

DEALERSHIP VALUATIONS

WHAT WE DO

Dealership valuation needs may range from complex consulting for a multi-store mega dealer to simple advisory services for a single-point, family-owned store. Dealerships are unique businesses with unique business models that bring valuation complexities not often found when valuing businesses in other industries. Several factors distinct to valuing dealerships are:

- Trending industry consolidation
- Blue sky multiples
- Facility and factory impacts
- Disparities between “price” and “value”
- Impact of private equity/family office interest and investment
- Distinguishing franchise value and goodwill value

THE DHG DIFFERENCE

DHG Dealerships is completely dedicated to the dealership industry, and to maintaining the subject matter knowledge you need to properly value your dealership. We have written and spoken extensively about the topic and are regularly sought out as national experts in dealership valuation matters. We leverage our credentials, experience and resourcefulness to provide our clients an insightful analysis on the value of their dealership or dealership group. Our careful analysis and tailored valuation approach enable dealers nationwide to make informed decisions regarding the future of their business.

WHO TO CONTACT



Adam Lawyer | Partner, DHG Dealerships | 817.276.4131 | adam.lawyer@dhg.com

Adam is a Partner in DHG's Dallas, Texas office. Since joining the firm in 2005, Adam has dedicated himself to providing exceptional audit, consulting, acquisition due diligence and valuation services to closely held businesses. Adam has dedicated his entire career to the automotive industry.

- Evaluation of eBay and electronic sales processes
- Assessment of parts physical and cycle count processes
- Internet safeguards
- Document retention policies (canceled checks, dead deals, repair orders, etc.)
- Parts manual adjustments access
- Protocol for regulatory filings (sales and use tax, monetary transactions, waste disposal)
- After hours transaction processing (down payments, rental returns, early bird drop-offs and pick-ups)
- Payroll process (minimum wage compliance, I-9 compliance, commission calculations, time cards, etc.)
- Analyze information security program

DUE DILIGENCE

BUY-SIDE

When purchasing a dealership, whether an asset or stock transaction, buyers like to make sure they know what they are buying. To gain a better understanding of the target business, a buyer needs to receive comprehensive financial information, including assets, liabilities and future earning potential from the seller.

Conducting buy-side due diligence allows the buyer to assess the quality of the dealership's earnings and cash flows, as well as identify potential risks associated with the business. A quality of earnings analysis involves significant work and includes analyzing bank reconciliations and floor plan reconciliations, assessing trends throughout the balance sheet and income statement, analyzing detailed schedules and conducting thorough discussions with various parties. It is particularly important for buyers who are new to the dealership industry to conduct buy-side due diligence since adjustments to reported earnings before interest, tax, depreciation and amortization (EBITDA) often lead to considerations that can significantly impact deal negotiations.

SELL-SIDE

Just as buyers benefit from going into a transaction with full transparency, sellers can benefit from conducting their own due diligence. Preparing for the sale – before the “for sale” sign even goes up – may greatly decrease the likelihood of a derailed transaction, avoid unnecessary delays in the sales process and expedite the buyer's due diligence.

The goal of sell-side due diligence is to allow the dealer to identify issues that would naturally be discovered by (and potentially cause concern for) a potential buyer during their own diligence. This is especially true in the dealership space where many stores are not subject to generally accepted accounting principles (GAAP) annual audits or reviews.

After conducting sell-side due diligence, the seller can proactively address these issues and come to the negotiating table armed with well-thought-out responses; the buyer may even be more likely to pay a premium price for the dealership if the dealer is upfront and a trusting relationship is formed from the very beginning. A sell-side report may help focus a buyer's diligence, expedite the sale and assist the seller in negotiating buyer diligence findings that generally work to their advantage to try and drive the price down.

HOW DHG DEALERSHIPS CAN HELP WITH BOTH

The varying tax provisions, types of assets, and complex value determination factors are some of the aspects that make these transactions challenging to navigate. It is advantageous to enlist the assistance of professionals with experience on both sides of such transactions when performing due diligence so they can ask the tough questions that will help uncover potential concerns and risks.

DHG Dealerships' due diligence services can help our dealership clients achieve their goals. We offer:

Assessment of dealership financials and operations

Evaluation of working capital requirements and reasonableness of forecast assumptions

Evaluation of human resources function and relationships with manufacturers, vendors and third-party service providers

WHO TO CONTACT



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A partner in the firm's Tysons, VA office, Louie has worked almost exclusively in the area of automobile dealers and motorsports for the past 12 years. Louie manages audit, review and compilation engagements, which include internal control risk assessment, substantive testing and the preparation of financial statements with footnotes for dealership groups with multi-billion dollar sales revenues.

Analysis of dealership's quality of earnings (QOE)

Assessment of tax risk

Identification of opportunities to further enhance value