RKCA

Midwest Sports Sells to A Leading International Buyer Positioned for Aggressive Growth

THE GOAL
Create a transition plan that positions the company for future success.

THE OUTCOME
When Midwest Sports was approached by a strategic buyer, they turned to RKCA to handle the transaction which resulted in incredible future upswing through considerable stake in the new, high-growth entity.

Founded in 1987 by Greg Wolf and his brother Marty, Midwest Sports has evolved from a brick and mortar tennis supplies shop with a mail-order option to one of the top three U.S.-based online retailers of tennis supplies with the world's largest tennis showroom. The brothers built and ran it together until Greg, CEO and President, bought Marty out in 2015.

A couple years later, Greg realized he needed a transition plan, too. There was nobody to buy him out and no clear successor. Unsure of next steps, Greg took the advice of a trusted friend and board member and set a meeting with RKCA to discuss his options.

Before that first meeting, Greg wasn't sure what to expect. "After running the company for so long in a certain way, I thought I might be embarrassed to have somebody look closely at all my internal processes," Greg says, "RKCA put me at ease right away. They weren't judgmental at all. I knew if we were going to sell the company, we'd select them."

Even though the initial meeting went well, however, Greg wasn't ready to go to market. "The process of selling a company seemed arduous," says Greg. "Looking at a project that big, we kicked it."

The Impetus to Sell
Then, in 2019, Greg was approached by Tennis Point (the tennis subsidiary of SIGNA Sports United), which is the globally-leading e-commerce tennis supplies retailer. They were in the area to speak with a competitor of Midwest Sports, but they asked to meet with Greg, too. Originally, the meeting was scheduled for an hour. It lasted for eight.

"We seemed to share the same thinking and DNA. It looked like a perfect match," says Greg. Even though Greg was pretty confident they had identified the buyer, he knew he didn't want to handle the process on his own. So Midwest Sports formalized their relationship with RKCA.

With RKCA's guidance, Midwest Sports considered all their options, including going to market. Ultimately, though, Tennis Point was the ideal strategic buyer and they were determined to break into the U.S. market. If

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Tennis Point didn't buy Midwest Sports, they'd buy someone else, which would change the landscape of the entire industry.

Negotiating A Deal

With RKCA handling the details, the process wasn't difficult in the ways Greg had expected. For him, the biggest toll was emotional. "There was a lot of back and forth conversation. We'd think we were getting close to an agreement; then it would seem like we were 100 miles apart."

Additionally, as the talks began to really progress, the COVID pandemic hit. All diligence had to be handled via Zoom, internationally, with a language barrier. "Everything was stacked against us," says Greg. "The opportunity to go to dinner after a meeting and build trust and rapport was completely absent. Several times, I grew frustrated and ready to give up negotiations altogether. RKCA kept the momentum going through all of it. I never could have done it without them."

Though Greg had his doubts, at times, that the two parties would reach a satisfactory agreement, the deal closed within a year. He's not only happy with the terms, but is now the president of this subsidiary and gets to help scout his replacement.

"I'm energized to run a new company, take a second bite of the apple. I have a substantial investment in the new company—even my children have a stake—so there's a future upside," Greg says. And the outlook for the new company is promising: Tennis Point has aggressive plans to more than double in size, with 20% per year growth.

Reflecting on the Outcome

While Greg is thrilled with the outcome, he says if had planned his exit strategy earlier, he would have run things differently. He would have started working on the financial checklist and focusing on metrics that matter in a sale, for example. Creating more growth would have been more beneficial than boosting the bottom line.

"As a small business owner, I focused on cash," he explains. "It's how you eat. What I didn't understand was that I should have been focused on value. Cash is wonderful, but I would have reinvested into processes, reporting and growth initiatives that would justify a multiple on revenue."

Greg urges other business owners to avoid the same oversight by starting the dialogue with RKCA early and learning about the process. "Your company is your identity, which makes selling it an emotional decision. It's easy to delay thinking about the process, let alone positioning yourself for

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Even though they didn't plan against an exit strategy, Midwest Sports' data-driven approach to inventory, solid vendor relationships, and strong financial performance resulted in a final outcome that not only promises future reward but also compliments decades of hard work. The new Tennis Point subsidiary is now poised to be a leader across the globe.

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