



Strategies for the Business Owner

**Business Sale Representation**  
**Operational Consulting**  
**Fair Market Business Valuations**

## Special Event Industry Consolidation: What it Means for You?

Presented by:  
**Gary Stansberry**  
 Rental Industry Consultant




---

---

---

---

---

---

---

---

---

---

### About The Stansberry Firm





**Business Sale Representation**

No matter your reason to sell, we find the best course of action and maximize ultimate sale price.



**Operational Consulting**

Our services aim to increase cash flow & business value, regardless of whether sale is the ultimate goal.



**Fair Market Business Valuations**

There is no "one size fits all" formula or strategy for valuing a business. We start with an overall business analysis.

[www.TheStansberryFirm.com](http://www.TheStansberryFirm.com)

---

---

---

---

---

---

---

---

---

---

### The Stansberry Firm: Recent Transactions



All Seasons Event Rentals, Inc.	Kansas City, KS
Tents Unlimited, LLC	Atlanta, GA
Events Unlimited	Birmingham, AL
Event Flooring Solutions	
Event Works	South Carolina (2 locations), Georgia
Celebration Event Rentals	Dallas/Fort Worth, TX
Party Time Rentals	College Station, TX
Dover Tents & Events	Dover, DE
Event Central	Harrisburg, PA




---

---

---

---

---

---


---

---

---

---

Case Study: Classic Party Rentals



**What went wrong??**  
Easy answer: The "Crash" of 2008-2011.

- Many special event rental businesses saw a downturn of 30% +
- Investors became uneasy
- Lenders realized SE rental collateral had little liquidation value
- "AIG" effect cast negative light on industry
- Private Equity Owner had Classic highly leveraged
  - Debt service exceeded cash flow, especially with 30% + downturn.

---

---

---

---


---

---

---

---

Case Study: Classic Party Rentals



**Beyond the Crash...**  
Underlying factors

- Classic started as "regional" consolidation within California
- Late 2006: Original investor sold to larger Private Equity Firm
  - Original founding management replaced, focus changed to national footprint (Phoenix, Albuquerque, Dallas, Atlanta, Florida, Carolinas, Chicago, Memphis, Nashville, Virginia/DC, New York).
- With growth, new corporate management replaced local owners/managers.

---

---

---

---


---

---

---

---

Case Study: Classic Party Rentals



**Beyond the Crash...**  
Underlying factors

- Each region is different: preferences, pricing, products
  - Loss of local owners/management cause loss of identity/customers
  - Key employees also left to local competitors and former owners re-opened after non-competes expired

---

---

---

---


---

---

---

---

Case Study: Classic Party Rentals



**Beyond the Crash...**  
Underlying factors

- “Synergies” not as successful as planned:
  - Equipment sharing is difficult amongst far flung operations
  - No significant “volume buying power” to compete against Chinese products that were becoming widely available
  - Big payroll and cost structure lacks experienced management
- Financial pressures stopped re-investment.
- Bankruptcy, new owner, frequent CEO changes add to downward spiral.

---

---

---

---



---

---

---

---

Case Study: Classic Party Rentals

Classic was the “cruise ship” of the Special Event Industry. It drew a lot of attention, made a lot of noise and caused a big “wake.” Then it eventually hit the proverbial “Iceberg.”

---

---

---

---

---

---

---

---

Industry Consolidation Today

**Strategic Groups backed by Private Equity (PE)**

**Dubin Clark**  
One of the initial investors in Classic.  
Made a huge return in 2006 sale.

Current holdings:

- Peak Event Services (Boston area)
- M&M/Marquee Group (Midwest, Southeast)
- CE Rentals (East Coast)
- BBJ (Linen rentals)
- InProduction (Seating, staging, scaffolding)

---

---

---

---

---

---

---

---

Industry Consolidation Today

**Strategic Groups backed by Private Equity (PE)**

**Peachtree Group**

- Primarily Southeast (Nashville, Birmingham, Atlanta, Charleston)
- Backed by two PE groups
- CEO is former Classic exec.

---

---

---

---

---

---

---

---

Industry Consolidation Today

**Strategic Groups backed by Private Equity (PE)**

**LaTavola (Linen Rental)**

- Backed by Chicago-based PE firm

**Pro-Em Party & Event Rentals**

- Backed by Austin-based PE firm

---

---

---

---

---

---

---

---

Industry Consolidation Today

**Strategic Groups backed by Private Equity (PE)**

- Other PE groups looking for "Platform" investment.
- Other well-run rental companies looking to expand.

---

---

---

---

---

---

---

---

Today VS "Classic Era"

**What's different today in consolidation?**

- More disciplined, regional approach
- Local management, local input:
  - Acquirers want owners to stay.
- Former owners, managers "engaged" to stay on via equity & incentives.
- Emphasis on financial reporting, goal setting, budgets, more professional approach to running business.
- Companies close enough to share employees, equipment, expertise.
- Willingness to invest to grow (organic or acquisition).

---

---

---

---

---

---

---

---

Time to Sell? MACRO vs MICRO

**MACRO: Overall Market Factors**

If you've considered an exit within the next 5 years, now may be a good time to take a look.

➢May not be salable immediately, but take 2-3 years to "get your ship in order"

---

---

---

---

---

---

---

---

Time to Sell? MACRO vs MICRO

**MICRO: Your Company Performance**

- Increasing revenues (ARA says 4%-5%; likely 7%-8%)
- Total payroll no more than 40-45% of total revenues
- Average inventory no more than 4-5 years (re-invest 10% of original inventory cost per year)
- EBITDA of at least 20% of total revenue
- Solid, proven management; operational and sales teams (beyond ownership)
- Strategically located, well maintained facilities, with rents no more than 5% of revenue; room or contingencies for growth (10,000 sf/\$1MM revenues, high cubed, efficient layout)

---

---

---

---

---

---

---

---

Time to Sell?

**What Acquirers Want:**

- All factors from MICRO section.
- \$5MM + in annual revenues.
- Full service special event rental:
  - Tables, chairs, linens, place settings, tenting.
  - Will consider specialty: (add-on only; tents only, linens only...)
- #1 or #2 in market (will consider others if already in market)
- Population in market of 2MM + (Top 50 MSAs)

---

---

---

---

---

---

---

---

Time to Sell?

**What Acquirers Want:**

- Diverse customer base:
  - Recurring commercially oriented customer base.
  - Large, one-time jobs, hurricanes, disaster work may be discounted/ignored.
- Newer, stronger, better:
  - New market or new product offering
  - Stronger position in market,
  - Strong management, capable of doing more.

---

---

---

---

---

---

---

---

Time to Sell?

**How your business will be Valued/Evaluated:**

- EBITDA valuation:
  - Generally 4-6X EBITDA
- Size matters:
  - Companies with revenues <\$5MM may be at lower end.
  - Companies > \$10MM revenues may be upper end.
- Re-investment in inventory and infrastructure matters:
  - If your inventory, vehicles, etc. are older and need to be replaced, there will be a discount.
- Uncertainty is reflected in pricing:
  - Will customers/employees continue?
  - Does facility need to be relocated?

---

---

---

---

---

---

---

---

Time to Sell?

**Deal Structure:**

- Asset deal from S-Corp or LLC strongly preferred.
- C-Corp: some acquirers will consider stock deal....
  - Only highly strategic, larger sized (\$10MM + revenues) and "clean" corporations.
- Price or Terms:
  - All cash deal may come at a discount.
  - Non-cash consideration (note or equity) more of a premium
- Some portion (10-20%) may be in non-cash consideration (equity or note)

---

---

---

---

---

---

---

---

---

---

Time to Sell?

**Deal Structure:**

- All debt to be paid off at closing
- Cash excluded from deal (except customer deposits)
- AR/Working Capital: Most acquirers want the AR.
  - Usually a "target" set for some amount of AR over AP
- Most acquirers do not want to buy real estate.
  - Long term lease at FMV

---

---

---

---

---

---

---

---

---

---




**Available for private consultation.**

Gary Stansberry  
 President  
 210.797.7368  
 Gary@TheStansberryFirm.com

Numerous industry articles on our website:  
[www.TheStansberryFirm.com](http://www.TheStansberryFirm.com)

---

---

---

---

---

---

---

---

---

---