

# Know the Value of Your Business

Presented by

## George Metos

October 19 & 20, 2018  
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## GATEWAY TO THE FUTURE

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# About your Presenter

## George Metos

- President of GM Consultants
- Business Broker
- Salt Lake City, Utah

Currently represent owners of auto salvage and metal recycling companies in the sale of their business.

Trade shows I attend: national and state level ARA, URG, PRP, ISRI, tow shows.

Formerly President of S3 Software Solutions, makers of CRUSH® yard management system for self-service U Pull It yards.

Twenty years in software development. Merged my company with a public company.

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# Why Know the Value of my Company?

**Financial planning** – Determine partnership value, budgeting. Family succession.

Take the results to your CPA or financial advisor professional.

**Sell your yard** – Establish a fair asking price.

**Checkup** – Learn what you're doing right to create value, and ways that you can improve.



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# Valuations

**Real estate value** – best to get an appraisal from a state-licensed appraiser

**AND, EITHER**

**Asset value** plus goodwill

**OR**

**Profit** times a multiple

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# Valuations (continued)

**Assets** include parts in the warehouse, vehicles in yard, equipment, possibly goodwill

- Parts will be discounted based on age. Nobody sells 50% of their warehouse.
- Cars in the yard may only have scrap value because the parts are already accounted for in the parts inventory.
- Equipment is based on price a buyer would pay you for it.
- Goodwill is possible if the yard has strategic value or reasonably profitable. Otherwise, this is no different than liquidation value.

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# Valuations (continued)

Profit is calculated from tax returns with adjustments for several factors

- Depreciation and interest
- Market rate rents (must allow for a fair lease rate even if you own the real estate)
- Market rate owner salaries (must allow for a fair owner salary)
- Perks
- Result is **EBITDA** (earnings before interest, taxes, depreciation and amortization). Allows for fair comparison of companies.
- Multiple is applied to the EBITDA. Range is 2x-6x. Increases with EBITDA value.



# Valuations – Other Considerations

## Environmental – Is the yard clean?

- Get a Phase One Analysis – consultant checks public records, physical inspection
- Phase Two Analysis – soil samples are analyzed at a lab. If a lender is involved, it is a likely request.

## Population

- Full service needs a steady supply of vehicle inventory. They have the advantage of shipping nationwide, and brokering with other yards.
- 400,000 within 15 minutes for U Pull It

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# Valuations – Other Considerations (Continued)

## Permitting

- Buyers will ask if the yard is properly zoned. Find out !
- Myth: grandfathered rights is good news. No, it is not.
- What are the master plans for your neighborhood?

## Facilities

- In addition to value from an appraiser's point of view, we must assess the value to an auto recycler. Is the warehouse the right size? Dismantling facilities adequate? Yard size, etc.





# Market Conditions Matter !

Valuations are important, but rely on willing buyers. There has to be a market for anything to have value.

The industry is consolidating. Successful auto recyclers are getting bigger and adding locations. What does this do to the market for sellers?

Short answer: a yard offering something of value will sell. Profit, strategic location, facilities, etc.

Buyers will be critical, especially when asked to pay millions.



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# Market Conditions Matter ! (Continued)

LKQ has approx 230 full-service yards and have built out their network. They also have 80 self-service yards and 200 Keystone aftermarket facilities.

Fenix has approx 13 full-service yards and 4 self-service yards. The change of ownership has slowed their growth temporarily.

Private Equity Groups – just beginning to notice this industry.

Regional powers – several around the country are building multi-yard networks.

Local buyers – seller financing may be necessary. Consider grooming a key employee if there is no other option. You are the best person to find this type of buyer. Probably someone you already know.

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# SUMMARY

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# Thanks for Attending

## George Metos

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*My sincere thanks to you and our sponsors*  
*-- Michelle Lechner, Executive Director*

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