

Intermodal Connects



16 Reasons Your Trucking Business Won't Sell

May 11, 2022

2:00 PM EDT

Housekeeping



- Audience will be muted
- A question & answer session will follow the presentation
- Submit questions by clicking the Q&A icon at the bottom of your screen
- A recording of this webinar, including the slides, will be available in the near future

Today's Presenters from Tenney Group



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President & CEO



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Strategic Advisor

Reason 1

Stagnation

- Growth is compelling.
- Stagnation is not.

Reason 2

Owner Dependence

- Greater owner dependence = greater risks
- Greater risks = discounted valuation

Reason 3

Inconvenience

- Convenience is extremely expensive.
- Lack of preparedness = failure to launch.
- [Guide: How to Respond to an Offer](#)



Reason 4

Incompatible Driver Base

- Ex. Hazmat Hauler – 20% won't transfer.
- Ex. Buyer won't hire who they just fired.

Reason 5

Old Equipment

- Capex requirements + uncertain access must be addressed.
- High maintenance expense drives down value. Ex. \$3M.



Reason 6

Incompatible Equipment/Maintenance

- Servicing for multiple types of equipment = \$\$.
- Diluted purchasing power on parts.

Reason 7

Seller's Valuation Not Based on Facts

- Rules of thumb don't apply to trucking.
- Needs vs. ROI

EBITDA Multiple 6.86						Enterprise Value (EV) 24,000,001						Buyer Equity 3,600,000 15.0%					
EBIT Multiple 7.22												Buyer's Actual ROE (IRR) 33.0% note 3					
<u>Buyer Recieves</u>						<u>Payment Details</u>						<u>Cash to Seller at Closing</u>					
EBITDA 3,500,000						Cash To Seller at Closing 17,680,000 73.7%						Buyer Equity 3,600,000					
Net Assets @ BV 3,000,000						Gap(Seller) Note 5,820,912 24.3% note 3						Revolver + Term Debt 11,300,000					
Net Assets @ FMV 5,500,000						Gap(Seller) Balloon Note 0 0.0%						Over Advance Loan 0					
Goodwill 18,000,912						Remaining Non-Compete 0 0.0%						Mezzanine Financing 3,500,000					
Stock vs. Asset Purchase Asset						Personal Goodwill 0 0.0%						Total Capital Raised 18,400,000					
<u>Mezzanine</u>						Remaining Consulting 499,089 2.1%						Less Acquisition Expenses (720,000)					
Actual Mezzanine ROI 17.3% note 4						Enterprise Value (EV) 24,000,001 100.0%						Less Excess Cash 0					
Mezzanine Warrants 6.9%												Cash to Seller at Closing 17,680,000					

Reason 8

Seller Rigid with Sale

- “My accountant told me I have to have a stock deal.”
- Focus on goal...not the means.

Reason 9



Unreliable Record Keeping

- Bad records = discounted price.
- Unforced errors = unacceptable.

Reason 10

Customer Concentration Vs. No Accounts

- Too much revenue in one account = high risk.
- No “real” accounts = low buying interest.

Reason 11

Limited Consideration of Tax Implications/Strategy

- Yes, your business sale will be taxed.
- But, can you defer that payment?
- Ex. Client assumes 50% tax rate. Actual < 25%

Reason 12

Lawsuit or Fatal Accident

- Distressed sale = discounted value, limited options
- Doesn't have to be your fault to destroy value. 3 year delay.

Reason 13

Inept Attorneys

- Ex. Bills \$80,000 in fees. 3 month delay. Lost 1.5M.
- Deal Maker vs. Deal Breaker

Reason 14

Health Crisis Before or During Sale Process

- Unfortunate loss of negotiating leverage.
- Develop multiple successors. Ex. Recent 25M Deal

Reason 15

Upside Down Balance Sheet


- You have to run a business – no guarantees.
- BS = Greatest influencer of sale timing.

Reason 16

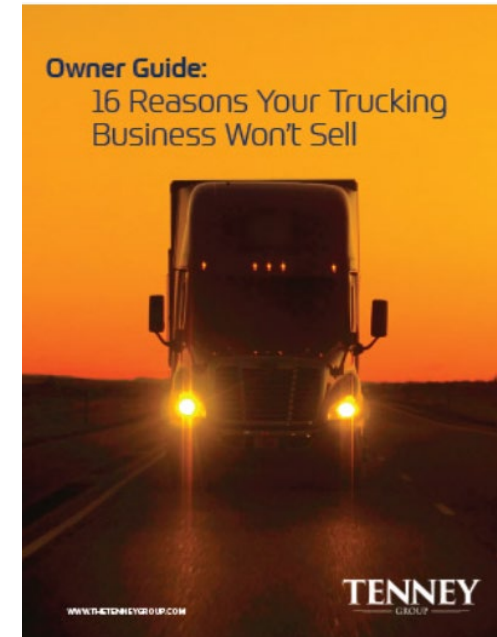
External Factors

- Best buyer too busy absorbing another deal.
- Market crash/correction or interest rate spike(s).

Extended Resources

 <http://www.thetenneygroup.com>

Thank you



Conclusion

- Be alert, prepared and opportunistic.
- This is a good environment to advance your broader family/business/legacy goals.
- Focus on controlling what you can control in order to maximize your options. And constantly be mindful of what you can't control.

Q&A

Enter your questions
using the Q&A button



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