



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 Auto Service Franchise
Business Utilizing the Services of a
Broker

North Providence Midas Auto Service

1640 Mineral Springs Avenue
North Providence, RI 02904

“After thinking I should be doing a nationwide search to find the right buyer for my business, it took my broker Art Blumenthal to find the perfect candidate from my own hometown!”

...Jim Torres, Seller

“For a first time buyer, having a broker involved is definitely a plus. There’s an amazing amount of legwork involved to get the deal done and you need a guide.”

...Joe Cunha, Buyer

The Closing



Jim Torres and his wife, Vivian (*left*) pass the keys for North Providence Midas Auto Service to new owner Joe Cunha (*right*)

Art Blumenthal, LLC

Direct Line • 610.722.5636

Cell • 610.246.1154

Fax • 240.539.8969

e-Mail • art@art-blumenthal.com

Seller's Background & Motivation to Sell	<p>Jim Torres owned North Providence Midas Auto Service since 1983. Although still in good health and wanting to remain active in the automotive aftermarket in some capacity, he sought retirement from the daily grind of owning and operating a business.</p> <p>Jim said, "I was a District Manager for Midas for a number of years and then I operated 3 Midas locations over a 28-year period. I had worked for Midas in the corporate position for almost 4 years prior to that. I was quite impressed with the company...what they were able to do and their marketing and so on. I was fairly successful and over the years I sold off two locations myself...one was to a partner with whom I was in partnership at a location, and the other location to another former Midas District Manager, who had actually approached me looking to buy a location. So for the next 10 or 12 years I had just the one location in North Providence."</p>
Buyer's Background	<p>Joe Cunha has a classic automotive service background.</p> <p>Joe said, "I have 27 years of experience as an ASE-certified and factory trained Master Technician. I started off in 1985 as a technician and worked as an independent for 9 years at local garages and gas stations. Then I started with an Isuzu dealership in 1994 and worked there for 4 years. Then I went to work for a Buick-Pontiac-GMC-Isuzu dealership for another 4 years and then for a Volvo dealership for 8 years after that. Finally, I worked for a Lexus dealership for 2 years."</p>
Buyer's Motivation to Buy	<p>When asked if there was a specific date that he decided to go into business for himself, Joe Cunha admitted that he always had the entrepreneurial spirit.</p> <p>"I always wanted to run my own business from years back. Even when I was working for dealerships, I had a side business selling log home material packages when the housing market was good, so I had a taste of what it was all about to run a business. Once that real estate rollercoaster ride cooled, I decided to start looking around in my real area of expertise...the automotive industry. At first I looked at some independent shops and then by chance I found Art Blumenthal's website on-line one night doing a Google search. He had hundreds of listings in the northeast, so I contacted him."</p> <p>Joe continued, "In our first conversation, I told him I wasn't really interested in buying a franchise. For one thing I didn't think I could afford it, and also it didn't seem like what I was really looking for. But when he told me about some of the Midas locations he had listed and that one of them was owned by Jim Torres, I became more interested. I had known Jim's sons since I was a kid and when I worked at a gas station when I was a teenager, Jim and his wife would come in at least twice a week. To add even more to the 'it's a small world' scenario, when I worked at the Volvo dealership his wife owned a Volvo and I worked on it."</p>
The Business: An Overview	<p>North Providence Midas Auto Service is an established, profitable turnkey operation with equipment, inventory, and experienced employees in place.</p> <p>Located just north of Providence, the state capital of Rhode Island, this six-bay, fully-equipped business offered a buyer a unique opportunity to live and work in a desirable New England community with excellent demographics and minimal automotive service competition.</p> <p>The business was consistently profitable for thirty years and is located on the 2nd most highly traveled local road in Rhode Island. It is an Official Rhode Island State Inspection Station,</p>

	<p>performing over 1,000 State Inspections per year.</p> <p>Midas is a globally recognized brand and one of the world's largest providers of automotive service, offering total car care including brakes, oil changes, exhaust, scheduled maintenance, tires, steering and suspension services.</p>
<p>Selecting a Business Broker</p>	<p>Jim noted, "I contacted Midas and told them I had an interest in selling the business and they listed it on their website. I also talked with some local dealers, but the process was very slow. Midas has a lot of properties they are trying to control and I didn't really get any one-on-one assistance. The few local dealers that I talked to and one of my employees were interested, but were not in a position to do anything at this time."</p> <p>"So I left it listed for awhile and then Art Blumenthal caught my attention when he sent out a marketing mailing that he was in the business of selling operating aftermarket businesses. As a District Manager for Midas I knew Art Blumenthal back when he himself was quite successful as a Midas dealer. Eventually he went into the software business for many years and although I had never met him personally, I did business with his company."</p> <p>"I gave it some thought and knew that he had a reputation as being diligent and effective in whatever he does. So I contacted him and we talked a couple of different times to get to know each other and I felt comfortable with his approach. I thought it was important to get more of a national view for the business since it is a national franchise. I thought we could probably attract people from other than the immediate area."</p>
<p>The Business: What's It Worth?</p>	<p>Establishing a sales price with the guidance of Art Blumenthal included taking into consideration a variety of factors:</p> <ul style="list-style-type: none"> • Sales exceeded the Midas national average by 24% and were trending upward • Strong cash flow that supported both the bank payments and significant owner compensation • Pre-approved for 85% Wells Fargo Bank financing, with a SBA guarantee • Excellent demographics in the immediate area with homes, condos and apartments – professional, upscale income levels
<p>Scope and Timeline of Sales Process</p>	<p>Jim Torres said, "Art put together a very comprehensive presentation for potential buyers...I was very impressed with it. Over the next months we had some interest from people in California, Florida, and New England. But like selling a used car, you get a lot of tire kickers sometimes and they don't go any further. "</p> <p>"And then some months later...I would guess 8 months into it...Art contacted me and said he had someone from Massachusetts who was interested. As it turned out, I knew who the young man was...Joe Cunha...because he grew up in our little town of 6,000 people. He played ball with my sons when they were kids. So it took Art, a man in Pennsylvania, to put me in touch with someone I already knew in Massachusetts. After thinking I should be doing a nationwide search to find the right buyer for my business, it took my broker Art Blumenthal to find the perfect candidate from my own hometown!"</p> <p>Jim continued, "Plus I knew the young man was very nice with a very good work ethic. So needless to say I was very happy that Art had a potential buyer for me and that it was this young man, who I think a lot of and I think will do very, very well."</p>

	<p>“So Art put us together and we went back and forth and it wasn’t all easy because there are many issues to discuss to come to an agreement on...the financing gets a bit difficult in today’s economy. But I’ve got to say that Art worked very hard on it and was very good in communications with my attorney and the buyer’s attorney and the banks and coordinating everything. I was very pleased with what he was able to do. It was handled in a very professional way.”</p>
Determining a Fair Purchase Price	<p>Joe observed, “My accountant looked over all the financials and we came up with a figure. Then of course the bank also delves into the financials and bases their opinions and offers on cash flow, which needs to be healthy. Finally, we were able to agree on a purchase price.”</p>
Scope and Timeline of Purchase Process	<p>Joe said, “For a first time buyer, having a broker involved is definitely a plus. There’s an amazing amount of legwork involved to get the deal done and you need a guide as the months pass quickly. One of the biggest challenges is dealing with the banks, which are now really tough while protecting themselves.”</p> <p>“It was absolutely a learning process with a million details to take care of. Just one example was the last minute requirement of the bank that I get flood insurance because there is a small river nearby. I would have never thought of that.”</p>
Post-Sale Activities & Observations	<p>A few months after the closing, Jim said, “I am quite pleased with what’s happened...the successful conclusion...and I believe Joe feels the same way.”</p> <p>The sales contract provided that the Seller would provide a minimum of two weeks training after the closing. In addition, Midas as the Franchisor provides classroom training, on-line training and field training in an operational shop.</p> <p>Jim said, “For two weeks I was there every day and for two weeks after that I was there for a day or two if he needed some assistance. It’s now been three months and I try to stop by once a week to see if there’s any mail or I give him a call or he calls me if there’s a question. I want him to be as successful as he can be and I’ll do anything I can to help him.”</p> <p>Joe has welcomed the opportunity to “Be Your Own Boss” and has been able to take a look at the business from a fresh perspective. He has made positive changes, including some new equipment, software upgrades, procedural improvements, and fresh paint.</p>
Win/Win Outcome	<p>Jim has been relieved of the stressful day-to-day responsibilities of the business and can now enjoy more time with his family, traveling, and exploring other options and interests. He has converted his business equity into cash for his retirement and financial security, without the risks associated with Seller financing.</p> <p>Joe is controlling his own destiny, while benefiting from the support of a national franchise organization. By securing long-term financing, he was able to leverage his investment and purchase a well established business with exceptional sales and cash flow. His strong work ethic, automotive and business management skills will enable him to further grow the business and create substantial long term equity.</p>