

A banner for the 2018 Metro St. Louis Owners Summit. The text "2018 Metro St. Louis Owners Summit" is overlaid in white on a dark, semi-transparent image of a large crowd of people seated in a conference room, facing a stage where a speaker is visible.

2018 Metro St. Louis Owners Summit

Metro STL Owner Summit Case Study

Smith Industrial Company Background

Industry: Industrial Manufacturing

Structure: C-Corporation founded in 1980

Ownership: 100% to one owner, Tim Smith.

Employees: 130 total. 100 Union, 30 Non-Union

Revenue: \$15M

Location: Kansas City, MO

Family Structure

- Tim is married to Susan, his second wife and has three children.
- Chris is Tim's son from his first marriage. Chris is a CPA and has been working as an auditor for 7 years. Tim believes he is the best suited to take over the company but has not had a conversation.
- John is Tim's son with Susan. He is 28 and has worked at the company on the shop floor for 4 years. John graduated with an Industrial Technology degree and is a valued team member.
- Jane is Tim's daughter with Susan and the smartest out of the kids. Jane is an attorney for a large non-profit organization.

Team Structure

President & CEO: Tim Smith

- Tim started the company out of his garage. Age 62
- Tim has built the company from the ground and would like to see the name continue if possible
- Tim has always treated his employees very well and has very low turn-over
- Tim admits his energy level is not as high as it once was and would like to be fully retired in 4 years

Sales & Marketing: Tim Smith

- 60% of sales is generated by Tim mainly in the Midwest region
- 30% is generated by independent sales reps and mostly in the Southeast region
- 10% is generated by in-bound calls
- Tim used an outside marketing company 5 years ago to build a website and update the sales material

Operations: Mike Crandall

- High School Graduate
- Lean Six Sigma Green Belt
- Very loyal employee. Been with the company for 38 years. Age 58

Financial & HR: Judy Pyle

- Handles the books and the HR duties
- Judy is very detailed and has done a great job
- Been with the company for 5 years. Age 43

Industry & Competition

- The market is saturated. General outlook on the industry is flat but not declining.
- Tim believes he is the 5th largest competitor in his space with the largest competitor being 5x his size.
- The largest competitor was very close to Tim's size 10 years ago and most growth has been through acquisition.
- Tim regularly attends his industry association meetings. He knows his competition well and even has a friendly relationship with his 2nd largest competitor.

Company Financials

Sales

- Majority of clients are repeat customers
- Customers are mainly in two industries that the larger competition has not been able to penetrate well

Balance Sheet

- \$200,000 line of credit that is partially used 3-4x a year for inventory
- \$600,000 loan that was used to purchase a large piece of equipment 3 years ago
- Both loans are Personally Guaranteed
- Building is owned by Tim's wife, Susan, and leased to Smith Industrial with an estimated value of \$3M

Income Statement

	2016	2017	2018
Sales	\$15M	\$17M	\$15M
Net Income	\$850K	\$1.1M	\$730K

Net Income contains several non-operating expenses: Susan's salary, cars, and travel.

Company Value:

Unknown but Tim believes its worth \$6M

Personal Financials

- Tim and Susan have done some initial financial planning and know they spend around \$15,000 per month or \$180,000/yr.
- Their total liquid assets (401k plus savings account) equals \$1,200,000.

Succession Plan

Tim has verbally instructed Susan to reach out to his advisors and sell to his 2nd largest competitor if something tragic happened to him but has not provided any other instructions.