

Buying & Building: How to Start Up and Step Up Your Business!

Jeff Swanson & Frank Medina

NexGen Range Consulting

NSSF[®]
***The Firearm Industry
Trade Association***

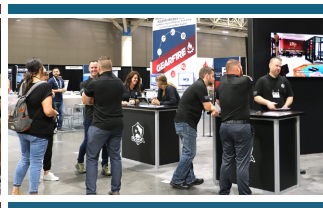


The NSSF® Range-Retailer Business Expo™

JULY 10-12, 2023

MILWAUKEE, WI

Join Us for the Firearm Industry's Mid-Year Buying Event!



EDUCATION



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If you have any questions, contact Zach Snow,
zsnow@nssf.org or 203-426-1320 ext. 224

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Your Presenters

Jeff Swanson

- **Litigation Attorney and Business Development Consultant**
- **28 years experience Corporate Defense & Risk Management**
- **B.S. in Finance, Communications Minor**
- **25 years experience in Retail Business Development**
- **Co-Founder/Owner of Wilshire Gun, Restaurants and Retail**
- **Managing Member of NexGen Range Consulting**
- **NSSF “Range Action Specialist”**
- **Wearer of many hats:**
 - Attorney**
 - Architect, General Contractor**
 - PR Director**
 - General Manager**
 - Captain of whatever it takes**



Jeff Swanson

Your Presenters (cont.)

Frank Medina

- **Accounting & Finance background (“Numbers Guy”)**
- **Understands that the right people are the ones who make the numbers happen**
- **Helped start Wilshire Gun in OKC**
- **Experience as Corporate Controller & CFO**
- **Partner in NexGen Range Consulting**
- **Work with start-up and high-growth companies around the world**



Frank Medina

Key Topics

1. Today's Startup Challenges

- a) Building and Capital Costs
- b) Market Saturation

2. Inorganic Growth Opportunities

- a) Acquisitions
- b) Mergers
- c) Strategic Partnerships

3. Organic Growth Opportunities

- a) Professional Development
- b) Business Analytics

Creating a viable business for tomorrow might mean reevaluating your vision today

Today's Startup Challenges

Building and Capital Costs

Both have risen significantly recently

Market Saturation

Understand your competitive landscape



Today's Startup Challenges: *Building and Capital Costs*

Building Costs:

- ✓ Commercial real estate
- ✓ Construction
- ✓ Range Targeting & HVAC/ Lead Filtration Equipment

Capital Costs/ Financing Challenges:

- ✓ Interest rate increases
- ✓ Lending conditions



*All of this means your vision might not be viable,
or at least not within a realistic timeframe.*

Today's Startup Challenges: *Building and Capital Costs*

Example

Building- New Construction			
Square Feet	12,500	12,500	12,500
Price per Foot	\$ 200	\$ 300	\$ 400
Total	\$ 2,500,000	\$ 3,750,000	\$ 5,000,000
% Down	20%	20%	20%
Down payment	\$ 500,000	\$ 750,000	\$ 1,000,000
Financed	\$ 2,000,000	\$ 3,000,000	\$ 4,000,000
Interest Rate	Annual Loan Payment		
5.0%	\$160,485	\$240,728	\$320,970
8.0%	\$203,704	\$305,557	\$407,409

Today's Challenges: *Market Saturation*

Are there still market opportunities for Startups?

Your large metro-area may not have room for another shooting range

- ✓ How many ranges and lanes are currently serving your metro-area?
- ✓ What condition are they in?
- ✓ What niche opportunities are they missing?
- ✓ Is a growing corner of the metro-area open?

A small market may not support your vision

- ✓ What is your population, and is it growing?
- ✓ Can you pull from other communities?

The NSSF “Customized Market Report” can provide great insight

Inorganic Growth Opportunities

Acquisitions – *Building vs Buying*

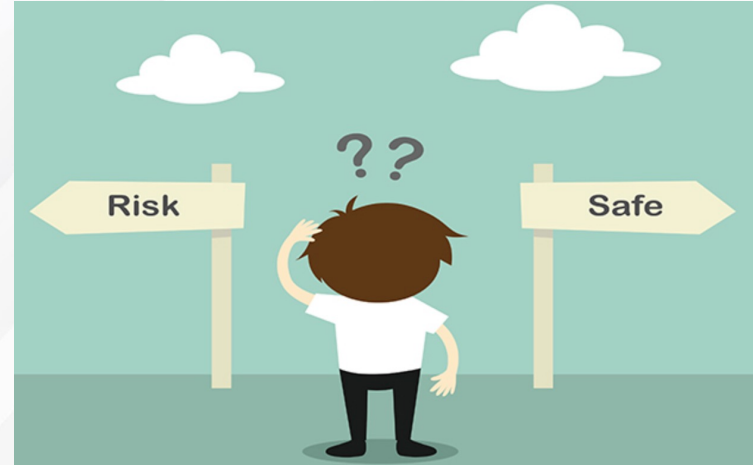
Mergers – *When Combining Forces Adds Value*

Strategic Partnerships – *Adding new profit centers with partners*



Acquisitions: *Understand Opportunity & Target Business*

- ✓ Does it make more sense to buy a business in your market?
- ✓ Which businesses would you want to buy?
- ✓ Are there any interested sellers?
- ✓ Asset vs stock/equity purchase



Acquisitions: Conducting Due Diligence

Requests may include:

- ✓ Prior Years Tax Returns
- ✓ Internal Financials with monthly P&Ls
- ✓ Budget for next 12 months
- ✓ Organizational Chart



Acquisitions: *Financial Modeling*

Determining what the “new” business would look like

Overview

- ✓ What is your proposed capital structure?
- ✓ Do you expect the current business to continue current trends?
- ✓ What changes will you make to the business?
- ✓ Can you reduce cost structure?
- ✓ Can you reduce business risk factors?

Financial Projections Example

Year	1	2	3	4	5
Revenue	1,889,568	2,069,977	2,163,402	2,228,304	2,295,154
- Cost of Sales	-1,069,432	-1,122,499	-1,168,243	-1,203,290	-1,239,389
Gross Profit	820,137	947,479	995,160	1,025,015	1,055,765
- Expenses	-654,858	-674,503	-694,739	-715,581	-737,048
EBITDA	165,279	272,975	300,421	309,434	318,717
%	9%	13%	14%	14%	14%

Capital Structure		\$ 10,850,000	100%
Priority	Type	Amount	Equity %
1	Debt	\$ 6,350,000	-
2	Preferred Equity	\$ 2,500,000	-
3	Common Equity	\$ 2,000,000	25%
3	Common (Sweat) Equity	-	70%
3	Treasury Stock	-	5%

Mergers: *Define Strategy and Build Merger Case*

- ✓ Create a well researched business plan and proforma (“the numbers”) to present to owner(s) of potential merger
- ✓ Work together to further refine the plan
- ✓ If the big picture makes sense for both parties, commit to making the details work
- ✓ Make sure that you have engaged an attorney to ensure it is done properly

Mergers: *Post Merger Integration*

- ✓ Think through the new organizational chart before hand
- ✓ Identify company culture differences and ensure smooth transition to a new, agreed upon, culture
- ✓ Share your new vision with the team and listen to feedback
- ✓ Create buy-in early, especially with key leaders of both organizations

Strategic Partnerships: *Key Components*

- ✓ Should be tied to success of the core business goal
- ✓ Should be critical to development or maintenance of core goal or new source of competitive advantage
- ✓ Mitigate a significant risk to the business
- ✓ Block a competitive threat



Strategic Partnerships: *Identifying your Goals*

- ✓ What profit center does your business lack (range, retail, training, Class III, gunsmith, food & bev)?
- ✓ What are the challenges to adding this profit center (cost, staff, space, experience)?
- ✓ Discuss your desire with local industry thought leaders to see if anyone you know is interested in a strategic partnership
- ✓ Garner interest by going to industry / community events
- ✓ Set the ground rules for what you do and do not want from the partnership

Organic Growth Opportunities

Professional Development

The ongoing process of improving skills, knowledge, and abilities

Business Analytics

Collect, organize, and analyze data from various sources



Professional Development– *Individual Expertise*

- ✓ Be clear with your vision to answer, “Why does expertise matter?”
- ✓ Ensure you have quality SOPs and review them annually
- ✓ Training, training, and more training
- ✓ Create continuing education programs
- ✓ Cross train employees



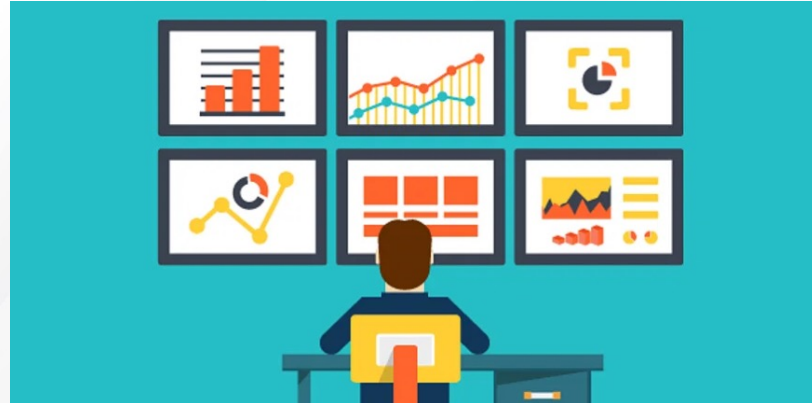
Professional Development- Staying up to date

- ✓ Become a member and engage in industry organizations
- ✓ Keep up with changes in technology and best practices
- ✓ Attend conferences and change who on your team goes



Business Analytics- *The Basics*

- ✓ Collect, Organize, and Analyze
- ✓ Observer Effect: Measuring Matters
- ✓ Identify Non-Financial Data Sources
- ✓ Understand Core Data – Garbage In, Garbage Out
- ✓ Lag vs. Lead Measures



Business Analytics- *The Application*

- ✓ This is a business lifestyle; Make it a Habit
- ✓ Create a data-driven organization
- ✓ Valuable Insights come in time
- ✓ Use Leverage to drive performance
- ✓ Integrate into strategic planning
- ✓ Capitalize on growth opportunities and risk mitigation

Session Take-aways

Why does this all matter?

- 1. Getting the project off the ground is more expensive than ever: purchasing an existing business can be a great value**
- 2. Sharing the cost / opportunity: merging with a “strategic partner” can allow your business to grow with minimal cost and risk**
- 3. Understanding your current business: Analyzing your current business in more depth equips you to create new opportunities**

A LITTLE MORE... **FREE CONSULTATION!**

Send us an email (Jeff@NexGenRangeConsulting.com)
and we'll schedule a call to review your project!



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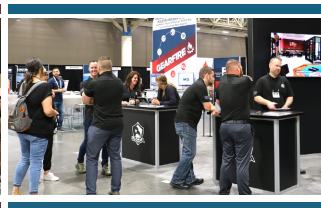


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