



# Expanding, Modifying or Selling Your Yard

Presented by: George Metos



# Motivation

- Increase yard efficiency and financial performance
- Increase borrowing power at the bank
- To gauge the performance of managers
- To prepare your yard for sale, whether for short term or long term purposes



# Background on the presenter

## George Metos

- Consulted several years for CRUSH Software, which developed a yard management system for self-service (U Pull It) yards.
- Visited three hundred full and self-service yards, and learned their inner workings.
- Now a business broker, based in Salt Lake City, representing yard owners to potential buyers .
- Put himself through college buying and selling muscle cars and performance parts in the late 70s.



# Expanding or modifying your yard

- Establish a clear purpose, based on evidence that profits will increase
  - To expand inventory
  - To update an inefficient facility, function, or flow
  - To add a business segment such as metal salvage, etc.
- Consult with your local Planning and Development Division to determine requirements. You may be surprised to find that a building permit is required for some of your plans. You may even be required to bring the entire yard into compliance with current laws in order to make any changes that require a building permit .
- If your ultimate exit plan is to sell the yard, consider the look and feel of the yards operated by the chains. How does yours compare? Consider them a target, and while many of their methods are costly to emulate, some are quite easy. Study them.



# Gauging the performance of managers

Improving the performance of your yard is not only good for owner value, but can be an indication of the strength of you manager(s). Typical indicators could be :

- Income (profit). Sounds easy to measure, but could be complicated by capital improvements that take time to be amortized.
- Customer count. This is easy to track, but is not a complete measurement by itself because it does not indicate customer spending.
- Average ticket amount. This is a more tangible indication of financial performance, and increases with good inventory, yard processes, and customer service.
- Top line revenue per employee. Could be a good measure of the manager's ability to employees.



# Increasing borrowing power

- Lenders may only be interested in your bottom line profit. Simple !
- They may only want to see your taxes, P&L statement and balance sheet.
- Lenders do not have the time or expertise to appreciate your “potential”.



# What elements make a yard attractive to a buyer ?

- Revenue and profit. Obviously, a buyer wants to make money at this location, and your positive, money making experience reduce their risk and increase their offer. Potential is nice, but a higher price will be paid for proof.
- Location / proximity to customers who work on cars
- Sufficient acreage: 10-20 acres for self-service, while acreage for full-service yards vary.
- Improvements: grading, gravel, fencing, parking, buildings
- Goodwill, reputation, repeat customers
- Environmentally sound



# What elements make a yard attractive to a buyer ? (page 2)

Reasonable amount of competition in the area

- There are 9,000 full-service yards in the country. 5,000 of them have yard management systems such as Hollander®, Car-Part® or Pinnacle®. One might guess that the other 4,000 are relatively small, and are less likely to be a competitive threat.
- Of the 600 self-service yards in the country, approximately 150 are in the hands of chain operators, such as Pick N Pull, LKQ, Pull a Part, Ecology, and U Pull and Pay.





# How is a value measured ?

A calculation is typically made by the buyer, considering all of the following :

- Buyers may pay a “multiple” 3-10 times your profit (income). This is sometimes complicated by a cash-based business.
- A strong customer count and healthy top-line revenues are an indication that the business is there to be had, regardless of whether you’ve been able to turn a profit.
- Land values, including improvements such as grading, gravel, fencing, storm water system, signage. Traditionally, a study of comparable sales in the area is done, just as in the residential world.
- Buildings. Are they adequate for the buyer? A price is affixed to each building, based on square footage, appropriateness for future use, and condition.
- Heavy machinery, processing equipment, small tools



# How is a value measured ? (page 2)

- Vehicle inventory and warehoused parts. A value must be determined, based on quality of the inventory.
- Goodwill (intangibles)
  - A good customer base is going to be of value to a buyer. A list of customers and their email addresses or cell phone numbers help to establish a new company. A full parking lot is reassuring to a buyer.
  - Permit. Are local authorities willing to continue permitting for this use, or do they have something else in mind in their master plan? How rare is an auto salvage permit in your area?
  - The level of competition in your area helps to determine the availability of customers and vehicles.
  - Non-comp agreement with seller. Buyers don't want you to develop a competing yard within a certain radius for a reasonable amount of time, say 3-5 years.



# Preparing for a sale

- Increase your sales
- Decrease your costs
- Get your environmental reports in order. They are valuable to potential buyers. Be sure that you establish a base line so that buyer cannot claim that their mess was actually yours.
- Curb appeal. A clean yard is appreciated by customers as well as buyers.
- Buyers may or may not like how you've finished your retail area or organized the flow in your yard, but they all appreciate solid buildings, adequate parking, good storm water plans, and an environmentally sound operation .
  - You may be wasting money finishing certain aspects of your yard, only to find the buyer tearing it out. Just like a home.
  - When you do invest dollars into your yard, try to anticipate what a potential buyer might appreciate. It doesn't hurt to use the same fencing as the chain operators, as an example.



# Preparing for a sale (page 2)

- Speak to your city or county authorities about your permit. If you sell, the buyer is likely to want to make changes.
- Determine if the yard needs to then conform to current zoning laws.
- Many grandfathered rights are no longer valid when a party applies for a building permit, or when a business is expanded, or ownership changes.
- Know your local laws.



# Preparing for a sale (page 3)

- Knowing the yard metrics helps your cause:
  - # customers per day (weekday versus weekend)
  - % of customers who actually buy?
  - # of customers per car set in the yard. There is target number for optimal sales.
  - Average ticket price.
  - Cost of vehicles, with and without towing
  - Revenue from cores.
  - # of cats per week. Tracking this number also helps to keep employee theft down
  - Total revenue per vehicle



# The Selling Process

- Get the yard in the best shape it has ever been in
- Put together a professional presentation.
- Sell from a position of strength if at all possible. Don't act desperate. The best way not to act desperate is not to be desperate. Be mentally prepared to continue running the business until the right offer comes along.
- Don't tell anybody anything you wouldn't want a buyer to hear.



# The Selling Process (page 2)

- To inform as many buyers as possible that you're for sale, you can
  - Advertise in the industry magazines
  - Word of mouth
  - Contact any potential buyer you may know
  - Hire professional representation
- Decide whether the sale is private with regard to your employees.
  - How will you handle site visits from buyers and professionals?
- Be ready to respond to the buyers in a professional manner. Be available for discussions and tours.



# Case Studies

(Will also be discussed)





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