Out and About the Industry

Key Steps and Considerations When You're Ready to Sell. By Mark Radosevich

Over the past few months we've experienced a heightened level of inquiries from marketers who are considering putting their businesses up for sale. This may be prompted by a number of factors including heightened fuel supplier credit requirements, competition or a general sense of long term business uncertainty. Whatever the reasons, a large number of folks have decided that now may be the time to go.

We estimate that there are over 4,500 wholesale fuels marketers across the country. They are comprised of various types and operational configurations including direct retail operators, dealer and commercial supply, and lubricants distributors. They are also heavily represented by multi-generational family businesses that focus on numerous business activities including retail operations, lessee dealer supply, open dealer supply, transport operations and they serve commercial customers through one or more bulk plants. As more and more larger marketers begin to specialize in specific areas of emphasis like store operations or increased fuel volume distribution, the multifaceted jobber will experience higher levels of business volatility and competitive pressure, and will be more compelled to exit the industry.

Marketers who desire to exit will find that the following recommendations should enhance their success:

Focus on the value:
Temper expectations of having a single buyer purchase the business in its entirety. A chain of stores usually has a few winners, some middle of the road performers as well as some dogs. Salary operators will be hard pressed to purchase many of the average stores and most of the dogs. Dealer buyers will generally focus on stores with monthly inside sales volumes above $50,000. Forcing the dogs into the prospectus as an all or none proposition will not garner optimal value for the overall chain. Based upon sales volume and store configuration factors, employ two or more sales strategies to more efficiently divest the chain.

Insisting that the commercial operation be made a part of a single transaction will also inhibit qualified buyer response. This piece and the transport business should be isolated so that appropriate buyers can be recruited. Accurate sales and profitability assessments for these business segments must be made apart from the retail components and with realistic G &A allocations. This may require development of a separate sales prospectus for presentation to appropriate buyers of these business parts.

Consider qualified representation:
Although many marketers feel that they can go it alone and find a qualified buyer for their business. In most instances, having qualified professional assistance to confidentially market the business will yield a higher level of buyer interest and resultant sales proceeds. Properly

marketing a multi-generational business is a full time job. Having a professional handle this work enables the owner and management to focus on what they do best; running the business. The marketing part of the undertaking is just the beginning, the heavy lifting begins once the Letter of Intent is signed and all of the components necessary to insure a successful closing are addressed. Some of the issues to be handled include liaison with one or more fuel suppliers to facilitate brand transfer, lender coordination to insure proper funding and assisting the various attorneys with deal understanding and document preparation. Having a professional run interference on the owner's behalf is usually the difference between success or coming up short with endless stress and aggravation.

Plan for departure:
Begin working a year or two in advance of departure to improve operations including some of the following areas:

- Tighten your dealer relationships including security for fuel deliveries, three day EFT's for payment, and comprehensive fuel supply agreements with a duration no less than the term of the brand commitment.
- For the commercial distribution business: work to obtain some form of supply agreement, enhance the financial security of deliveries, try and tighten credit to net seven day terms. Manage receivables and the aging report well, as this is one of the primary documents a buyer wants to see when assessing commercial gallons.
- For customers served from the bulk plant: try and move margins above twenty cents per gallon, remembering that it costs you between eight and ten cents per gallon for every gallon sold through the plant. Never supply small dealers (that have rack plus pricing) with a tank wagon from the plant.

Being proactive with these items in advance of putting the business on the market will yield a higher level of buyer interest, success and resultant sales proceeds. For any of our industry friends that may be considering their long term strategic options, I invite you to contact me at any time to confidentially discuss your specific situation and to provide recommendations that may help you formulate your final plans.

On behalf of the entire PetroActive Services team, I want to wish everyone a happy and festive Fourth of July. Given the sweltering heat that we've experienced through June, it may be wise to pack plenty of sunscreen and cold beverages for your holiday picnic. We also hope you continue to have a winning summer of 2012.

Possessing over thirty years of petro experience, Mark Radosevich is a strong petroleum industry advocate. In addition to serving on various industry association boards and committees, Mark is president of PetroActive Real Estate Services, LLC, offering confidential mergers & acquisition representation and growth financing services exclusively to the wholesale petroleum sector. Contact him at 423-442-1327, by cell at 423-210-0992 or at mark@petroactive.net