

“The Perfect Ending”

“Thinking of Selling, Let’s Maximize the Value of Your Hard Work”

Michael McKean

President

OCD Consulting, LLC . . . Braintree, Massachusetts



Every year hundreds of dealerships change hands. Some are sold at fabulous profits, some are given away. You have worked hard your whole life building a business. Your heart, your soul, your sweat, your fears and dreams are embedded in the business you have nurtured for all of your adult life. Your family has grown; your children are on their own paths; soon it will be time to sell your dealership. Why not maximize the value of your hard work? Here are some things to think about.

Time for a little house cleaning.

First impressions mean everything. Let’s make sure your prospective buyers get a good one.

Clean up your facility. You’ve been walking in and out of your dealership for years. You might not have stopped noticing the spots on the carpets, the smudges on the wall, the litter on the desks. When a prospective buyer walks through your dealership for the first time, these things will be noticed. Before you put your dealership on the market, let’s do a first class house cleaning.

Clean up your environment. No deal will close without a clean environmental report. Leasing or buying, a prospective buyer will lose interest quickly if there is any sense of a contamination problem. In-ground lifts, floor drains into dry wells, and waste oil tanks can represent enormous problems. Sooner or later you will have to deal with these issues; sooner is better.

Clean up your inventories. Over aged new vehicles, over aged used vehicles,

obsolete parts, are all costing you money now; they will cost you more money later. More importantly, these issues broadcast one message to every prospective buyer – discount in value.

Clean up your financial statement.

Maybe you don’t mind working with a convoluted statement, but every prospective buyer will think you must have something to hide. Sit down with your CPA, and no matter how painful, clean up the balance sheet and reduce the perks. Blue sky is now, has always been, and in our life times, will always be a multiple of earning. It’s time to puff yours up.

Clean up any unresolved issues with your manufacturers. If you have been put on written notice of some deficiency, facility, working capital, market share, CSI, etc., these issues will carry over to the new buyer and do nothing but depreciate the value of your hard work. Now is the time to face up to the problems and make them go away.

Make the Buyer’s Life Easy. Be ready to sell. Decide in advance what you want to do with your facility; lease, sell, lease with purchase options. Your accountant can help you work through the tax and cash flow issues. If you lease, make sure you have sufficient guarantees and collateral.

Put together a prospectus and a summary of the offering. Full disclosure increases value. Make copies of all the documents and materials a prospective buyer might want to see; financial statements, accountants’ reviews, sales and registration data, CSI reports, equipment lists, bios and compensation of key employees, etc. The more comfortable you

can make a buyer with his decision, the more likely you are to get a bona-fide offer.

In your summary of the offering specifically identify why you are selling, what you are selling, and your justification of the asking price. Include some financial statement highlights, notable awards, milestones and a brief description of the facility. Think like the buyer. What would you want to know? Why is your dealership desirable?

Establish a reasonable price. If your asking price is too high, the marketing time will become extended. Eventually, the perception that your offering is troubled will grow and ultimately you will receive less than if you had started with a reasonable number.

Prepare Yourself and Your Family Emotionally. If the business you are selling has been your life’s work, then this is not as much a business decision as it is an emotional one. You, your family, key employees, and others close to you will be affected by both the process and the aftermath of selling. Be ready for it. Understand that during the process you will have emotional ups and downs. You will question your decision. Not being emotionally prepared to carry out the transaction will put you in a weak negotiating position and you may overlook or chase off your best opportunities.

Visualize your life after the sale. Have a future; one you are looking forward to, already laid out. Have concrete plans in place.

Make sure you have reviewed the tax and cash flow aspects of the transaction with your accountant or tax advisor before you

start the process. Understand exactly what your future economic and income situation will be.

Decide on How Much Help You Will Need. This is not an easy or simple process. Determine in advance who you might want to help you. Your attorney and accountant must be involved but you may want the help of a business advisor as well. Brokers, experienced in automotive transactions, can be useful. They should know the market and process and may have buyers lined up in advance. Avoid brokers who take fees from both sides; buyers and sellers. You need and deserve advice that is not conflicted.

You can request help from your manufacturer but be cautious. Your best interests are not always their concern. Do not sign a blanket letter that allows them to discuss the availability of your dealership with anyone they choose.

Qualify Your Prospective Buyer. You can’t sell to just anyone. Your prospective buyer must meet not only your manufacturer’s qualifications but they need to meet yours. Do they have the cash and credit necessary to close? Do they have the character and reputation that meet your standards? Do they have a history of getting deals done, or are they apt to be difficult to deal with at the closing? What you want and need is a timely conclusion, not a law suit and a headache.

Getting to the Close. Once you have signed a purchase and sale agreement, it’s time to think about closing the deal. You and your buyer have many tasks to complete before you get your check. The most important of these are:

- Factory approval
- Financing

- Conveyance of the real property.

It is important that you and your buyer work closely together in completing these tasks in a timely fashion. A speedy and orderly closing process is in everyone’s best interest.

The factory approval process deserves an article of its own. For our purposes here, suffice it to say that while the factory can have its own standards and requirements for approval, you also have the right, under your state’s dealer laws, to sell your business to a reasonably qualified buyer. While this issue can become contentious and sometimes lead to expensive litigation, there are some things you can do to mitigate these problems.

One, qualify your buyer yourself before entering into a contract to sell. Anticipate any likely objections or problems and be prepared with an acceptable solution or response. Finally, present your buyer to your manufacturer in a positive light. Show your regional manager why it would be in his interest to approve your buyer under reasonable terms.

Summing it up. When selling your dealership there is more to consider than can possibly be discussed in one article but here are some key words to keep in mind; *be prepared, be realistic, get experienced and professional guidance, be proactive, and most importantly, be ready to enjoy your new life.*

Everyday our business is becoming more complicated, more difficult, more demanding, and more competitive but it is also offering more opportunity than ever before. Capitalizing on these opportunities requires courage, vision, and skill. It’s a brand new world out there; let’s go exploring!

*Michael McKean is a lifelong participant and observer of the retail automotive business. He is the President and founder of OCD Consulting, a joint venture partner of O’Connor and Drew, CPA’s. Mr. McKean is a NACVA accredited business valuation analyst. The mission of OCD Consulting is bringing quality consulting services and Customer Based Management Systems to its clients, nationwide. **You can contact us at our web site www.ocdconsulting.com***

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