

THEATRE SKAM BUYS A THEATRE SCHOOL:

A CASE STUDY

AS TOLD BY:

Matthew Payne, Executive Director, Theatre SKAM
Kate Rubin, Owner, Kate Rubin Studios

DATE OF ACQUISITION: 2017

LOCATION: Victoria, BC



INTRODUCTION



ABOUT THE BUYER

Founded in 1995, Theatre SKAM is a non-profit organization with charitable status. Theatre SKAM's mandate is to create a living, contemporary, professional theatre, to provide varied and provocative theatrical entertainment for audiences in Victoria and on tour, and to encourage and employ emerging theatre artists.

ABOUT THE SELLER

Kate Rubin has lived and worked professionally in Victoria as a performer, director and theatre educator for 30 years. She owned and administered Kate Rubin Theatre & Drama Studio for 22 years before selling it to Theatre SKAM in 2017.

“Taking over a well-loved, well-attended, and hugely respected school was an easy decision to make.”

*-Matthew Payne,
Theatre SKAM*



Photo: Theatre SKAM Facebook page

OVERVIEW



Photo: Theatre SKAM Facebook page

Theatre SKAM was intrigued by the idea, but at the same time, they “didn’t want to get pigeonholed into a theatre for young audiences category” and initially turned the offer down.

Following a second conversation, Theatre SKAM spent about six months discussing the offer among their staff and with their Board. Exploring the values and reasons they would or would not purchase the business. Eventually, they decided that the acquisition would be a good step for the organization and a way to generate additional revenue.

In 2016, when Kate Rubin decided it was time for her to move on from the Kate Rubin Theatre & Drama Studio to pursue new professional opportunities, she started looking for a buyer to take over her business. Rubin was hoping to find a locally based buyer aligned with the business’s mission to carry on her legacy. “Understanding the Victoria community is important to me, and it’s hard for someone coming in from elsewhere to assess the world here. It’s unique, the arts community here,” said Rubin.

Rubin had been running the business for 22 years and had grown the client base to around 100 students per term. What started as a small, part-time project developed into a significant business. As the business grew, the administrative side of the work became time-consuming, so in 2016 Rubin “just felt like it was time to pass the torch to someone who could take it another step further.”

Rubin contacted a broker and started thinking about local individuals and businesses that she knew personally that might be interested in purchasing the businesses.

“I kept ruminating in my head about people I knew because I’ve been very connected in the theatre community in Victoria for a long time. And then I thought about Theatre SKAM. And even though they’d never said they wanted to run a school, I just kept having a sense that their objectives and how they were moving could be a good fit, so I set up a meeting with the artistic director and the general manager.”

-Kate Rubin, Kate Rubin Studios

MOTIVATIONS

THE SELLER

- Carrying on her legacy in the community while shifting into a new line of work.
- Providing continuity to existing clients.
- Finding someone who could grow the business further.

THE BUYER

- Theatre SKAM had recently lost the space they were operating out of and was in the process of looking for a new space. The acquisition came with studio space.
- Strengthening their capacity to make a positive impact on Victoria's theatre community.
- An opportunity to connect with young artists who could become a source of working artists for SKAM's professional theatre work.
- Generating additional revenue for Theatre SKAM.
- Gaining access to new funding opportunities. Theatre SKAM is a non-profit charitable organization and would operate the business as a social enterprise, transitioning it from a for-profit sole proprietorship. This structure gave them access to grant opportunities that a regular for-profit business did not. The addition of this new social enterprise revenue also increased Theatre SKAM's ability to secure funding for other programming because it demonstrated financial stability.

SELECTION CRITERIA

"... [the broker] came up with a really great contract that gave Kate a little bit more money and allowed us to pay her out over time, so it felt better for us and hopefully better for her too."

–Matthew Payne, Theatre SKAM

- It was important to the seller that the buyer was aligned with the original mission and vision of the business and had relevant industry knowledge and experience.
- The seller preferred local buyers because they understood the unique nature of the theatre community in Victoria.
- The revenue generation potential of the business was a primary driver for the buyer.
- The price needed to be affordable for Theatre SKAM.

ACQUISITION DETAILS

PURCHASE PROCESS

Theatre SKAM reviewed background business information, including seven years of financials.

The leadership team first discussed the idea with staff before seeking approval from the Board of Directors. The leadership team set goals and decided on functional changes that might need to be made to the business after the acquisition. They drafted a purchase budget.

During negotiations, Theatre SKAM consulted a lawyer to review and redraft the Conditional Asset Offer. Both parties finalized the decision to purchase.

Theatre SKAM's team conducted strategic planning and drafted a three-year plan for the business.

DEAL STRUCTURE

The deal was structured as an asset purchase. The price was set at \$18,000: \$4,000 for inventory and \$14,000 for the client list and goodwill associated with the business. Theatre SKAM did not need to create a new legal entity to purchase the business. They brought it in as part of their existing operations.

The purchase was structured as a 2-year vendor financing contract, in which Rubin was paid \$3,250 every six months and 15% of the business's revenue in an earn-out clause. This structure highlighted Rubin's confidence in the business because her earnings depended on the business's success under the new ownership.

TRANSITIONING OWNERSHIP

"[Rubin] was not retained as a manager, officially, but she was there and offered herself to be available to us with any questions. And we did not change the name of the business right away. We continued to operate it as Kate Ruben Drama Studio for about a year. And during that time, we started talking to parents, and the school's location shifted from where it used to be to our space. That was the first step. The change was gradual. And then, there was a big end-of-term presentation with all the classes, and Kate Rubin introduced us. And we shared with that audience that we were acquiring the school."

-Matthew Payne, Theatre SKAM

KEY CHALLENGES

THE SELLER

- Having the patience required to find the right buyer. Rubin did not want to rush into a deal, but she also did not want to spend years trying to sell her business.

THE BUYER

- When they moved the theatre school from the old space, finding a new space that suited their needs and budget was a significant challenge.
- The business was faced with increased costs immediately after the purchase: Theatre SKAM gave the administrative coordinator for the school a raise, the rent for the studio space increased, and they hired a communications coordinator. These were upfront costs that depended on subsequent revenue generation.

KEY SUCCESS FACTORS



Photo: Theatre SKAM Facebook page

THE SELLER

- “Valuing what I had done. That is hard as an artist sometimes to evaluate yourself as being worth something to sell.” - Kate Rubin.
- “I think it's more about the right people, the right place, the right time and having the patience to wait for that moment.” - Kate Rubin. The seller gave herself a date by when she wanted to sell the business, but it was far enough in the future that she could avoid rushing into a less desirable deal.
- Using a local broker who had experience with selling an arts-based business. This was important to the seller because it meant that the broker understood the value of the business.
- Asking for an outside perspective on the deal helped the seller remove her personal biases from the business deal and see the situation more objectively.

THE BUYER

- Having the Board oversight and frequent meetings throughout the processes helped Theatre SKAM's executive team examine whether the business was a good fit for the organization.

LESSONS LEARNED

THE SELLER

- Finding the right broker who understands the unique value of the business was important.
- Rubin learned a lot throughout the process of selling her business about the importance of appropriately valuing arts-based businesses and ensuring their legacy is preserved.
- The seller also emphasized that in selling a community-based business, such as her own, it is important to look for buyers that “are passionate or at least very curious and intrigued and committed to the goals of the particular business.” - Kate Rubin

THE BUYER

- Theatre SKAM reflected that if they had had more business acumen and less personal relationship with the seller, they might have been more tenacious in the negotiation process. However, from their perspective, the value in the trust and personal relationship with the seller was more important than securing a slightly lower price. This is true for the buyer personally and professionally; trust is critical for transferring goodwill and preserving the value of the business.
- Keeping key staff members and the original owner on during the transition is vital. Trust is imperative in a subscription-based business, especially when working with children, so maintaining trust throughout the ownership transition was highly important. This was achieved by keeping as many key staff members as possible, including administrative and teaching staff.
- Use experts. Theatre SKAM advised that it is important to access expert advice in domains with no strong knowledge or strong personal relationships. Putting trust in key experts can save an organization a significant amount of time and money in the long term.



Photo: Theatre SKAM Facebook page

“I really felt like the acquisition of the school was a significant reason Theatre SKAM finally got onto operating funding with the BC Arts Council. We'd been trying for years to get on operating, and the school really raised our earned revenue and the budget as a whole.”

-Matthew Payne, Theatre SKAM

OUTCOMES

Acquiring the business has positively impacted other programming because Theatre SKAM has been able to use it to cross-promote other shows and festivals put on by the organization.

In addition to the cross-promotional opportunities, acquiring the business has opened up access to new grant funding, which has significantly increased the budget of the organization as a whole.

The theatre community in Victoria was happy about the acquisition because they loved both businesses, allowing Kate Rubin's legacy to continue in the community.

Finally, acquiring the Kate Rubin Theatre & Drama Studio has allowed Theatre SKAM to tap into and serve a new demographic. Before the acquisition, they primarily produced theatre by and for adult audiences, but the acquisition has expanded the organization's clientele to include young people.

"I was really, really happy that it was a local company that I knew really well. That I could still be in touch with and or even work for again if I wanted to, it was kind of like a really exciting and rewarding thing for me to be able to say, Here you go. Best wishes! And they were really excited and thrilled to do the same. So it felt very much like a win-win."

-Kate Rubin, Kate Rubin Studios

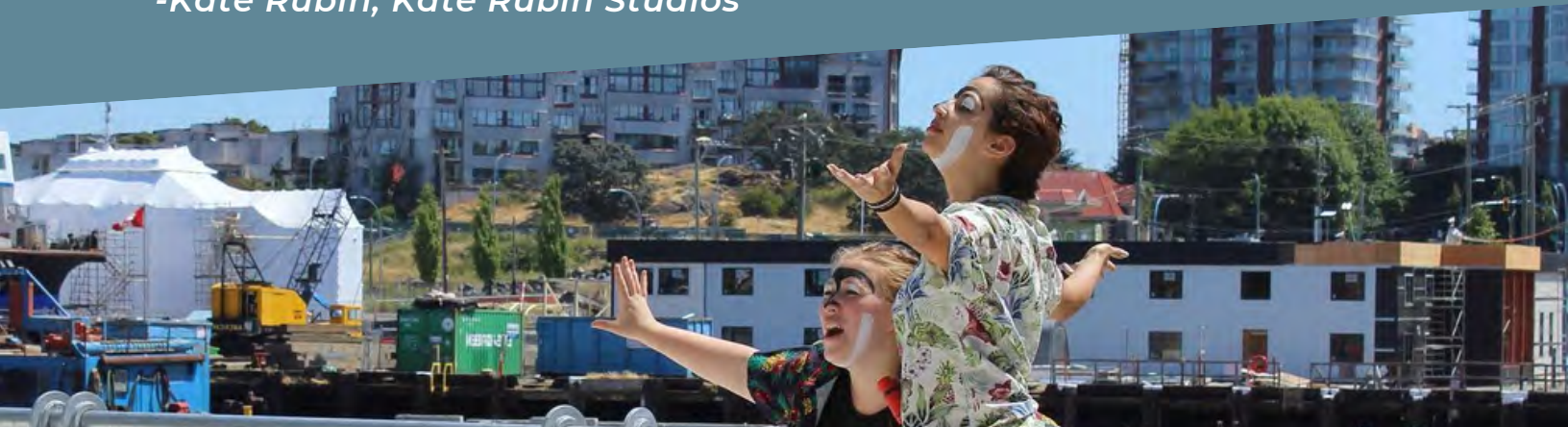


Photo: Theatre SKAM Facebook page

