



Succession Planning: What's YOUR ENDGAME?

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Subjects to be discussed

What's Your End Game?

Getting Your Financials
Ready

Surging Up the Future

Shifts in Business

What Are You REALLY
Selling?

The Right FIT



Options?



- Liquidation
- Keep the Business and run with SIC
- Keep the Business in the Family
- Sell to Manager/Employees
- Sell Business in the Open Market
- Sell to another business

Options?



- **Liquidation**
 - ✓ Simplicity
 - ✓ Lowest ROI
 - ✓ Creditors have first claim

- **Keep the Business and run with SIC**
 - ✓ Smooth transition by grooming
 - ✓ Allow you to keep a hand in
 - ✓ Make more \$ over time

Options?



- **Keep the Business in the Family**
 - ✓ Smooth transition by grooming
 - ✓ Allow you to keep a hand in
 - ✓ Make more \$ over time
 - ✓ May not have skills or interest
 - ✓ May not approve of Mgmt.

- **Sell to Manager/Employees**
 - ✓ Can thrive/new enthusiasm
 - ✓ Long term buyouts/ motivate
 - ✓ Assets & goodwill create value
 - ✓ Not all are qualified
 - ✓ May not approve of Mgmt.

Options?



- **Sell business in the Open Market**
 - ✓ Profitable biz should attract buyers and sell quickly
 - ✓ Assets & goodwill create value
 - ✓ Low profitability make it hard to sell
 - ✓ Price lower than expected
- **Sell to another business**

How Do You Decide?



Three Step Process

1. IDENTIFY your most important objectives
2. VALUE Your Business
3. EVALUATE the TAX Consequences & Strategies

How Do You Decide?



1. IDENTIFY your most important objectives

✓ **Financial**

How much money will I need from the sale of my business to assure financial security?

✓ **Non-Financial**

“I want the business to stay in the family” or
“I want to stay involved”.

✓ **Internal & External** considerations also impact your decision “Trusting company to others” or the business/market
WEAK.

How Do You Decide?



2. VALUE Your Business

- ✓ Determine its Marketability

How Do You Decide?



3. EVALUATE the TAX Consequences & Strategies

- ✓ Most Tax minimizing strategies take years to fully implement.
- ✓ Often linked to person you are transferring it to.

The Facts!

Many Automotive Repair businesses are never bought or sold, or successfully transitioned to new leadership. That's because the founders fail to focus on what builds true market value, or a duplicatable model.

As we know all too well, the owner is typically “working in the business” instead of “working on the business”, which results in the business becoming too dependent on the owner.

The owner is the **SUBJECT MATTER EXPERT** that everyone, including customers, rely on.

The Facts!

To build a sustainable, expandable, and sellable business, you should focus on these value-creating activities:

- ✓ Create a repeatable, consistent, service offering that does not rely on you – The Owner.
- ✓ Generate re-occurring revenue, positive cash flow, and strong profit margins, with strong marketing plans and sales processes.
- ✓ Systemize your processes and procedures to ensure predictable and repeatable results
- ✓ Build and retain a cohesive, top-talented team, with strong fundamentals and extraordinary culture.
- ✓ Groom the leader who will sustain your business if you disappear suddenly – The Second in Command.

Get Your Financials Together

Documents Needed

Business Tax Returns

- ✓ Last 3 years
- ✓ All Toys Removed
- ✓ Total Transparency

Financial Statements

- Business & Personal Financial Statements
- ✓ P & L's
 - ✓ Balance Sheets

5 Yr. Projections

- ✓ What's Your Win #
- ✓ Annual Growth Projections
- ✓ Plans to Match
- ✓ Efficiency/Capacity

Business Valuation

N.O.P. (Bottom line and owner's salary (expensed) if not part of production)

+ Interest Expense

+ Depreciation

+ Amortization

+ Toys

+ One Time Expenses

+ Discretionary N.O.P.

= Owners Cash

(Average of last 3 years) Multiply
times 2.5 = Sale Price

Having a business valuation completed on your business does a lot of positive things for an Owner:

1. Gives a baseline value.
2. Brings missing pieces in the business to the surface.
3. See what's involved in "selling the business" while preparing for valuation.
4. Allows you to start crafting your "story" for the bank, a buyer, a partner, anyone who may invest in the business.

Business Valuation

N.O.P. (Bottom line and owner's salary (expensed) if not part of production)

+ Interest expense

+ Depreciation

+ Amortization

+ Toys

+ One Time Expenses

+ Discretionary N.O.P.

= Owners Cash

(-Manager/Advisor Wages)

Multiply times 2 = Sale Price

Having a business valuation completed on your business does a lot of positive things for an Owner:

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Business Valuation

Sale Price does not equal walk
away money!

Selling Price (100%)

- Broker (10%)

- Debt (10%)

- Taxes (20%)

= Walk Away (60%)

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6 Ways to Increase the Value

1. Brand & Reputation

- ✓ Strong Local brand increase sale price

2. Location & Market

- ✓ Growing population
- ✓ Higher socioeconomic areas
- ✓ Larger potential markets



6 Ways to Increase the Value

3. Management Team
 - ✓ Tenure, experience and PERFORMANCE (Sales MGMT)
4. Workforce & Operational Excellence
 - ✓ Play Book & Black Book
 - ✓ Organizational Chart
 - ✓ Staffing & Hiring



6 Ways to Increase the Value

5. Facility & Equipment
 - ✓ Upgrades & Replacement will cost you
 - ✓ Electrical, Plumbing, and Remodeling also
6. Opportunity for Growth
 - ✓ 5 Year Forecast for Sales and Profitability
 - ✓ Based on Marketing, Sales & Financial KPI's, and Capacity



EXIT



Suring Up the Future

The **GOAL** of “Suring Up the Future” is to get your business in a position to **run effectively without you.**

The **SUBJECT MATTER EXPERT.**

People 🔑

Sales & Financial 🔑

Continuity 🔑



Suring Up the Future – People



Redefine Your Role

- ✓ Make Your List
- ✓ What do you want to keep
- ✓ Create two lists of Responsibilities & Job Descriptions



Identify Successor

- ✓ Owner or Second In Command
- ✓ Determine if RIGHT FIT
- ✓ Test them



Determine Mentoring Process

- ✓ Owner - How built it and how long?
- ✓ SIC – How grow it and how long?

Suring Up the Future – People



Create an Organization Chart

- ✓ Roles Needed for Shop to Perform
- ✓ Skills & Competencies Needed
- ✓ Who Currently Fills
- ✓ Future Roles Needed – 5 Year



Job Descriptions & Plan 4 Each

- ✓ New Management - SIC
- ✓ Service Advisors & Managers
- ✓ Technicians



Metrics for Performance

- ✓ Managers & SA's – Sales & Profits
- ✓ Technicians – Productions/Sales
- ✓ Set Expectations & Begin Training

Suring Up the Future – Sales & Financial



Design Budgets/Bill Schedule

- ✓ Budgets for Sales/ 5 Yr. Forecast
- ✓ Budget for Wages
- ✓ Budget for Purchasing
- ✓ Pay Schedule for Expenses



Identify a Second Check Signer

- ✓ Oversee Payroll
- ✓ Purchases and Paying Bills



Document Critical Banking Info

- ✓ Bank location & Personal Contact
- ✓ Account Names & Numbers
- ✓ All Sign On Info for Online Banking

Suring Up the Future – Sales & Financial



Document Critical Payroll Info

- ✓ All Employees and Comp Plans
- ✓ Payroll Company Contact Info
- ✓ State & Federal Tax ID #'s
- ✓ State Unemployment Tax ID #'s



List of ALL Preferred Vendors

- ✓ Account Rep. & Contact Info.
- ✓ Account #'s, Limits, & Terms
- ✓ Usernames & Passwords



Plan for Tax Time

- ✓ Accountant & Appropriate Docs
- ✓ Mon., Quarter, Year End on Calendar
- ✓ Process for Paying Taxes

Suring Up the Future – Sales & Financial



Measure Business Performance

- ✓ All Key Performance Indicators
- ✓ Staff Expectations/Sales Mgmt.
- ✓ 5 Year Projections
- ✓ Business Improvement



Marketing Plan

- ✓ GEO, DEMO, & Psychographics
- ✓ Daily, Weekly, Monthly, QTR, YRLY
- ✓ Measurements & Response Rates



Business Debt/ Lines of Credit

- ✓ Loans, Leases, Credit Cards - ALL
- ✓ Total, Payment Amount, Due Date
- ✓ Company, Contact Info, Sign-On Info

Suring Up the Future – Sales & Financial



Business Utilities/ Bills

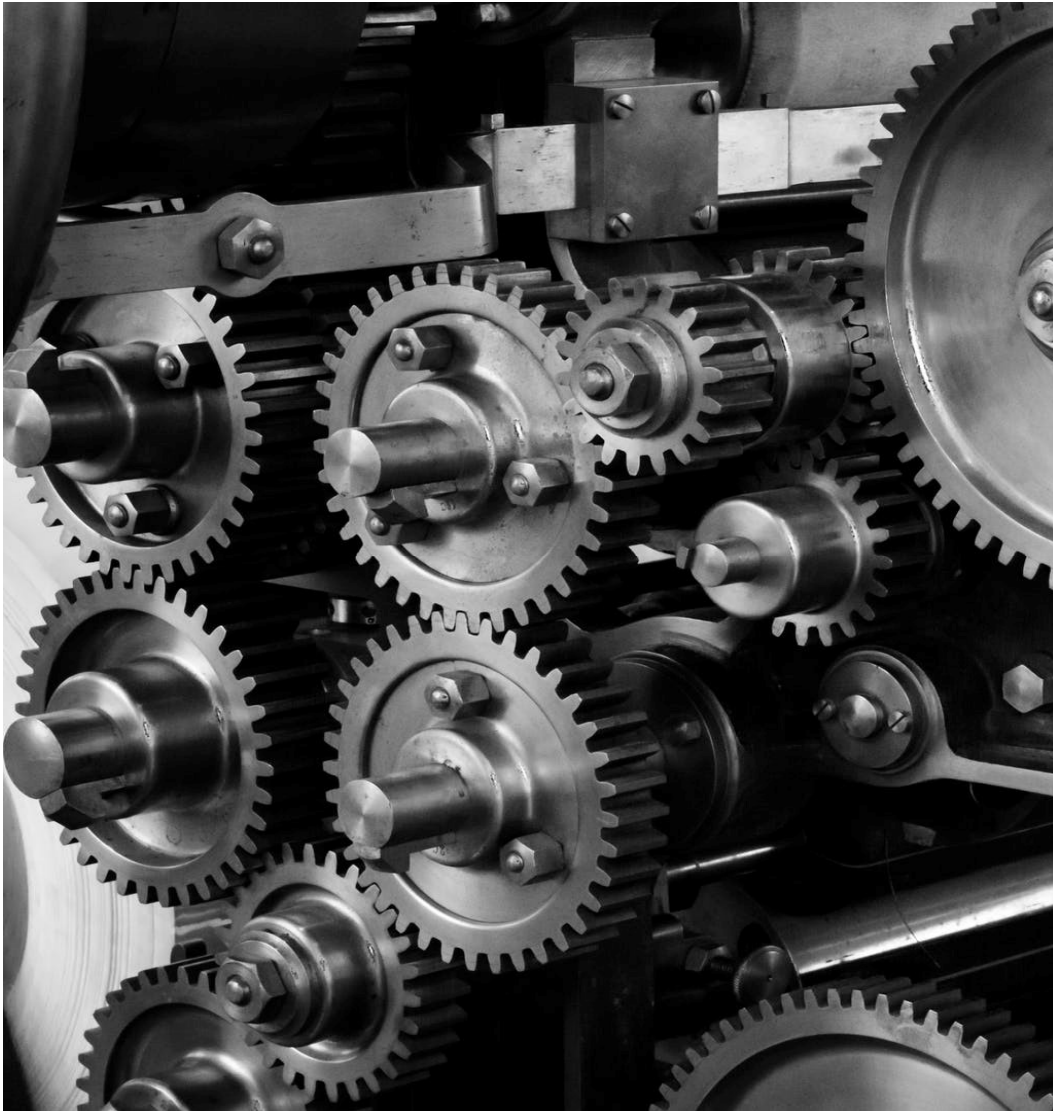
- ✓ Gas, Elec, Phone, Water, Trash, etc.
- ✓ Account Numbers
- ✓ Codes, Username, Password
- ✓ Due Dates



Property & Insurance

- ✓ Property Mortgage Company
- ✓ Business Investment Property
- ✓ Business Insurance Information
 - ✓ Property, Liability, Workers
- ✓ EPA

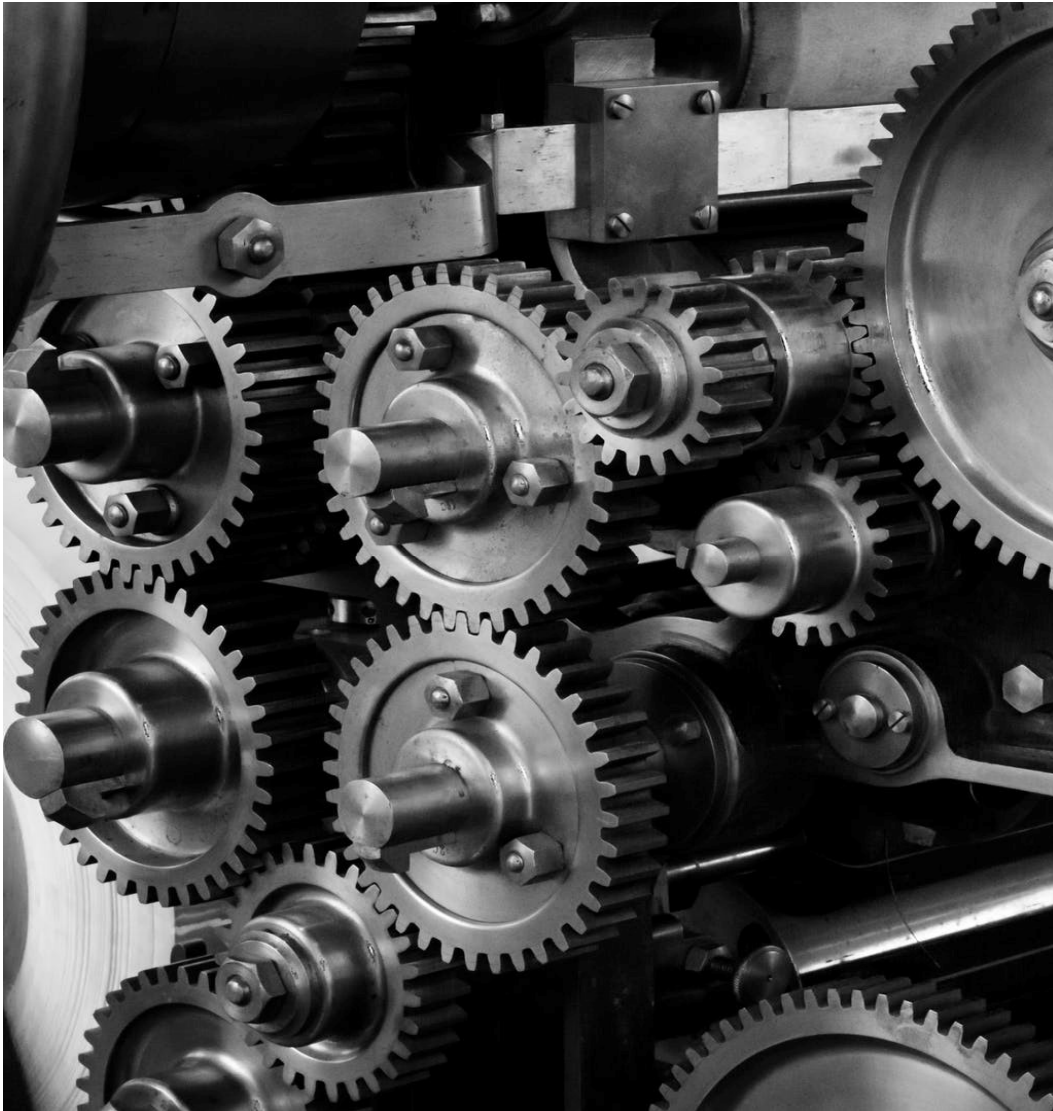
Suring Up the Future – Continuity



Process & Procedure

- ✓ Step by Step Instructions
 - ✓ Each Core System
 - ✓ Each Service You Offer
- ✓ Process Dependent, not People Dependent
- ✓ Better Hires & Orientation
- ✓ Better Training
- ✓ Better Quality Control
- ✓ And easier to step in –
 - ✓ knowing what, when, how

Suring Up the Future – Continuity



Process & Procedure

- ✓ Recruiting Process
- ✓ Hiring & Orientation Process
- ✓ Training Plan
 - ✓ Managers
 - ✓ Service Advisors
 - ✓ Technicians

Shifts in Business

The **GOAL** of “Shifts in Business” is to **demonstrate how the business has performed over the last three or more years.**

Sales 🔑

Profit Dollars 🔑

Customers 🔑



Shifts in Business

What Changes, Trends, Differences has the business experienced?

- ✓ Sales Trending Up or Down?
- ✓ Gross Profit \$'s Trending Up or Down?
- ✓ How many one-time customers?
- ✓ How many first-time customers?



Shifts in Business

What You'll Need

- ✓ 5 Year Forecast & Budget
- ✓ Last 3 Years
 - ✓ Monthly Sales
 - ✓ Monthly Car Count & ARO
 - ✓ Monthly Gross Profit Margin & Dollars
- ✓ First/One-time customer report
- ✓ The “Sexiest Shops” are **very predictable, stable**, and have **Year over Year Growth**



Shifts in Business

What You'll Need

- ✓ 5 Year Forecast – **On Track??**
- ✓ Last 3 Years
 - ✓ Monthly Sales– **YoY Growth**
 - ✓ Monthly Car Count & ARO
 - ✓ Monthly Gross Profit Margin & Dollars
- ✓ First/One-time customer report
- ✓ The “Sexiest Shops” are **very predictable, stable**, and have **Year over Year Growth**



What Are You REALLY Selling?



With a LARGE portion of the sale price coming from Goodwill, this is your chance to demonstrate the VALUE of your Business.

Are you selling a customer list, equipment, and reoccurring revenue?

Or are you selling a well-oiled machine with HUGE POTENTIAL for Return on Investment?

What Are You REALLY Selling?



The **GOAL** of “What Are You REALLY Selling” is to **demonstrate the value of the business** and opportunity for potential buyer.

Create Your Sales Presentation!!!

- ✓ **Workforce**
- ✓ **Management Team**
- ✓ **Opportunity for Growth**

What Are You REALLY Selling?

Workforce

- ✓ Org Chart/5 Year Plan
- ✓ Tenure
- ✓ Skills & Core Competencies
- ✓ Performance vs
Expectations
- ✓ Training & Development
Process
- ✓ Recruiting & Hiring Process



What Are You REALLY Selling?

Management Team

- ✓ Org Chart/5 Year Plan
- ✓ Tenure
- ✓ Core Competencies
- ✓ Performance vs
Expectations
- ✓ Training & Development
Process
- ✓ Recruiting & Hiring Process



What Are You REALLY Selling?

Opportunity for Growth

- ✓ 5 Year Projections
 - ✓ Organizational Chart
 - ✓ Staffing to Match
- ✓ Team Capacity
- ✓ Shop Capacity
- ✓ Sales Management Process
 - ✓ RO Audit Process
- ✓ Marketing Plan
- ✓ Market Share Captured



The Right FIT!

What does your business need from it's next LEADER?

Does your Buyer have a similar vision?

Poor Fits drain –

- ✓ Resources
- ✓ Time
- ✓ Morale



The Right FIT!

What does your business need from it's next LEADER?

Bad Fits –

- ✓ Lead to disaster for everyone
- ✓ Accompanied by loss of
 - ✓ Revenue
 - ✓ Customers
 - ✓ Employees
 - ✓ Time
- ✓ Be willing to walk away



The Right FIT!

What does your business need from it's next LEADER?

3 ?'s about a Second In Command

- ✓ Why is your SIC not in place now?
- ✓ What have you done to train one?
- ✓ What have you done to hold back your Advisor or Manager?



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What's YOUR ENDGAME?

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Thank You!