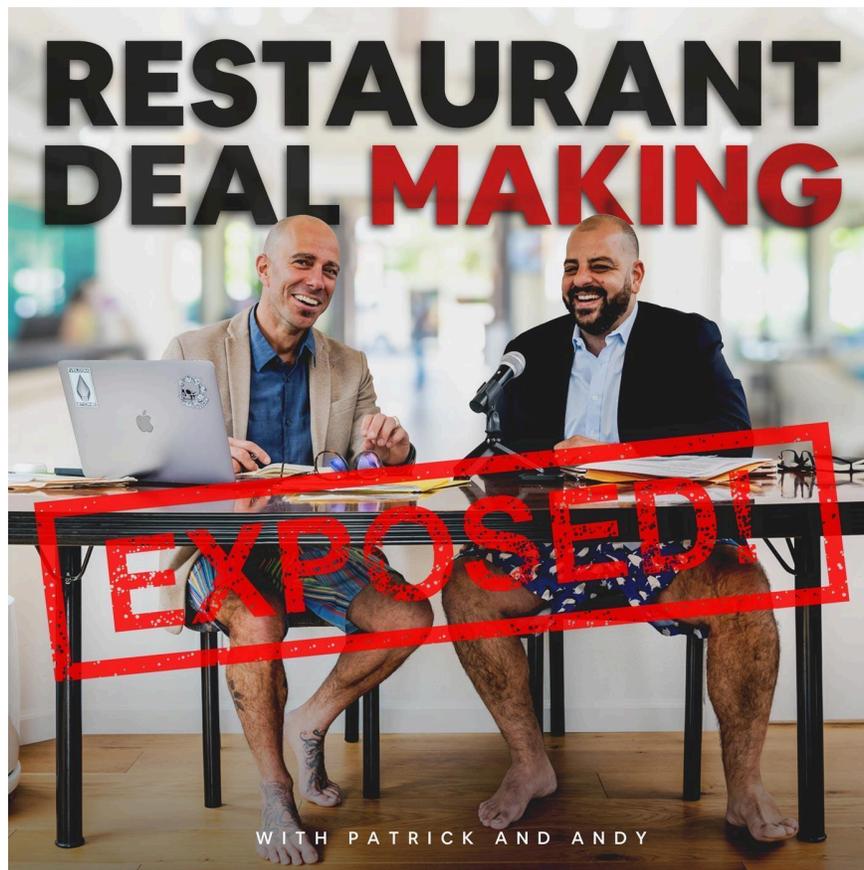


# Ep #48: What Virgin Buyers Want to Know (Part 1) with Drew Butler



## Full Episode Transcript

With Your Hosts

**Patrick Totah and Andy Mirabell**

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Welcome to *Restaurant Deal Making EXPOSED!*, the only show that equips you with everything you need to know about restaurant transactions. In this show, we tell you all about how to make the sale or purchase of your restaurant not just possible, but successful. Now, here are your hosts, ex-restaurateurs, and seasoned brokers, Patrick Totah and Andy Mirabell.

Andy Mirabell: Welcome back to another episode of *Restaurant Deal Making Exposed*. I am Andy. I'm here with my partner, Patrick. Today's episode, "What Virgin Buyers Want to Know, Part One." There are many stigmas and labels society put on virgins. However, purity and innocence are not often traits that a veteran seller or landlord want in a buyer or a new tenant. Being a virgin buyer can often put you at the bottom of the buyer list for many reasons. So today we'll discuss what first-time buyers should know, as well as things they can do to stand out in the crowded pool of buyers.

Today we have guest Drew Butler, the owner and operator of Market Pizza by Drew Butler in Culver City. Drew received his BS from Syracuse University, where he was on scholarship for men's crew. He later began his career as an actor in Los Angeles in 1993. He's appeared in over 60 national commercials, including Super Bowl spots, commercials for Audi and Budweiser, and much more. Drew is a rarity in the pizza world, as his market chose him. While fundraising in a neighborhood for his son's high school football team, several neighbors mentioned that Jackson Market had a pizza oven in back that no one was using.

The market had lost a couple of chefs, and then COVID happened, and the community nominated Drew as their new neighborhood pizzaiolo. And thus, Market Pizza by Drew Butler was born in 2022. So, as you can see, we have a wonderful guest today, Drew Butler. And Patrick, I got to start by asking you a question, though, okay? When did you lose your virginity, Patrick? And no, I'm not talking about anything that's inappropriate here. When was the first time you purchased your own brick and mortar? What stage in life did that happen when you made that big step to buy your own business and location?

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Patrick Totah: Yeah, although I had been in the restaurant industry my entire life, from when I was a young kid getting dragged to work by my dad at his grocery store and deli and all the other family businesses along the way, my first purchase as a virgin buyer was in 2009. And this was with one of the largest landlords in San Francisco, Boston Properties.

Andy Mirabell: You must have looked like small beans to him then, because we're talking about the Embarcadero Towers, right? Or One Embarcadero?

Patrick Totah: We are. And my experience went a long way because I did not have much financials behind me, but I had great experience. And so, God bless them, they gave this little kid a shot. So, yeah.

Andy Mirabell: Yeah. I dealt with a pretty heavy hitter on my first go-around, too, but we've talked about that on other episodes. So please, Patrick, take it away and get this guest introduced.

Patrick Totah: Yeah, Drew, thank you for joining us. I know that we connected on LinkedIn some time ago, and you had some really detailed questions for me. So it's kind of interesting that we're here on the podcast together. Welcome.

Drew Butler: Yeah, thanks, guys. It's really an honor to be here. I do have a lot of respect for what you both do, the value you provide in the restaurant space, especially to someone that's newer. I mean, I'm a sponge when it comes to the business side of things. I like to look at it as my personal area of expertise is the pizza business, and I know a lot about pizza, but I know a lot less about business. So to build up those weaknesses, I rely heavily on books and podcasts and trade magazines and going to Pizza Expo. Four years later now, I feel like I'm kind of now out of not knowing a whole lot, and now I probably know just enough to be dangerous.

I'm just about to get into some trouble. And that's what I reached out to Andy about to write an offer for my first brick and mortar. And I certainly have a lot of questions moving forward, and so that's why I'm here.

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Andy Mirabell: Yeah. And you got your acting legs to fall back on, too, there, right, Drew?

Drew Butler: Yeah.

Andy Mirabell: Just in case you swing too big.

Drew Butler: I find that all of our experience gets us to where we're at. And I have done a little bit of speaking about my getting into the pizza business, and part of it is, what is my background? I have the acting background, which I feel like is really prepared me for the customer service side of things. I don't have a customer service background. I have much more of a technical abilities type of background. So when it comes to acting the part of a jovial business owner that engages in customers, that skill set certainly pays dividends.

Patrick Totah: Yeah, Drew, I would say that having a customer service background, I think customer service comes naturally. I don't think you can teach that, and so you either have it or you don't. And I would assume that you probably do. And so you don't need a ton of experience. If you know how to treat people, like in your everyday life, I think that you can probably be really good at customer service.

Drew Butler: Yeah, I have one thing to say about that. My philosophy is one, great pizza, amazing customer service. But where that focus from customer service came from was on the other side of the counter, right? I'm a foodie type of guy, and when I go to a restaurant, I expect certain things. And then I found myself behind the counter and I'm like, "Well, either you're going to live up to all the things you already know and appreciate, or you're just going to be a fraud." So I really try to deliver that. My wife and I, she's from a restaurant background. Her family owned a restaurant, and so she's an operations girl. And we can't help but sit down in a restaurant.

I mean, last night, we were looking in the open kitchen of a place that we went, and we were like, "Well, that's what they're showing us, right?" Like, they should be showing us something different because that doesn't look like anybody should be looking at it. So it's kind of a blessing and a curse, but it's a lot of fun.

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Andy Mirabell: Yeah. We are all in that boat with you.

Patrick Totah: Yeah. So it's good to have someone here who's a fan, because Andy keeps telling me that we don't have any fans. So this proves you wrong, Andy.

Andy Mirabell: Yes, exactly.

Patrick Totah: All right. So let's get into it here a little bit. What are some of your largest concerns as a first-time buyer that you want to share with us and share with the podcast?

Drew Butler: Yeah, the first question, which is, what are some dos and don'ts when writing an offer?

Patrick Totah: What are some dos and don'ts when writing an offer? Okay. Andy, you want to?

Andy Mirabell: Yeah, I think there are some real basics to that. I think sourcing a professional is a really key thing, right? And so one, a professional, let's just use the niche that we're in, a restaurant broker like Patrick and myself, we have really good background and knowledge of what some of the basic protective terms, language, and contingencies are for to put in a purchase contract. We would obviously specify that towards the particular business or location you're targeting.

One of the mistakes we see, though, is buyers or sellers trying to draft things on their own without representation or, especially, legal representation. So even us brokers, we can't act as a lawyer. So if things are too nuanced, too detailed, we also want to advise you, the buyer, to go, say, "This is above our pay grade. Please bring in a legal partner into this and see what they can help on." So advising you when we can help you and when we can't and try to connect you with the next party is very important. And I think a lot of buyers think they can do it on their own.

Patrick Totah: Yeah.

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Andy Mirabell: I did my first restaurant on my own. And man, it was a great experience for 12 years, but in hindsight, boy, did I make some mistakes on that lease and other things.

Patrick Totah: Yeah, I would also add, like, so as far as like a do is have your have everything prepared. Have all your financials ready. Have a nice resume and something that really shows all your experience, a brief plan. It doesn't have to be one of these 20-page plans that have the pro forma and all that stuff, but like, explain who you are, what your experience is, and what your plan is for a business. And then don'ts right now, just being timely, I'm seeing a lot of people using ChatGPT for their representation for an attorney. They're going and putting in due diligence and coming back to us with this like massive list that is sometimes on point and other times there's a bunch of other stuff in there because with ChatGPT, it can be really a really fantastic tool, but you have to be very, very specific, and you have to code it to tell you. So you're it's tailoring it for this deal. And most people just put like, "What are some due diligence items for a business?" Well, of course, it's going to send you like 100 things that might not be relevant for this particular deal.

Andy Mirabell: Yeah, a dry cleaner is different than a restaurant business, right? You brought up a point previously, Patrick, that having your package, having your house in order as far as your background, your financials, your concept description, all those things, you just can't believe how many times someone says, "I'm really willing to pull the trigger on this. I want to enter an LOI to the landlord to lease this place or buy this business." And we say, "Hey, we're engaged. Let's get this information to the seller," and it's not there. How does that present to a seller or a landlord when there's no DBA, a one-sentence description, the financial statement shows one or two things? It's just, put the effort in because that will really pay off tenfold. Put the effort in. You'll stand out from the crowd.

Patrick Totah: And Drew, like when they're asking for proof of funds, let's say the purchase price is \$250,000. A lot of buyers will come to me and show \$250,000. It's like, okay, I understand that you think this is about the purchase price, but it's about so much more, right? First of all, you have to have enough for the

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purchase price. Secondly, you got to have some working capital. There's the security deposit, first month's rent. You're going to have to pay for your inventory. You're going to have to have enough money for your labor right off the bat. So you can need more than 250 just for the purchase. Then there's the landlord. The landlord wants to know that if everything goes bad, shit hits the fan, that you're going to be able to absorb that for the first six months to a year. So the more money you show is better, especially for the landlord. They're not going to want to give a lease to somebody who's basically like catching their tail constantly. So you know, take that very serious.

Andy Mirabell: Drew, what other concerns really kind of that have you felt when you've, you're like, "I'm going to reach out to this business. This is interesting to me"?

Drew Butler: I mean, I think top of mind and top of concern is really how to determine value and I'm thinking about that either based on revenue or profit. And it's kind of funny because while there could be a lot of revenue, but there might not be a lot of profit. So how do you how do you value the difference between the two?

Patrick Totah: Take it away, Patrick. Yeah, that's a really, really good question. And first, I would say you should definitely have a buyer representation for you from a broker like one of us that could help with that. But just for you when you're shopping businesses, there's two different methods of doing a valuation. There's a going concern is what we call it, and that's basically doing a value on the profit. So if there's \$200,000 of profit, you use like a multiplier and multipliers can go anywhere from in this business, roughly two to three and a half times profit, right? Depending on a lot of different factors: the lease, the location, how much revenue, how much profit, how much intellectual property or intangible and tangible assets. So there's a lot of different factors that go into that.

And then there's kind of a, an asset-in-place method, which is basically either the name, menu, and concept are not included, but there's revenue there. It's a second-generation restaurant. And we do that based on again, the lease and the location and how much revenue, and it's usually a percentage of the

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revenue that is how we come to that conclusion on that. So, I see it a lot of times. I'll have a business with three and a half million dollars of revenue and no profit to show. Is there value there? I would argue that there is. I bought a business that had revenue and not a lot of profit, and I went in there and I was able to double the profit. So just because it's not profitable, doesn't mean there's any goodwill, right? There's if there's a million dollars of revenue walking through that door, that's better than zero. How much of that can you retain?

Andy Mirabell: You love my term in the past, Patrick, my residual goodwill. There is residual goodwill on an asset sale as long as they're not closed. Drew, one question directed back at you. When you, and let me let the listeners know that in our interactions together, Drew, you are highly intelligent, well-spoken, you've done really well in your pizza business, and you're a reasonable human. So when you look at a business, you see a listing and you're like, "This looks appealing," what has there ever been just slap you in the face red flags when you're reading a listing online, on any of the business sites?

Patrick Totah: Any of Andy's listings?

Andy Mirabell: Let's not go there.

Drew Butler: Yeah, it's funny because I think the red flag for me is the fact that maybe there haven't been any red flags. There hasn't been anything that's really like stopped me in my tracks. I kind of have rose-colored glasses, and because I want this next step so badly, I'm probably not looking at things as critically as maybe I should. But that next first step for me is trying to get some information, trying to do the non-disclosure, going in and buy, and testing the restaurant, seeing what the location is, and then seeing what that feeling is like.

Andy Mirabell: You're more visceral then. You need to get in that restaurant and see what see what your gut tells you.

Drew Butler: Yeah, there's no doubt about that. That's been my, that's been the thing that's given me either, the green light or the red light. And I had two of those on a, there was a trip about the first of the year where there was two places that were out of market, meaning like, they were like just farther away

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from where I would normally be thinking about. But I'm open to location as well because what I really want to find is the best situation for me and not necessarily some place that's a block and a half away from my house like my current situation. But one of those places I walked in and it kind of surprised me because I was expecting it to be more, but then I saw the fact that could be like a lot of upside. And then the other place I went into was in an area that I don't think could support the type of pizza that I want to make at the higher end of the market with higher prices.

And their current operation was just completely the opposite of kind of like craft and artisan pizza. It was the place that they take a dough and smash it in a machine. So that gut instinct of just like, "Oh, do I feel like this place has potential? And then there's going to be value added, or does it feel like a heavy lift and like I'm going to have to do everything?" I'll tell you the very first pizza place that I looked at was in an industrial complex by the LAX airport in El Segundo. And I think this was, was this just after COVID? I think it was just after COVID. And I looked in the window and, man, there's this beautiful electric oven back here that I'd been hearing about.

The space looked pretty new, like less than maybe a couple years old. So it was like, it was like a gem. And then I took my wife back on a Saturday, and in this parking lot of 150 spaces, there was two cars on a Saturday afternoon at 1:00. Right? So this office complex that had obviously deserted because of COVID, there wasn't anybody in those buildings anymore. If there are, it's during the week and not the weekend. Plus, there was 10 other food businesses in that place. So, that feeling of like, "Oh, hey, this looks good." And then let's go back and do some more research. And then like, "Wait a minute."

Andy Mirabell: Big picture stuff there. Bigger, more macro observation of it rather than just looking in and seeing the equipment and such.

Drew Butler: Yes. Drew, do you have like somebody that you can like bounce things off, like, like that maybe won't be as emotionally invested as you are, so that they can look at it through the eyes of someone less connected to it? And

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sometimes that helps. Like I have somebody who like is just going to try and break it for me, no matter what. And so that it gives you perspective, and then from there, you can decide whether or not those are deal breakers or not.

Drew Butler: Yeah, I'd say that there's two people that come to mind. One is a real pizza guy, but I've since kind of realized that even though he's got a lot of experience in the pizza business, he doesn't have that quite that same entrepreneurial spirit that's kind of required to go on a limb like this. The other person is my wife. She's been on most of these first looks with me, and maybe even a second look. And I talked to her about it. She has the restaurant experience. I feel like even though this is going to be my baby, it's going to be our kid, no matter how you look at it. So to have her both supportive of what I'm trying to do is definitely, yeah, it's nice to talk to people about this that can offer different perspectives, see things that you're not seeing.

Andy Mirabell: Yeah, this is definitely off-camera talk, Drew, but El Segundo 10 years ago to now, good lord, it has just absolutely changed. I used to live down there and went to Loyola. So when I go down there and I look at those neighborhoods and those restaurants down there, I'm like, "This is a far cry from what it was in the early 2000s." We talked about certain, I brought up, have you seen any red flags in listings, things like this that really kind of raise your eyebrow or? But what about when it comes to the actual listing agent or a seller? Some sellers are listing their business directly. That's not recommended, but they do on Facebook Marketplace and such. And obviously, if you personally reach out on a listing to an agent, has there been any uncomfortable exchanges when you've reached out about a listing, Drew? Or anything that's kind of made you feel less than because you're a first-time buyer or inquiring?

Drew Butler: I would say that in general, the reaching out that I've done personally, I'm kind of always surprised when people aren't like getting back to you at all.

Patrick Totah: Yeah. I mean it almost feels it almost feels like the hiring market where, like, you invite someone to an interview and they don't show up. And the same thing with some listing agents like, you're trying to get some information,

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and they're not providing it. It helps, Drew. I sometimes reach out on behalf of my clients to listing agents, and I'm surprised by how I might not get any response back or I might get a response back a week later. And I understand that they may not want to cooperate with me, but I pride myself on getting back to my clients or even an agent, even if I don't want to work with them, as quickly as possible. I mean, what's, is it that hard?

Andy Mirabell: The underlying tone of lack of cooperation amongst agents can really be a detriment, and the only party that hurts is the seller and the buyer because he can't pursue. But it really just hurts the people that want to get a transaction done. So shame on those brokers. Yeah.

Drew Butler: Yeah. I mean, Andy, I think you called on behalf of a listing that was down here. I had already reached out to them before and then we made our acquaintance, so then I, you know, tried to go through the proper channels and have you reach out versus having someone that's represented by someone kind of doing the work on their own. But I don't know that you got a whole lot of information back from them and then I followed up with them and it's like, it was almost like, did they put the sign up just to get like buyer calls or?

Andy Mirabell: I was getting screened. I know, yeah, it was, it was a, it was, I know exactly what you're talking about. Have you have you encountered any listings where information in a listing or not that seems inaccurate or misleading?

Drew Butler: I won't say that I've seen it in the information that was presented, but as I did have one discussion with one agent, he told me a couple of things that didn't turn out to pan out. Like for instance, I said that I would personally prefer maybe some seller financing, so I don't have to put everything I got in. And then the further that we got along to it, it kind of, I then it was like, had evaporated, didn't it?

Andy Mirabell: Yeah.

Drew Butler: It just it totally disappeared.

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Andy Mirabell: That's fine.

Drew Butler: And that's fine. I know things can change and not all the information is going to be completely flushed out. You might have discussions with someone and say, "Hey, this might work." And by the time push comes to shove, it's like, "No, it's not going to work."

Andy Mirabell: This is and hence, this is why the absolute importance on having a well-drafted purchase agreement and due diligence items clearly stated so we can poke holes in things that don't seem accurate. Patrick, unfortunately, I've noticed once or twice recently with other brokers putting "business SBA approvable" as a very general term, but it's not SBA preapproved.

Patrick Totah: Oh, yeah. That's, it's all in the way that they word it, and you have to pay attention to all that stuff.

Andy Mirabell: A little sneaky. A little sneaky like that because the business, most have not been.

Patrick Totah: Yeah. Yeah. Drew, when we were talking before we started here, you said you had put together some questions. Maybe it would be kind of interesting if you asked me and Andy a couple questions directly from you, because you're, I think it'll be really helpful for any buyers out there listening because they probably feel the same way.

Drew Butler: Yeah, absolutely. Yeah, I wanted to ask, what financials should be available from a seller? For instance, I got the taxes from one guy. I gave it to my bookkeeper and he's like, "This isn't really a good way to judge the business." And then I was like, "Well, yeah, don't people lie to the government?" So.

Andy Mirabell: Yeah, you want to cross-reference those by having multiple layers of financials, right? A lot of businesses unfortunately don't have good P&Ls created. A detailed P&L is a fantastic tool in my opinion, but I need that to match with the company tax return. Sometimes quarterly sales tax reports, reports are good to just to cross-reference that the revenue they're listing is

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accurate and just accurate. And then, this may be more of a due diligence item once you're actually in contract, but digging into their POS directly and exporting reports from there is a useful tool to have. Sometimes you need to draw in payroll reports to double-check labor and bookings like that. So there's a lot of different tools with the financial realm that we can pull in. Some of them can be in the initial stages of vetting a business before you make an offer, and then the more detailed ones typically come in the due diligence period after an offer is entered and accepted.

Patrick Totah: You want to add to that at all, Patrick? Yeah, I would add, I think all of what Andy said, you know, cross-referencing and quarterly sales tax returns and tax returns, I mean, do buyers or sellers want to add more revenue so they have to pay more sales tax? Like, I would think probably not. And then also, although they the expenses may not, there may be like write-offs and all that stuff, the revenue should be fairly accurate, right? Like, people don't want to pay more tax than they have to. But I think one of the best snapshots of a business, which is going to give you the cash flow, is just looking right at their bank statements.

Get like one year of statements, and you're really going to get a sense of where the balance was at the beginning of the month and where the balance is at the end of the month. And are they injecting money into the business to keep it afloat? Is it going negative? How much are, is it growing every month? Is the balance growing or is it subtracting? And I think that gives you a really good snapshot of the cash flow of the business, which is much different than profit or net income. And that's, I think, really important. Cool.

Drew Butler: Should you write an offer on some place you think is overvalued or just wait for a price reduction?

Andy Mirabell: I think that's twofold. If something's overpriced, you should probably and you're really interested in it, then yeah, by all means, put an offer, but you're going to put an offer that the market will bear, and the seller may or may not be reasonable to come down to that. If you're hitting a wall, Drew, maybe you and I have kind of been through this with something where they're

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not necessarily, they're coming down to a certain extent, but they're stuck, and we still value it far below where that commonality is, then I think you've said it out, you've said it very intelligently, "Let's wait for that to come down," because you're confident another buyer is going to look through the same lens that you are. You have to date on that opportunity, and you don't think that business is going to sell quickly because the seller is not necessarily coming down in price or fully reasonable. So I think you already answered your own question on that because you've been through it.

Patrick Totah: Yeah. I think I think you can like, a lot of people don't make offers on businesses that they feel are overpriced and out of respect sometimes for the seller, they don't want to like come in very low. And that's, I think that's a good idea. But you can always make an offer and just say, "This is what I believe is the reasonable offer for this business." And if they don't want to accept it, you say it's a standing offer for X amount of time, and they have some time to think about it because sometimes when you come in there within two to four weeks after the listing is gone live, the seller is probably not ready to take that low offer, but as they start getting further and further along from when they went live and they're not getting any activity, maybe then they're going to start to reasonably think about it.

Drew Butler: Yeah. Okay, that makes sense. This is kind of a landlord question, and the question is, "Do landlords care about our core costs?" I've seen some places where it looks like the rent is like 10% or more, and all the practical advice says 6% to 8%. What do you do with in that situation?

Andy Mirabell: Walk away.

Patrick Totah: Yeah, you're in a rock and a hard place.

Andy Mirabell: Patrick said it. Walk away. If the lease is climbed over the term or the tenancy of the current seller or owner that is selling, and you're taking that over and starting at a rate, even though it's 10-plus percent of the revenue, and you don't, you're not confident that you're going to be able to get it down to that 6% to 8%, you're going to have to walk away. I'd say 99 out of 100 landlords aren't just going to be like, "I understand," and, "Yeah, let's lower the rent

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substantially so you can succeed at 6% to 8%." It's just not going to happen. So the landlords, in many cases, we have fantastic landlords we deal with, we also have deal killers. So if there doesn't seem like there's a much of a negotiation to be had, I think you're wasting your time.

Drew Butler: Okay. So a lot of these questions have kind of been like almost pre-offer, pre-acceptance, like, "Hey, let's let's assume now that we've got something, we've got a deal in place. Now I am going through some due diligence." You gave me some great points on the financials to be pulling, and then what type of inspections are we going to be doing? Am I going to be doing?

Patrick Totah: Yeah, that's a good question. You're going to want to do, if you can, a pre-change-of-ownership inspection because you want to know what the health department thinks of that place. The seller could be in compliance. However, if it's been a while since the last time it sold or the last time it was when the build-out was, the health department may require like a new hand-washing sink closer to where food is being prepared. It doesn't mean the seller's out of compliance, but they may require you as the buyer to do a bunch of new work that they want to have seen change in the business.

The other thing that you want to do is inspect the equipment, the refrigerators, big-ticket items like the compressor for the walk-in or the hood motor. Is that in good shape? And you want someone who is an expertise in those. I would argue, depending on the building and the business, an electrical or plumbing inspection. And what they can do with the plumbing is they can send a camera down into the into the lines down below and just make sure there's no blockages, that the pipes are in good working order. They're not about to like bust out of control and have a big huge expense for you. Those are some things that I think are important.

Andy Mirabell: Yeah, good point on the plumbing. How's your plumbing, Patrick? Anyways, just joke. I have a plumbing issue here. I literally had a restaurant in Sonoma that was built to the tune of \$2.2 million. And in the first year, they didn't resolve a main line plumbing issue, and the smell was coming up through the dining room, killed their business, and we sold it for literally pennies on the

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dollar. And it was a sad, a sad story. Yep, get your plumbing checked, Patrick. Thank you.

Patrick Totah: Oh my God. I am 50, so.

Andy Mirabell: Any more zingers for us, Drew?

Drew Butler: Yeah, I literally think we've worked through my list. I think I have two more questions. One of my favorite questions to ask is, "What questions should I be asking?"

Andy Mirabell: Right? I'm like, I don't know the questions to ask yet. You guys are in the business. You've probably worked with people that like, "Man, like, you know what you know, but I don't know what I don't know." So then are there questions that you can think of that like I should be asking to get myself in a more comfortable position or get myself more along the lines of due diligence? Yeah, I mean, I'll throw in a couple points and maybe Patrick can tap add on to it. The questions are really just related to transparency. The seller should be willing to open up the curtains a little bit and share their financials, whether it be their P&Ls, tax returns, or POS stuff. If they're not, red flag. You definitely need to be able to take a look at their equipment list and lease as a whole. Anybody that's holding on too tight to things, I raise an eyebrow, right? So there's it's not too much of a mystery about what to ask and what not to ask. You just want access.

Patrick Totah: Yeah, I would argue I would say like, sometimes it's not even about the question, it's about how they answer the question. Like, do I really think that every buyer asks this question, "Why are you selling?" And I don't, it's not a really important question to me, but sometimes sellers ramble on about some like crazy thing and it could have been a just a really simple answer. And so you kind of want to see how they answer each question. Like Andy said, if you're asking for financials and that's kind of like you're hitting like a brick wall, why is it so hard? Where's the transparency, like Andy said? So I think it's just, the questions are what's important to you.

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Because depending on what you're buying, if you're buying, like I said, a going concern and you're buying a business that is fully operating, has profit, then you really want to know more about that business and what's pertinent to continuing that operation and making sure you don't mess that up. Whereas like if you're buying a second-generation restaurant, really, the questions are to help you understand whether or not your operation is going to work there, not what they're doing, because what they're doing is probably not working. So you don't really care. You want to know what you're going to be doing there and have questions kind of related to that and to see if you can make that work for yourself.

Andy Mirabell: And watch out for sellers that sell.

Patrick Totah: Yeah. We're not buying on potential, per se. So if they're overselling but they're not profitable or not running full hours of operation and things like this, but you should because it'll work for you, there's also a little bit of a red flag for me there.

Andy Mirabell: Okay.

Drew Butler: That just made me think of like, obviously your agent is going to be spending the most time like talking to either the other agent, so that aren't you guys essentially the ones that could be asking and fielding a lot of these questions?

Andy Mirabell: 100%. We want to hear every thought that comes out of your mind, our client, the buyer. We want you to feel filter us questions and concerns and thoughts. We can help hone those questions. We can be the lead of communication to get the answers back to take some of the burden off of you. And but you're right, we are the ones doing the lead in the communication if there is a buyer and seller broker involved.

Drew Butler: All right. Just two more. Sorry. One, seller discretionary earnings. I've heard you guys talk about it before. When you've kind of said valuing and add-backs, I'm not fully grasping that. I don't need to necessarily have that

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explained, but just I need more of a foundational like, what are seller discretionary earnings and why are they important to me in the bottom line?

Andy Mirabell: Yeah. Patrick can add on to this too, but there's a lot of personal expenses we see run through the business that would not necessarily pertain to you as the new owner or operator. We try to keep this the surface level, the lens that the SBA looks through for add-backs, seller discretionary earnings. We're not just talking earnings before interest, tax, and amortization. We're talking about some of the personal expenses: auto expense, family health insurance, things like this that are acceptable to the SBA. They're acceptable to us also. We may have a little broader swath with what we can consider a valid add-back between broker and client. However, if we start, if it's just starts throwing in every little thing in groceries and all this stuff that are not related to the business, we try to filter that out and not include that as part of the value of the business, and we would most likely advise you on that if we see it being too excessive, okay?

Drew Butler: Okay.

Andy Mirabell: Yeah.

Drew Butler: I have just one more question. It's my bonus question, but I did want to I want to throw a just took my thunder.

Andy Mirabell: You just took my bonus question. I'm kidding.

Drew Butler: I did want to throw a couple bones out to you guys as being someone that's listened and learned, but also reached out to both of you. Patrick, when we spoke a while back about valuing my business, you were very accessible and provided a lot of good value for someone that wasn't even potentially going to be able to be a client. So I appreciate that. Andy, two things for you. I've really leaned into you for advice, and you have been a real expert. So to have you on my team gives me a lot of confidence moving forward. Second, when it came time to kind of pump the brakes on that first deal we were doing, I really felt a genuine caring, understanding, and support for my decision.

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And I appreciate the fact that I have an agent that's looking out for me genuinely and not just looking out for the closing. Those are my kudos to the boys.

Andy Mirabell: We very much appreciate it. That means the world to us. We do, we have walked in your shoes. We have been, we are restaurant, ex-restaurateurs, and we understand the struggle. So this is not about the commission, this is about making a deal that makes sense, right? For all parties involved. Okay, this has got to be quick, Drew. What's your favorite kind of pizza to make? What is your favorite kind of pizza to eat? Can be the same thing. I don't know.

Drew Butler: People used to ask me what my favorite pizza was, and my favorite pizza back in the day was chovy and cheese.

Andy Mirabell: Wow.

Drew Butler: And that's because I would never have to share it. And I wasn't a big sauce guy way back in the day, so literally a chovian cheese was my deal. Now days, I'm probably more in the combo arena, pepperoni, black olives, sausage, onion. That should do it.

Andy Mirabell: There you go. Well, I guess no one was kissing you after your chovy and cheese pizza either, right? And they weren't, you didn't have to share though.

Patrick Totah: My favorite pizza, in case you're wondering, is cold pizza.

Andy Mirabell: Ooh. You're weird. You're fired. Just kidding.

Patrick Totah: Because that means I got some leftovers from the morning to kind of.

Andy Mirabell: There you go. I like it. All right, redeemed. Well, thank you all for listening. Thank you, Drew, for being on this. It was very insightful. We really appreciate your kudos to us, your support, and all of the insights that you brought today. I hope it is useful for other virgin buyers out there to hear this, hear this episode today. If anybody has any questions, you know where to reach

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us. Email us, call us, and we will help where we can. So tune in next time. This is a two-part series. So we will also have another qualified buyer on to ping some questions back and forth with Patrick and myself. Thank you.

Thank you all for listening to this week's episode of *Restaurant Deal Making EXPOSED!* If you're considering selling your business and would like a free consultation, reach out to [patrickAndAndy@therestaurantsalesbroker.com](mailto:patrickAndAndy@therestaurantsalesbroker.com) or visit [TheRestaurantSalesBroker.com](http://TheRestaurantSalesBroker.com) to learn more.