

Selling Your Auto or Scrap Metal Recycling Yard

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So you're thinking about selling your auto or metal recycling yard. What can you expect?

The most common question I'm asked by owners is whether I believe their yard will actually sell if they go to the bother of putting it on the market. To answer that question, you can just look at the history of yards that have been acquired in the past decade.

Large metal salvage companies have assembled networks of feeder yards. They may be scrap metal facilities open to the public. They may be U Pull It self-service auto recyclers. Or they may be hybrids of full service yards with a truck scale to buy scrap metal too. Another type of company being acquired is the large, successful full-service yards. These are the yards that have been selling. There are many variations of yard types out there, and beauty is in the eye of the beholder.

Before you put your yard on the market, it makes sense to get the yard in the best possible shape. If you have the time, you would do what you could to clean up the yard and manage the inventory as well as possible. Not all sellers have the luxury of time, or the funds to make adequate changes. This is similar to the process of getting your car or home ready for sale, on a bigger scale.

Once you've made the decision to put your yard on the market, your objective is naturally to get the best price for your assets. The more potential buyers that are contacted, the better your chances are of achieving your goal. It is a numbers game. And of course, you must get to the decision makers.

A comprehensive package of materials describing the investment opportunity is essential to getting to a decision point before the buyer is worn out waiting for you. Also, if you draw out your dealings with potential buyers over several months, it adds to your stress and makes it difficult to control the confidentiality of your marketing effort, if that is important to you. You must be professional in presenting the yard to the buyers. They will have many questions, and if you're not prepared, you may find that they lose interest by the time you gather everything together.

Know your yard. Just as in anything, the more you know about what you're selling the better. If a buyer asks the number of customers through your facility per day, average ticket price, breakdown of metal or vehicle inventory, etc., then it is best if you have the answers.

Buyers will ask about permits, zoning and easements. Know how your local planning and zoning department views yard expansion, modification, or change in business activity. For example, if a chain wants to buy your yard, they may want to put up their customary fencing, retail building, parking lot, and processing facility. This will trigger the requirement of a building permit in most states. Many planning and zoning departments take this opportunity to require property owners to bring their operations and facilities up to code. It makes sense that if you know the position of these planning and zoning departments, you are in a much better position to speak intelligently to a buyer you're asking to cough up millions of dollars.

The number one complaint I hear from buyers is that sellers have unrealistic expectations of the value of their business. Many times sellers ask for a value that has no basis in reality. Serious buyers are not interested in numbers that are chosen just because it is a number that you happen to like. They have businesses to run too, and they can keep growing so long as every purchase makes sense. Just as in home appraisals, the valuation of a yard should consider land, buildings, inventory, profit, and intangibles. There may even be a strategic value if your yard fills the needs of a particular buyer, and if you know enough about your buyers, you may find a way to identify this value. When active buyers have many options, a proper valuation is one of the many things required to keep their attention.

Decide in advance which, if any, of your employees or the public are to know about your attempt to sell the yard. If confidentiality is important, then being fully prepared to minimize the marketing time is essential. A third party negotiator, working with someone who knows the decision makers is another essential element to limiting the number of people involved in the process.

Employees may or may not be replaced by the buyer if the sell is made. Most buyers don't have a staff waiting to replace yours. You and some of your employees may be a key to continued success. You may tell the buyer what you expect in the way of employee retention, or you may ask for their input on employees when it makes sense.

Your best value is attained when you are prepared to continue your business if you don't get the terms that you want. This is true both for your psychological well-being as well as for negotiation purposes.

Don't be surprised if the companies most capable of buying you are looking at many yards. They can't give you all of their attention. Badgering them is interpreted as desperation on your part, and they will feel hounded too. A third party is most often in better position to approach

the buyers because the emotion is taken out of the equation. Also, buyers are usually more willing to give honest feedback to a third party.

In our industry there is a healthy amount of consolidation to go along with the expansion of yards. The well positioned yards are the acquisition targets. The best news of all is that there are bigger fish in auto and metal recycling which are eager for growth. Not all industries are so lucky.

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