



Nationwide Automotive Aftermarket Business Broker

Business Valuations • Exit Planning • Buying & Selling Advisor

ART BLUMENTHAL LLC CASE STUDY

Another Installment in the “Be Your Own Boss” Series

Selling an Independent Auto Service Business Utilizing the Services of a Broker

Hermansader’s Garage

400 Kohler Hill Road
Hamburg, PA 19526



Both the psychological and transactional processes involved when an established business is changing hands often create an “emotional rollercoaster” for both seller and buyer. A highly qualified business broker can act as a stabilizing force...to help flatten out some of the precipitous plunges and straighten out some of the harrowing sharp curves...

The Sellers:

Jim and Kimberly Hermansader in well-deserved relaxation mode in the summer of 2012 after selling the automotive aftermarket business owned and operated by the family since 1969.



Seller’s Background & Motivation to Sell

“Am I supposed to just keep working until I drop dead?” is a question many Baby Boomer generation business owners may ask themselves sooner or later. Jim Hermansader, a veteran of the automotive service industry who had spent 43 years...since he was 18 years old and fresh out of high school...in a family-owned business, had to ask the question out loud when he received some pushback from those that challenged his decision that it was time for his business to change hands.

Jim, an ASE-certified technician, and his wife Kimberly owned and operated the seven-bay auto service business since 1980. The business was founded by his father in 1969, with Jim growing up in the automotive service industry and eventually becoming the co-owner with his brother of the independent center until he bought out his brother’s share in 2000.

“The journey we took from deciding to sell, to listing the business with a broker, to finding a buyer, to dealing with the financing requirements of the bank, to actually closing the deal was an emotional rollercoaster for us,” noted Jim. “All of those things occurred within a six to eight month timeframe, but I was talking to business brokers about selling for a couple of years before actually making the final

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HERMANSADER'S GARAGE

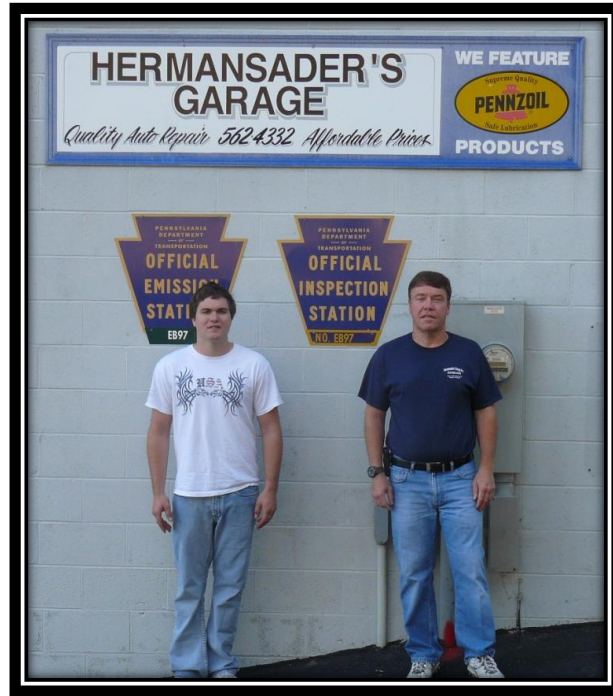
	<p>decision to move forward. So it was a very long ride on that coaster.”</p> <p>Jim and Kimberly had reached a point in life where their children had completed college, their residential mortgage was paid off, and they questioned whether they really needed to spend the energy it takes to maintain and grow a business.</p> <p>“Once deciding that Art Blumenthal was the right business broker for us, Kimberly and I had a sudden change of heart when it came to signing on the dotted line and we backed out. Art understood and was a gentleman about it. A year later, we just had to decide that we had had enough of running the business, that we really wanted to enjoy a retirement, and were ready to sell.”</p>
<p>Backgrounds of the Buyers</p>	<p>Neither Jeff Pettit nor his son-in-law Chris Yost, co-buyers of Hermansader's Garage, have a background in the automotive service industry. Jeff worked as an estimating manager for a company that built truck bodies and Chris worked in the computer field, although Chris has some vocational technical training for auto repair and spent a lot of time working on old cars with his grandfather.</p> <p>Jeff worked for 29 years for the same company. Chris received a Computer Science degree and then obtained a position as a computer engineer for a help desk firm before buying Hermansader's with his father-in-law.</p>
<p>Motivation of the Buyers to Buy</p>	<p>“We wanted to purchase both the business and its real estate because in this market we could buy the property outright for less than we could rent it,” said the co-buyer Jeff Pettit. “But long before we got to that point, it was an ‘emotional rollercoaster’ for me to make the final decision to go into business for myself.”</p> <p>“My son-in-law and I get along very well and have often discussed owning a business together,” said Jeff. “I was in no hurry to leave the security of the firm for which I worked for so long, but Chris was a driving force in making me decide that we could chart our own destiny by becoming our own bosses. Chris found the listing posted by Art Blumenthal on-line and brought it to my attention. He knew that I would only consider buying an established business and this one seemed to fit that bill.”</p> <p>Jeff and Chris recognized the potential to grow the customer base, an endeavor which the former owners had not pursued because they were in retirement mode, rather than business-building mode.</p> <p>Chris admitted that he always had the entrepreneurial spirit. “I always wanted to run my own business. Even though it looked for awhile as if computer science would be my career path, things changed and now I'm in the auto service industry.”</p>
<p>The Business: An Overview</p>	<p>Hermansader's Garage has a reputation for honest and efficient customer service for two generations, resulting in a loyal consumer base and a consistent positive cash flow.</p> <p>Located about sixty miles northwest of Philadelphia in east-central Pennsylvania, this seven-bay, fully-equipped business offered a buyer a unique opportunity for acquiring and growing an established profitable business with strong customer loyalty.</p>
<p>Selecting a Business Broker</p>	<p>Jim said, “I interviewed two other business brokers before deciding to utilize the services of Art Blumenthal.”</p> <p>The other brokers did not make the cut because they didn't seem to fully understand the complexities of selling a longstanding, profitable business. “One guy wanted to put up big ‘For Sale’ signs...red flags to customers, employees and suppliers,” noted Jim. Confidentiality is a key attribute of successfully selling a business and an experienced business broker knows that well.</p> <p>“The other broker that I had to disqualify had deep experience in selling businesses in practically every industry...except automotive service. When I learned that Art Blumenthal specialized in automotive businesses and then interviewed him at our first meeting about how he would handle the sale, I knew he was the right choice. Art was so patient and professional with us when we initially changed our minds about selling. His reaction impressed us,” observed Jim.</p>

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The Buyers:

New owners of Hermansader's Garage, Chris Yost (*left*) and his father-in-law Jeff Pettit, pose in front of their newly acquired business.

**The Business:
What's It Worth?**

"When first deciding to sell, I basically had a number in mind for what I needed to get for the business so I could retire," said Jim.

He continued, "We knew that if we hired some more technicians and committed to a marketing plan, we could grow the business, thereby increasing its value substantially. But the truth is that I was just tired and didn't want to make those commitments, so we established a sales price based upon the actual worth of the business now, rather than on its potential worth."

Art Blumenthal worked closely with the sellers to provide guidance in establishing a sales price that considered out cash flow and other key attributes of our business.

**Scope and Timeline of
Sales Process**

Initially, it was Jim's plan to not include the sale of the real estate along with the business. Art Blumenthal recommended that in this case it might be prudent to list the purchase of the real estate as an option. Although Jim had planned on leasing the real estate as a source of monthly retirement income, it was also pointed out to him that should the business not succeed under new ownership, that revenue stream could abruptly be halted. In the end, both the business and the real estate were sold together in a financing package that made the most sense to all parties involved.

"Once Art had listed the business in the Fall of 2011, the next thing I knew he called and said he had a prospective buyer. I had thought the process would take a couple of years, so the speed in which he supplied a prospect surprised me. The prospective buyers, Jeff Pettit and Chris Yost, came and took a look on a Saturday in October and we had a nice discussion and by Monday Art called and said they had made a deposit. I was both floored and excited by the speed in which things were happening."

"Just as I was getting accustomed to the idea that this was going to happen smoothly and I could go to bed and sleep soundly without worrying anymore, as Thanksgiving approached the buyers suddenly dropped out," continued Jim.

"So we were very disappointed and back to square one...one of those plunges on the 'emotional rollercoaster.' But then several weeks later Art again called and said the buyers were back in the game."

"We then waited while eagerly anticipating the bank's approval of buyer financing. Once it was approved and a letter of commitment was issued by the bank, it was a big relief. We were notified by the bank that a phase one environmental impact study and a business appraisal would be required.

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	<p>The appraisal turned out fine, but the process got scary and delayed as some phase two testing of the soil and water had to be completed. Fortunately, the results came back clean from the environmental company that Art Blumenthal recommended.”</p> <p>“But don't think that ended reasons to worry. Further delays by the bank continued my rollercoaster ride until the closing actually occurred. But at every turn throughout the process, Art was the voice of reason and a stabilizing force to all our concerns.” The closing did take place in May, 2012.</p>
<p>Determining a Fair Purchase Price</p>	<p>“The business was fairly and accurately presented to us by the Hermansader's and Art Blumenthal,” Jeff observed. “We successfully negotiated the price and terms somewhat and Art was very helpful with that in a very professional way.”</p>
<p>Scope and Timeline of Purchase Process</p>	<p>Jeff said, “Once we met with Art Blumenthal and Jim Hermansader and viewed the business and did our due diligence, we felt confident this was the business for us. Leaving my job and the people who I had worked with for so long there took a lot of thought on my part and was an ‘emotional rollercoaster’ for me, but I took the plunge.”</p> <p>“But after my initial decision to purchase, I had strong second thoughts about leaving my job and, as a result, withdrew the offer,” admitted Jeff. “But after five or six weeks of staring at the ceiling nights and thinking about it, I realized that my so-called job security could end anytime anyway...they could close down or lay me off... and I really ought to take advantage of the opportunity. ”</p> <p>The next challenge for the buyers involved the process of bank financing. “For a first time buyer, having a broker involved to calm the nerves of both sides is definitely a plus. I found myself picking up the telephone to call Art and ask questions very often. He helped me out much more than the bank did. He even acted as a communication conduit with the bank. Our experience with the bank was frustrating, with all kinds of issues, but eventually everything came together,” concluded Jeff.</p>
<p>Post-Sale Activities & Observations</p>	<p>The buyers decided to retain the name of the business because of its solid reputation in the community. Jim said, “We maintain contact and are on good terms. After all, it's still my name on the wall of that business and I want it to be a success for them.”</p> <p>Jim recommends to others considering the sale of their businesses to maintain patience during the process and have a business broker that can be counted on for charting the course.</p> <p>Jeff and Chris have each embraced the opportunity to “Be Your Own Boss.” Jeff said, “Much of the work I do now in my new endeavor is very similar to what I've been doing throughout my career...dealing with customers and suppliers and their specifications, providing quotes, handling telephone calls, and so on. I'm so glad that I made the decision to buy the business, even if it took me awhile to make that decision.”</p>
<p>Win/Win Outcome</p>	<p>When interviewed about the recent sale a couple of months after the closing, Jim was in a lounge chair under a shady tree sipping a cold beer.</p> <p>“I was initially a little concerned that the adjustment from the daily grind to a life of leisure would be a bit of a tough one,” Jim conceded. “But now that I'm doing it, I realize I adjusted pretty quickly,” he laughed. “Some serious travel and some serious golfing are in the future plans. I have to become adjusted to scheduling leisure time with as much commitment as I used to schedule work.”</p> <p>Buyers Jeff and Chris have many ideas for growing the business while maintaining the excellent reputation with customers built by the Hermansader's. “Our new advertising and customer appreciation marketing programs have captured new customers for us and we are delighted by that,” noted Jeff. “In addition, we've already added a new employee to handle the new business.”</p> <p>Chris is happy to be controlling his own destiny by owning his own business at a relatively young age and already has plans in mind for expansion of both the services provided and of the facilities.</p>