



Nationwide Automotive Aftermarket Business Broker
Business Valuations • Exit Planning • Buying & Selling Advisor

Art Blumenthal LLC Case Study

Selling When You WANT to Rather than When You HAVE to May Take Patience and Perseverance...

Owners of California Shop Did Everything Right but
Circumstances Beyond Their Control Significantly Delayed
the Sales Process

Orangevale Diesel
Orangevale, CA

*Former Orangevale Diesel owners
Dean and Shelbie Rue with their
faithful dog Lacy.*



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I sometimes share case studies of the clients I have been able to assist in my role as an aftermarket business broker and provider of intermediary and advisory services. I do that when I think the story will provide a shop owner in similar circumstances with new insights or helpful information.

In the case of Sacramento County-based Orangevale Diesel in Orangevale, CA, I acted in a consulting capacity assisting the owners and broker in valuing the business, creating a marketing plan, preparing the Confidential Business Review, and assisting in obtaining financing for the sale.

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, the ultimately successful sale of Orangevale Diesel is one which stands out. That's because the owners did everything correctly in preparing their business for the sale and working with buyer candidates, but were hampered and delayed by circumstances beyond their, or my, control.

Selling a Business is Reflective of the Game of Life

Selling a business to an outside buyer is an unpredictable process. Even when an effective marketing plan is implemented, no one knows for sure how long it will take before a qualified buyer candidate seeking a particular type of business will make an inquiry...or whether that buyer will make an acceptable offer... or even if a contract is signed, whether that buyer will get financing and make it to the finish line.

Like a roller coaster, the process has its ups and downs, twists and turns, and an occasional loop de loop to make your head spin. It can be a relief for a seller when a buyer candidate makes a purchase offer and it can be discouraging if the deal falls through and the process has to start all over again with another buyer.

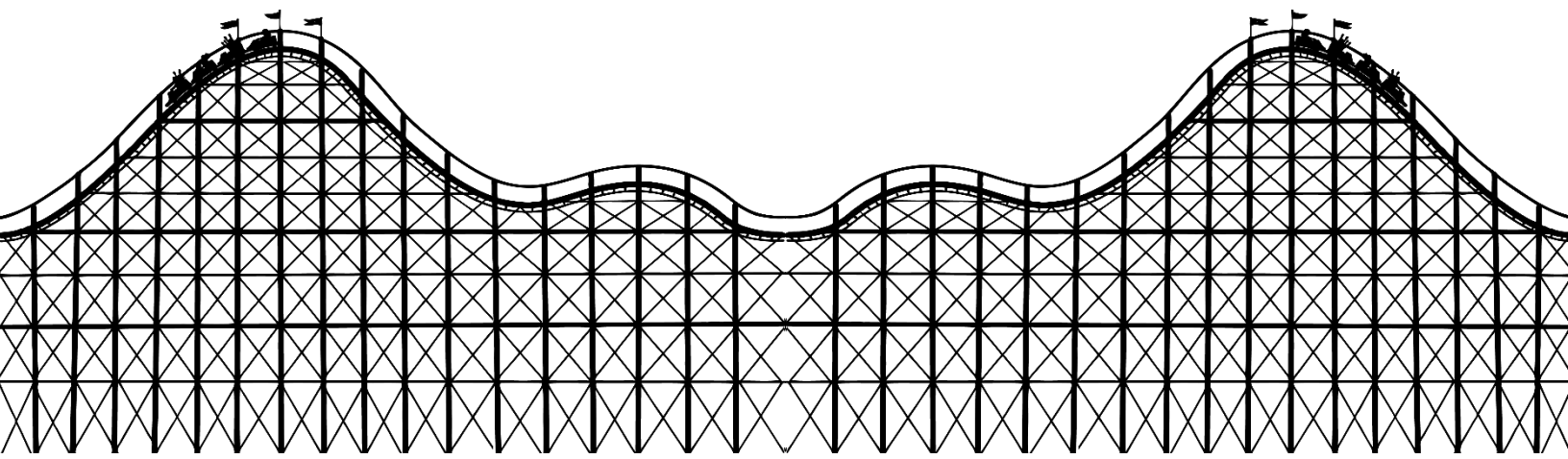
The phrase "back to square one" originates in the game Chutes and Ladders, where the unpredictable roll of the dice can determine your level of progress climbing the ladder towards the finish line, while praying that you can avoid the chutes that slide you back to the road already traveled.

For Dean and Shelbie Rue, selling their business was a 26-month climb to the finish line, but their faith in God kept them going despite a few slippery chutes that lengthened the trip.

The Business

Orangevale Diesel is a well-established independent diesel pickup truck repair center that has specialized in bumper to bumper service on Dodge Cummins, the Ford Powerstroke and the Chevy/GM Duramax since 1990. The business has benefited greatly from the burgeoning light-duty diesel truck market in Northern California.

Their large, 4,800 square feet service facility can accommodate 7 to 9 vehicles inside for maintenance, repair, diagnosis and performance upgrades. The mission of the owners has always been to treat customers with integrity by providing quality parts and service, and their commitment to this mission for 27 years has earned them a loyal customer following in Northern California and from



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the neighboring states of Oregon, Washington, and Nevada. Many of their customers travel over 100 miles for their specialized expertise.

Orangevale Diesel has been successful at building a brand name representing integrity, quality and service through participation at various diesel trade shows and events, especially racing events featuring diesel trucks and the ISE shows. RV shows have also proven to be a great venue, as many RV owners also own a diesel pickup.

Annual sales have consistently produced exceptional cash flows year after year and the business easily qualified for bank financing.

The Sellers

Dean Rue, along with his wife Shelbie, started Orangevale Diesel in 1990 after working in the diesel arena for over 15 years. Dean and Shelbie are all about utilizing old school ways with cutting edge technology.

Dean has been married to Shelbie for 36 years and enjoys camping, dirt bike riding, fishing, kayaking, and going shooting with Shelbie and their daughter and son-in-law. Dean is involved in the Men's

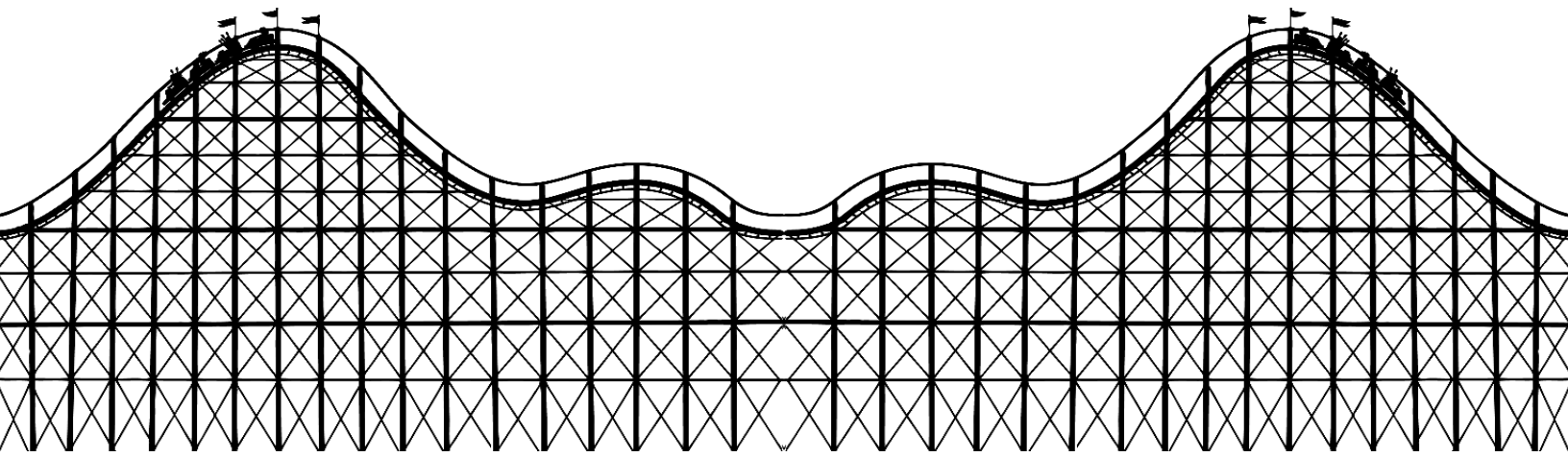
Ministry at his church and other community outreaches. He has also been a very involved Board Member of the SJUSD's High School Automotive Program for about 20 years.

They started their own business from scratch in 1990 when realizing at the time that a gap existed needing to be filled between Ford dealerships and their ability to service diesel pickups. While they owned the business, Dean Rue primarily functioned as the Service Manager, with approximately 30% of his time spent diagnosing and repairing customer vehicles. Shelbie Rue handled the front counter, including greeting customers,

answering phones, ordering parts, booking out customers, helping with advertising and truck shows and performing various administrative tasks.

The early years had their share of months when it was tough going, but as Shelbie said, "Our God was completely trustworthy (Proverbs 16:3)."

Dean noted, "As word of mouth spread the news of a diesel pickup specialist in the area, and as we attended trade shows to market our services and



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became known for promoting diesel pickup drag races, things began to snowball and the business began to thrive.”

In 2014, Dean and Shelbie made the decision to sell the business and seek new opportunities. They had weathered the shifts in the industry and the economy and come out of it all stronger. They wanted to sell the business to an energetic entrepreneur wishing to continue the tradition of quality customer service and reap the potential to further grow the operation to the next level.

As Dean said, “A small business owner is a CEO. The CEO’s of most corporations have a tenure of 4 to 7 years...never for over 20 years. I would like to find something else to do, maybe industry-related or maybe not...perhaps outside sales or teaching.”

Shelbie said, “Now that the business has been sold, we are waiting to see what doors God may open for us. As for me, for a while I’m going to start doing some things at home that I never had time for before, all the deferred projects like digging in the garden dirt.”

Preparing the Business For Sale

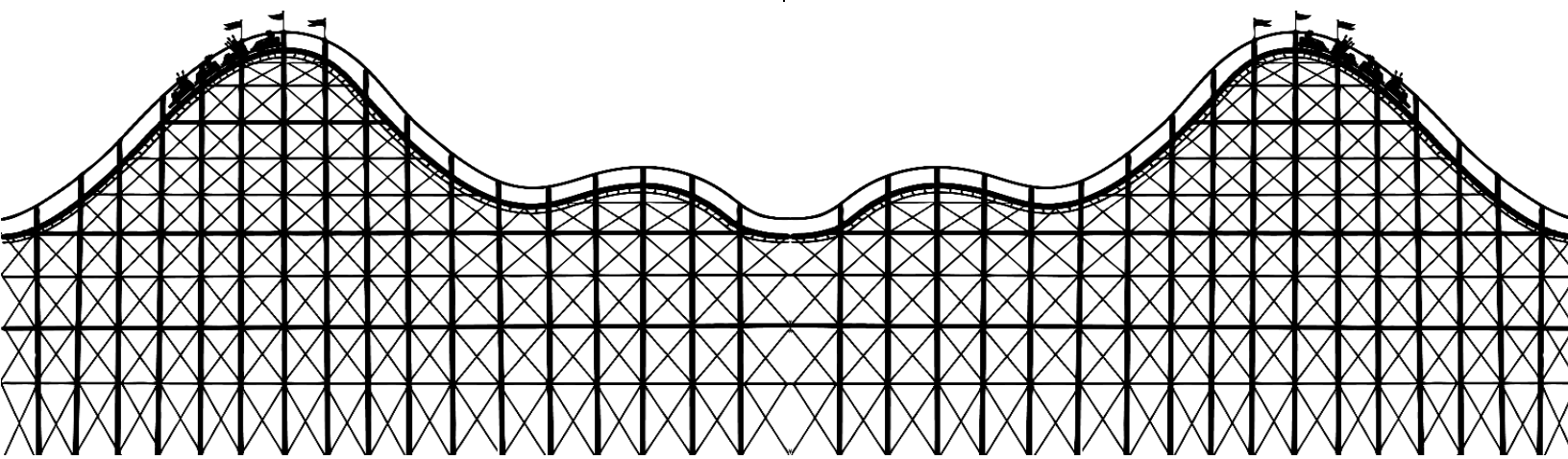
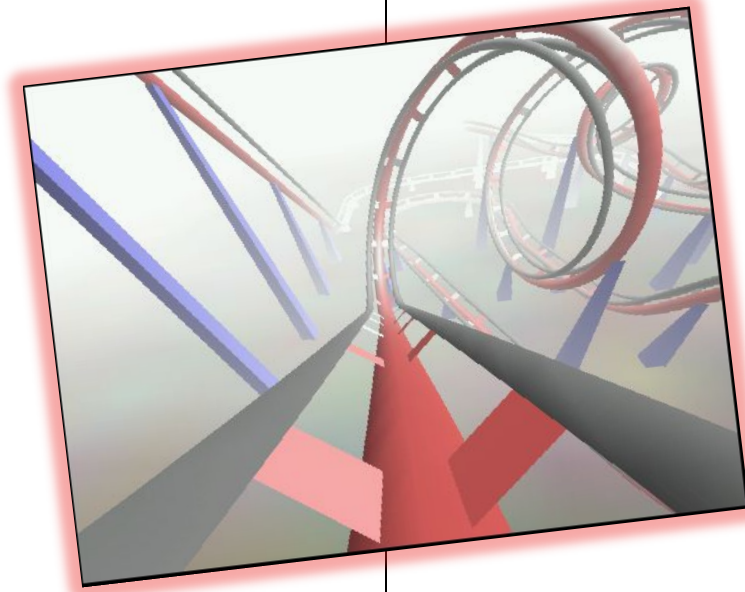
After researching and interviewing business brokers who are not automotive-specific, Dean read some of my articles and took the added step of completing the “Sellability Score” questionnaires on my website. “Sellability” is a powerful indicator to a responsible business owner who should be able to answer these questions:

- If you wanted to, could you sell your business today for a number that you’d be happy with?
- Is there anything that you could be doing each day to make your business more valuable?
- What steps can you take to reduce the number of hours that

you work, while simultaneously boosting the profits and the sellability of your business?

Dean and Shelbie Rue were operating their business with impressively consistent revenue and cash flow.

Dean said, “We were really working at it because we wanted to ensure that we had something valuable and appealing to sell.”



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In addition, one of their three technicians was trained to cover when they went on vacation. Businesses that don't have an employee who is capable of running the business independently can be tougher to sell, since buyers who don't have significant relevant experience will worry about having an employee stay on who can run the business well and who has direct relationships with most of the customers. They worry that the customers will go elsewhere if the old owner is not there and the new owner doesn't seem as capable.

Patience and Perseverance

Due to the confidential nature of a business sale, it typically takes longer to sell than a house or commercial real estate. A business broker can advertise your business while maintaining the confidentiality of your business name and specific location, but obviously you don't want a big "For Sale" sign placed on the building.

On average, most businesses are sold within four to twelve months. As a specialist in the automotive aftermarket, I am constantly searching out new buyers and many are approaching me looking for business opportunities.

In this case, despite doing all the right things, it took much, much longer to sell Orangevale Diesel.

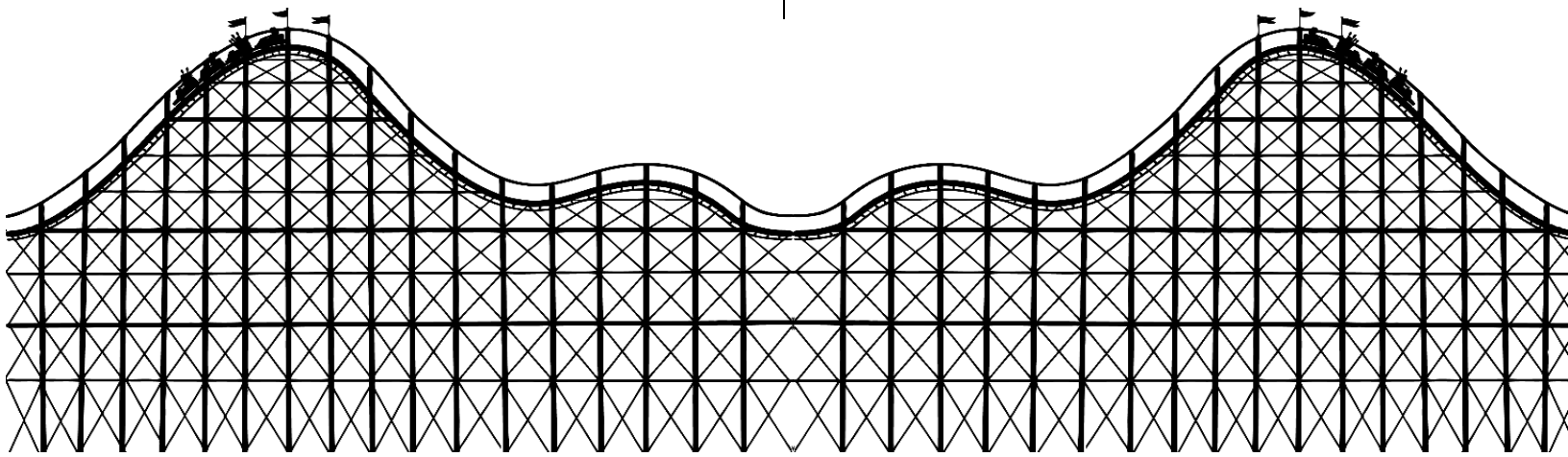
Sometimes that happens because there is a shortage of buyer prospects looking for a particular business, but in this case the extended time period was compounded by having to go through several months of the due diligence and financing process with multiple buyers before the "perfect" buyer came along, got his financing and made it to the finish line.

I often inform my clients that, unlike selling a house or other real estate, an automotive business will be viewed by a buyer in terms of its "cash flow," and the potential income stream will be compared by buyers to other investments in the marketplace. Healthy cash flow means you can sell your business when you want to, rather than when you have to.

It was reasonable to expect that it might take longer than usual for this aftermarket shop to sell

because the business is very specialized – to the point that very few buyer prospects have extensive experience in diesel engines and would be more inclined to pursue more generalized auto service opportunities instead.

There were two potential buyers with whom we went through the whole long, involved process of ramping up and getting under contract before the third and final buyer was found. The first potential buyer did not have the support of his wife to purchase the business and it led their decision to get a divorce. After several months of unsuccessful mediation about the disposition of their house and other marital assets, the bank/SBA could not approve the loan and the buyer had no choice but to withdraw his contract. After this long slide down the "chute", we had to start all over again.



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The second buyer candidate was a young entrepreneur who wanted to be his own boss and was going to receive some financial support from his father. Contracts were signed and the bank began their review of the buyer's qualifications. The SBA has strict standards on a buyer's personal background and unfortunately this candidate had an incident on record from his past that could not be overcome and the bank turned him down. Another unlucky slide down a chute and it was back to square one. By this point, after such disappointments, many owners would have concluded that selling their business was just not meant to be and would probably have taken a

break or taken the business off the market. The danger of doing that, of course, is that the perfect buyer could come into the market looking for an opportunity just as you removed it from consideration.

As Shelbie understandably remarked, "Boy, was that a test of faith and endurance."

This is where patience and perseverance paid off for Dean and Shelbie. The third and final candidate owns a similar business with his father about 20 miles away and turned out to be the perfect buyer. The successful closing took place about two and a half years after the initial listing.

Shelbie and Dean living happily ever after.



Leveraging more than 30 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