

RECORD-SETTING SPEED OF SHOP'S SALE

Thrills Both Seller And Buyer

Case Study: When all the variables of a well-orchestrated sales cycle coincide perfectly, the happy ending is a fitting tribute to a seller's long career — and a perfect beginning for a new owner.

I sometimes share case studies of the clients I have been able to assist in my role as an aftermarket business broker/consultant and provider of intermediary and advisory services. I do that when I think the story will provide a reader in similar circumstances with new insights or helpful information. In the case of Green Valley, AZ-based Gasoline Alley, I acted in a consulting capacity assisting the owner and broker in valuing the business, creating a marketing plan and helping to find a qualified buyer.

Although every sale of a shop in which I am involved has its own unique set of circumstances — which makes my job both very interesting and very challenging — Gasoline Alley stands out as particularly memorable because everything that could've gone wrong ended up going just right. The deal was done and closed in a remarkably short period of time for a selling price that fully satisfied both the seller and the buyer. In fact, the whole process was completed in a mere 67 days from start to finish.

The Business

Gasoline Alley is a well-established independent automotive service center founded in 2002 by husband and wife team Johnnie and Edie Lake. Consistent sales growth and financial success has been the result of a 15-year history of treating customers fairly, honestly and getting the job done right.

Green Valley is primarily a retirement community with roughly 50% of the population on a fixed income. Most residents have one vehicle and make it a priority to maintain it in a safe and well-serviced condition. The highly trained employees working in the nine-bay shop have the specific repair experience and knowledge to get each customer back on the road with confidence. The business has also built a reputation for classic and muscle car restorations and performance upgrades.

There are five full-time and one part-time automotive technician, one of whom is a shop foreman with 35 years of repair experience who double-checks the work performed in the shop

for safety and quality control.

The Sellers

Johnnie Lake grew up in New Jersey. From the time he was 10 years old, he was racing cars with his dad, who functioned as his mechanic and crew chief. His dream of racing professionally was shattered when he was drafted during the Vietnam War. Joining the U.S. Air Force, he trained in electronics and became a ballistic missile analyst technician at the Titan Missile Sites in Arizona.

To support his racing habit, Johnnie became a mechanic. He has been a



Gasoline Alley former owners Edie and Johnnie Lake (seated at steering wheel) flanked by shop employees

professional mechanic for 45 years. Johnnie also has his pilot's license and has flown for over 35 years — 23 as a flight instructor. Additionally, he loves to ride anything that moves fast: horses, motorcycles, sailboats, race cars, etc. Johnnie races his Ford GT at the Inde Track in Willcox, AZ, Phoenix International Raceway, and Fire Bird Race Track.

Edie was raised in the village of King City in Ontario, Canada. She immigrated to the U.S. in 1986 and

became an American citizen in 2005. Edie and Johnnie have co-written and produced two “mini-burst” (little musicals). She has sailed most of the Great Lakes, loves to fly airplanes, ride horses and motorcycles, create stained glass, play the bass guitar, and fire guns.

When Gasoline Alley, named after the service area at the Indianapolis Motor Speedway, was founded in 2002, Johnnie was on his own at first, working on his back in the old shop. He purchased his first lift in March of that year. Edie remained in her corporate job for another year before she joined Johnnie at the shop. Edie said, “That first year was tough. I think the shop only brought in a few thousand dollars for the year.”

But Edie encouraged Johnnie to do what he loved and build the business. Then, after spending years working to get the proper permits to develop their half-acre of property, construction on the new shop began in 2010. The business moved into the new shop the first week of January 2011. Unlike the old shop, the well-lit, insulated shop included a modern waiting room, restrooms for clients,

a staff lunchroom and a change room with shower.

Johnnie and Edie have been proud to be a part of their community and are honored to serve their neighbors and friends throughout the area. Over the years, they built a successful brand by working hard to earn a reputation for “treating others the way we would like to be treated.”

The last few months before the sale, Johnnie was semi-retired and assisted with periodic restoration projects on older vehicles. Edie worked full time on administrative and bookkeeping tasks.

Edie said, “Johnnie was getting tired of running the business and was just ready to retire, which is what prompted us to sell. The shop was doing phenomenal business. We had wonderful repeat-business clientele and were making good money. We were able to leave with positive feelings. On the one hand it may seem that it’s an odd time to leave when business is up, but realistically it may be just the right time to leave.”

Brokering the Deal

Edie and Johnnie were regular readers of my *Shop Owner* articles regarding selling a business. They contacted me after their shop had been on the market for some time without interest or activity from potential buyers.

Once I was able to review the financials and assess the marketability of the business, I reached out to Lisa Riley, a licensed Arizona business broker with whom I had worked in the past to formalize representation agreements, handle local meetings, obtain buyer financing and schedule closing logistics.

The business was pre-qualified for bank/SBA financing of 85% of the sale price for 10 years to qualified buyers. One of the advantages of using the pre-arranged financing is that a buyer can acquire a desirable business opportunity such as Gasoline Alley with a bank-specified downpayment where the bank will also provide extra working capital financing, if desired by the buyer.



Lisa Riley is president of LINK Phoenix and is a CBI (Certified Business Intermediary), a CBB (Certified Business Broker), the chair of AZBBA (Arizona Business Brokers Association), and the Marketing Chair of IBBA (International Business Brokers Association).

translate to a multiple of the cash flow; so, everything that can be done to present your business with the highest cash flow will directly result in a higher sale price.

“Before Art and I got involved, Gasoline Alley was for sale for some time, but at a price that was too high to generate any interest,” said Lisa. “Once we had completed the analysis and got the business listed at a price to which we all agreed, it just so happened that a pre-approved buyer who had been looking for several months saw the listing within a week.”

The potential buyer had been

pre-approved by Wells Fargo. It turned out to be serendipitous that both Lisa and I were in contact with him.

Lisa concluded, “An important key to a speedy sale is the matching of a realistic seller who understands the dynamics of a properly priced business with a realistic buyer who knows what he or she wants.”

Eddie remarked, “We had waited a year with another broker and did not receive a single call. Once Art and Lisa were involved, it was remarkable how fast everything happened. Within two weeks, we were meeting with the first potential buyer. He signed a purchase contract, and we started the financing and closing process immediately. Just amazing.”

The Buyer

Sometimes it works out that although I am prepared to conduct a nationwide

marketing campaign to attract interested buyers, the shop is ironically sold to someone right in your own backyard. Matt McRae, who was prepared and eager to control his own destiny as his own boss, had been reviewing Internet listings for auto service shops in Arizona on BizBuySell.com. It just so happened that he saw our listing for Gasoline Alley almost as soon as it was posted.

Matt turned out to be the energetic entrepreneur whom Johnnie and Edie had hoped would continue the tradition of quality customer service and reap the potential rewards of growing the operation to the next level. Raised in Hawaii, Matt’s background includes four years of service in the U.S. Air Force as well as accounting and parts and service department experience at various automotive dealerships in Oregon and Arizona. Each job seemed to provide more opportunities, which eventually led to working for a well-known automotive software company and then as a service manager at a Ford dealership.

Matt said, “With about 30 years of experience in the auto service industry and some capital to invest, I decided to exit the dealership world and look into the independent side of auto service. I wanted the opportunity to work in a smaller business environment where the customer is viewed as a partner rather than just as a sales opportunity. So, I



Matt McRae and his son, Aaron, at a football game.

decided to look online for auto service shops for sale in Arizona and found several. A deal for one in Phoenix fell through with the SBA because of some errors in the financials, but then Wells Fargo suggested taking a look at Art’s listing for Gasoline Alley since I was

already pre-qualified.”

Matt continued, “As soon as I met Johnnie and Edie, we just clicked. Their strong business ethics are what I was looking for, and the shop had a great reputation in town. I thought the asking price was a fair one based upon the cash flow. I am committed to the long-term success of this venture.”

The Happy Outcome

As is often the case, the contract committed the sellers to providing some transition training. During this process, Johnnie and Edie thoroughly enjoyed getting to know Matt better as they handed over the reins and spent several weeks with him.

Eddie said, “I was so glad to do it. In a sense, it’s like handing over your baby to someone. We put a lot of blood, sweat and tears into that place over the years. Running a business is a huge investment in time, energy and emotion.”

Matt said, “The transition went exceptionally well. Everything went smoothly. I’m enjoying getting to know my tightly knit group of employees.”

Johnnie and Edie are thoroughly enjoying their new-found retirement and are spending time on home projects that they never had time for before. They are also making plans for travel throughout the western U.S. ✘

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Leveraging more than 35 years of experience as both an aftermarket business owner and aftermarket technology executive, Art Blumenthal LLC provides business intermediary and advisory services to both buyers and sellers of industry businesses of all sizes. Art is a member of IBBA (International Business Brokers Association, Inc.). For more information, or to initiate a no-obligation confidential consultation, visit www.art-blumenthal.com.



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