› FocusCFO worked closely with the existing controller and accounting team. Their team handled the regular accounting and financial reporting activities, while Palmerton provided oversight to the team and kept the leadership team focused on the strategic growth objectives.

Jax Kar Wash benefited from the outside perspective and experience that each member of the FocusCFO Sherpa team (David and Bob) brought to the table.

FocusCFO took point on the financial analysis and planning activities, including board presentations, capital planning/ROI analysis, budgeting, banking relations, benchmarking, improving margins, strategic planning, and M&A analysis.

With the operating and capital plans that Bob created now in place, as well as an agreed-upon exit price target, the team had a clear vision and direction for moving forward. Then, in June 2021, things changed as a result of an external event. A major car wash chain completed a successful IPO at an attractive valuation. Following this news, Palmerton discussed with the Board that the market potential for their business could be higher than anticipated and they could potentially consider accelerating the company's exit for the current owners. Ultimately, by working with management and ownership FocusCFO helped the stakeholders achieve value and reach their personal goals.

This was the catalyst for the FocusCFO team to pivot into 'deal mode.' They helped prepare the Jax Kar Wash team for seeking and evaluating their strategic options. This included assisting in the preparation of the Confidential Information Memorandum (CIM), due diligence documents and projections, and participating in the diligence process with prospective buyers.

The FocusCFO team played a key role in working with Amplify Car Wash Advisors (Investment Banker) to solicit bids and narrow down the potential buyers. FocusCFO helped Jax Kar Wash navigate the process and soberly evaluate the options presented against the goals of family members. This included the review of term sheets, evaluating the tax ramifications of offers, and playing a role in the due diligence process through the completion of the purchase agreement.

#### For Jax Kar Wash, the team established a win-win-win deal for all involved:

- Choosing a Private Equity buyer over a public company so that Jax Kar Wash could serve as a platform investment rather than a tuck-in for a public company.
- Preserving an operating business that allowed for a family succession.
  - the CEO (2nd generation) to retire while maintaining the opportunity to stay involved over time as a consultant.
  - a third-generation family member to continue the legacy as President of the business.
- Non-operating family members received the desired cash payout.
- Negotiated key carve-outs from the purchase that were important to the selling family, including a car wash business in a non-competitive geography, and proprietary technology, which provided additional value to the operating owners.



## *The Results*

FocusCFO helped Jax Kar Wash accelerate their readiness and seize the opportunity to capture optimal value and favorable terms for an exit.

The result was an attractive return for the multi-family ownership and preservation of the operating family's business legacy.



## What's Next?

It's a myth that Exit Planning is something you should start when you are ready to sell your business.

Exit Planning is smart business planning that should be a key part of your financial strategy from the start. We can help.

Your climb to sustainable, transferrable value starts with a simple conversation.

1. We start with a conversation about your challenges and vision to see if we are a fit for each other.
2. A complimentary half-day assessment: A CFO will sit down with you to explore further, assess fit and need, and chart a path forward.
3. Let's get to work: your CFO will work closely with you and your team to set priorities, deliverables, and execute the plan.
4. Reach new heights—with a trusted guide at your side, climbing to greater health, growth, and value.

Contact your local Area President or visit [focuscfo.com/contact](http://focuscfo.com/contact) to schedule your complimentary consultation today.