

*Readers first for 30 Years*

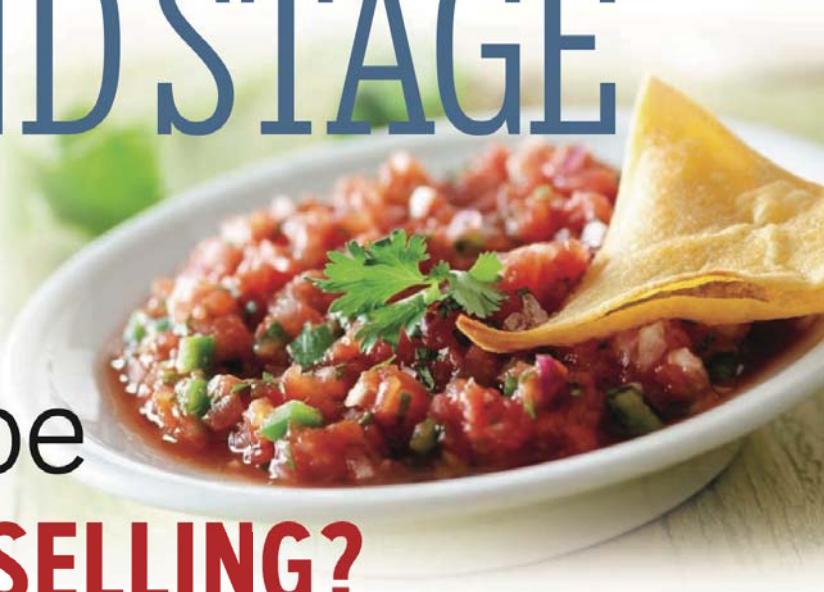
# CRAIN'S DETROIT BUSINESS

OCTOBER 12-18, 2015

**SPECIAL REPORT:**

# SECOND STAGE

**WHEN IS  
the recipe  
RIGHT FOR SELLING?**



**F**or entrepreneurs to sell their companies is no light matter. Like watching a teenager head off to college, letting go of a company built from scratch is an experience filled with mixed emotions and concerns.

This is an experience many owners are doubtless feeling pressure to engage in. That's because valuations are high right now — really high.

"In my 16 years of doing M&A, valuations are as high as I've seen them," said Peter Roth, transactions attorney and partner at **Varnum LLP**.

"You have a lot of private equity money chasing deals, and banks are being loose in lending money. Businesses are trading or selling at high single-digit multiples. ... If selling the business is something that is in your future, now is about the best time to do it."

Aggressive lending is allowing entrepreneurs to get "more favorable terms, creative financing and financing based on cash flow rather than hard assets," said Rajesh Kothari, founder and managing director at **Cascade Partners LLC** in Southfield.

Middle-market deals increased 16 percent in the first half of this year compared with the first half of last year, according to a market update from Birmingham-based **Quartron Partners**. Financial and strategic buyers both have surpluses of capital to spend, making the middle market "highly attractive for sellers," the report said.

That's especially true for compa-

nies with a secret sauce. Those with a proprietary, differentiated product or service "are garnering record valuations in today's marketplace," according to the report.

That would fit the description of this month's featured company, **Garden Fresh Gourmet**, the maker of Garden Fresh Salsa.

While business owners might understandably feel tempted to surrender their cherished companies to this frothy market, they should resist the urge to rush the process for fear the market will change.

Because, as Garden Fresh co-founder Jack Aronson and others explained, time was the factor that mattered most in making them feel good about having sold their companies. They spent the time to find the right buyer that served not just their financial needs — but also those of the company and its employees whom they worked so hard to develop.

And for those concerned they might miss the boat, Roth said that while high valuations won't last forever, he does believe they will remain high into early 2016.

"If you're thinking about selling, start the process now to maximize your value. It's not an overnight process. It could take four to eight months," he said.

At any rate, premature sales are never a good idea.

"If you're not ready, you shouldn't sell your business just because valuations are high," Roth said. ■

# Path to the Garden Fresh deal

Founders took a decade to pick right buyer for Ferndale company

**By Rachelle Damico**

Special to Crain's Detroit Business

The sale of **Garden Fresh Gourmet** will surely go down as one of the biggest deals in Southeast Michigan this year.

But it didn't happen overnight. By the time the sale came, Jack and Annette Aronson had spent 10 years giving an ear to interested parties, including some of the biggest food companies in the country.

The slow, contemplative approach was in keeping with a business the Arons had worked so hard to nurture and grow from the ground up — they weren't going to let it go to just anyone. They'd started making salsa in five-gallon buckets at their Ferndale restaurant, **Clubhouse Bar-B-Q**, in 1997. That same year, they founded Garden Fresh.

Garden Fresh makes refrigerated salsa, hummus and dips. The Ferndale-based company also sells tortilla chips.

The couple, who live and grew up in Ferndale, didn't always plan on selling the family company they enjoyed running for more than 17 years.

"This community has helped us along our whole journey," Jack Aronson said. "We wouldn't walk away from that."

However, Garden Fresh grew so fast that, at times, revenue was al-

most doubling every year. More space was needed for employees, facilities and equipment, including another high-pressure processing machine, which keeps the salsa fresh without needing to freeze it or add preservatives.

"Keeping up with the infrastructure was challenging," Aronson said. "I started worrying about not having enough protection for our workforce if there was some kind of financial emergency."

The company has about 450 employees. Last year, revenue was \$110 million.

Garden Fresh also had signifi-

cant debt, and although that was getting paid off, the company was shipping and producing more than a million units per week.

"I didn't feel like I had enough reserved cash if there was a catastrophe of some sort, like a recall, to stay in business," Aronson said. "My biggest fear was to have to lay someone off."

In 2005, the couple began considering offers to sell.

One interested buyer from a top food company wanted to merge with Garden Fresh. Jack and An-

SEE SALSA, PAGE 42



LARRY PEPLIN

**Jack Aronson** shopped around before finding a buyer for his fresh salsa business, **Garden Fresh Gourmet**.

## SALSA

FROM PAGE 41

nette flew to California and a full day was planned for the couple. However, Jack's mood was soured when he saw a CEO talking down to an employee in the hallway.

"Within 10 minutes of this meeting, I knew we'd never do business with these people," Aronson said. "I wouldn't want anybody on our team treating anyone like that."

Aronson also said the company wanted Jack and Annette to continue to run Garden Fresh, but only with a minority ownership in the company.

"I'd have a boss," Aronson said. "We didn't want that."

At another meeting with a major food company on the East Coast, Aronson pulled out of a closing because the buyer wanted to move the Garden Fresh plant after a year.

"We didn't want the company and the jobs leaving Michigan," said Aronson.

Situations like those, and the fact that many top food companies would not guarantee that Garden



**"When you get to a certain size, to continue to compete and grow you need the resources of a Fortune 500 company."**

Dave Zilko, Garden Fresh vice chairman

Fresh would remain in Ferndale, kept the Arons from considering more offers.

"After that, we said this is distracting and not good for morale," Aronson said.

The turning point came in 2014 when a **Campbell Soup Co.** executive reached out to Garden Fresh partner and Vice Chairman Dave Zilko through email. Zilko did not respond until five months later.

"We were not for sale," said Zilko.

Zilko had flown out to Santa Monica, Calif., for a separate meeting and planned to stop by **Bolthouse Farms** for what he thought was a five-minute meet-and-greet. Instead, it turned into a two-hour meeting with CEO and President Jeffery Dunn of Bolthouse Farms, which Campbell had acquired in

2012. Dunn expressed an interest in Garden Fresh joining Campbell's Fresh division, which sells natural and organic foods.

"When you get to a certain size, to continue to compete and grow you need the resources of a Fortune 500 company," Zilko said.

Zilko became convinced that Garden Fresh should become a part of Bolthouse Farms. He approached Jack and Annette about selling. Zilko had liked what he'd seen, which was a company that had the same values as Garden Fresh. Jack listened — but took his time on the decision.

"It's important to get to know the people you're selling to," Aronson said. "Being in a hurry doesn't give you enough time for the proper due diligence."

Jack and Annette flew out to tour the Bolthouse Farms facilities in Bakersfield, Calif., early this year.

"It was the perfect fit and culture for us," Aronson said. "They had the same values, interest and qualities that we did."

In May of this year, Campbell CEO Denise Morrison flew to Ferndale to visit the Garden Fresh plant. She was upfront that Campbell would invest in Ferndale, retain the workforce and not change one recipe without the Arons' approval.

"I'm really impressed with Denise Morrison, because she's the first big food CEO that has stepped out of that big food box and said, 'We are going to do things differently,'" said Aronson. "I've been in the business long enough to know when I'm really comfortable with someone."

This is no easy accomplishment. Selling to a much larger company comes with its own complications, said Rajesh Kothari, managing director at **Cascade Partners LLC** in Southfield.

"Larger corporations have an identity, operating style, strategy and way of doing business — that's how they got to be as large and as big and, in many cases, as successful as they are. Sometimes that can be harder for the company being acquired to assimilate or fit within that culture," he said.

Market-wise, Garden Fresh couldn't have chosen a better time to sell. M&A lawyers and advisers say valuations are the highest they've seen since before the Great Recession.

Aronson knew that the value of all-natural and organic companies are at an all-time high. Last year, **General Mills Inc.** agreed to buy organic snack and pasta company **Annie's Inc.** for \$820 million. **Hormel Food Corp.**, the maker of Spam, agreed to buy natural-meat producer **Applegate Farm LLC** this year for \$775 million.

"If we were going to entertain that offer to sell, there wasn't a better time than right now," said Aronson.

A closing meeting was arranged in Ferndale. On Aronson's team was Zilko, their accountant, attorney and company partners. All were connections of Jack and Annette's

that they knew they could trust.

"I would not have done one thing differently," said Aronson. "If they triple or quadruple this company, I would be extremely proud."

After agreeing on a number Aronson thought was fair to both sides, Garden Fresh agreed to sell for \$231 million. The all-cash deal was closed June 9.

"We wouldn't have sold for \$180 million or \$150 million," Aronson said. "At the end of the day, they promised us a lot, and they overdelivered on their promises."

For example, Campbell gave Garden Fresh employees a 2 percent raise and beefed up their 401(k) plans.

"We had already given out raises," Aronson said. "They didn't have to do that."

If Aronson had the market winds at his back to aid him, he also had an attitude conducive to getting a good deal.

"Many successful entrepreneurs don't have to sell their business. Those are usually the folks that get the biggest dollars, the ones that don't have to sell," Kothari said. "This creates such an attractive asset that they get really incredible dollars. The seller can dictate the terms and the buyers that are interested in those terms can OK it."

Jack, 62, said he and Annette now have the time to start a foundation and fund more charity work. Garden Fresh funded charities such as the Boys & Girls Clubs, The Salvation Army and Forgotten Harvest.

"If I was 30, maybe I wouldn't have sold," said Aronson, who has been in the restaurant business for over 40 years. "I wanted a little bit more freedom at this point in my life."

Jack and Annette don't plan to sit at home. This month, they plan to launch **Clean Planet Proteins**, a producer of natural, ready-to-eat protein-rich foods that can be delivered to homes or school gymnasiums. Meat stays fresh for up to 60 days using the same high-pressure processing technology used to make Garden Fresh salsa.

"It's exciting to be a small part of something that I think is going to be very big in this country," said Jack Aronson about the demand for organic and natural foods.

The couple also sells a line of microwavable, ready-to-eat stuffed chicken burgers with **Great Fresh Foods LLC**, a Clinton Township company established in 2012.

"I have time now to give it the attention it needs," Aronson said.

Aronson said he has no seller's remorse.

"I will never look back and say I should've kept Garden Fresh because I could've gotten more," he said. "It was the right time, it was the right price, and it was the right people for us." ■



LARRY PEPLIN

Besides salsa, **Garden Fresh Gourmet** also sells hummus, dips and tortilla chips.