16 REASONS

YOUR TRUCKING BUSINESS WON'T SELL

TENNEY
GROUP

"AN HOUR OF PLANNING CAN SAVE YOU TEN HOURS OF DOING."
— DALE CARNEGIE

Across the U.S., merger and acquisition activity is profoundly affecting the trucking competitive landscape. Valuations for both asset-heavy and asset-light transportation companies continue to rise. Whether you are interested in selling or not, you are probably receiving knocks on the door. No matter the stage of your company's life cycle, it is important for you to understand what may help or hinder your ability to sell your business when the time is right. Below are 16 Reasons Your Trucking Business Wont' Sell.

#1 LACK OF GROWTH

If you want buyers competing for your business, you need a compelling growth story that captures their imagination. Stagnation does not inspire generous purchase offers – particularly when it comes to private equity groups.

#2 OWNER DEPENDENCE

If you want to get paid, get out of the way. The most common reason owners attract discounted offers (or no offers) is because they create an unnecessary amount of risks through dependence on themselves. Create clear job descriptions and expectations for your employees. Empower them with authority and resources to do their job. Accept that nobody is going to the job exactly how you would do it. Let go and watch your business value explode.

#3 INCONVENIENCE

Convenience is outrageously expensive. Recently, I met an owner in Mississippi who chose to ignore an offer from a qualified buyer for six months. The owner's daughter was getting married and he was in the middle of an audit. By the time he got around to responding to the offer, the buyer had reduced the offer by $4 million. Engage especially when it is inconvenient!

#4 INCOMPATIBLE DRIVERS

Buyers don't value drivers. They value the right drivers. Make sure you are creating a driver pool and safety culture that will be transferrable to a motivated buyer. Three of our last five trucking business sales have included purchase prices that were adjustable based on driver retention.

#5 INSUFFICIENT SALE REPRESENTATION

You don't have the capacity to run a trucking business and a 1,000-hour sale process at an elite level at the same time. Something has got to give. There is a litany of factors specific to this industry that can delay or undermine a business sale. When owners insulate their sale from common industry pitfalls and secure peace of mind by reviewing multiple offers/buyer types, the probability of their sale success exponentially goes up.

#6 TOXIC CULTURE

This happens often when employees who want to see the business grow are not given the opportunity to make it happen. Usually, it is because the owner has stopped taking financial and strategic risks. When the owner takes the pedal off the gas, employees tend to mirror that example. They lose their edge, and so does the company when it comes to safety and other standards of excellence. Buyers notice and often move on.

#7 SELLER'S VALUATION

Educate yourself about the value of your own business through a third-party valuation. Make a defensible case for the value of your business. Don’t ask a buyer to make a financial decision you would make or take a financial risk you would never take. You might sabotage a very good offer.

#8 INFLEXIBILITY ON SALE TYPE

There are a lot of ways to get a deal done. Be flexible. First, focus on the goal to achieve and then on the means in which you achieve it. If you have advisors in your camp telling you the deal has to be asset or stock or that the price allocation must be treated a certain way, seek another opinion before you allow a deal to die.

#9 UNRELIABLE RECORD KEEPING

Pretty simple. Get your financial house in order or lose big money. Most companies that have poor record keeping will never get an offer much less complete a deal. Make sure you know what financial information you need to be in command of and how fast you need to be able to produce that information in order to make a strong first impression with the buyer. This is something you can control 100% so make it the foundation of your preparation for a future sale.

#10 CUSTOMER CONCENTRATION

When it comes to revenue concentration in one or a few customers, sellers need to understand the associated risks to the buyer and be prepared to account for those risks in the structure of the deal. Tenney Group recently sold a 100M transportation and logistics firm. The company had over 85% of its revenue tied to one customer. We were able to get the deal done. However, not without a cost to the seller. Buyers who passed on the deal, shared they would have offered another $7.5M - $15M beyond the ultimate purchase price had customer concentration not been a factor.

#11 LIMITED TAX / WEALTH BUILDING STRATEGY

Yes, the government is going to participate in your sale proceeds. If you go out of your way to pay more taxes than what the law requires, your deal may not make it to the finish line. Sellers who win big work with the buyer and their respective advisors to ensure the deal is as tax efficient as possible.

The seller also uses a pre-sale estimated proceeds analysis (typically provided by an M&A Advisor) to formulate a post-sale wealth building and lifestyle plan with a trusted wealth advisor. This financial discipline gives business owners clarity and peace of mind about life after trucking. Without a clear financial plan for life after the sale, owners run the risk of making poor decisions at the negotiating table that ultimately kill the deal.

#12 LAWSUIT OR FATAL ACCIDENT

Don't allow procrastination to invite these deal killers into your life. If you sense you have lost your edge or fire in the belly, you need to remove yourself from any potential exposure that could have a devastating impact on your exit from the trucking industry.

#13 INEPT ATTORNEYS

Get a deal maker. Not a deal breaker. And, please don't allow your brother-in-law or golf buddy to handle your purchase agreement. You will likely lose the deal and a friend. Seek help from proven transaction attorneys who understand the uniqueness of this industry.

#14 HEALTH CRISIS DURING SALES PROCESS

Buyers can associate your personal health with the health and value of business. Sell when you are healthy, when you don't have to, and the offers you attract will be structured accordingly. Additionally, we have observed that when owners bring high fatigue or burn out to the sale process, they typically make unnecessary concessions to the buyer.

#15 UPSIDE DOWN BALANCE SHEET

Nothing should have more influence over the timing of your sale then the state of your balance sheet. Make sure you know what is going on in the M&A world before you make long term capital commitments that may take the timing of your sale out of your hands. Note: This doesn't mean stop investing in your fleet. It means start regularly communicating with the appropriate advisors before these decisions, so you don't unintentionally make irreversible decisions.

#16 EXTERNAL FACTORS

Give yourself enough runway to avoid unnecessary concessions. Example: Your perfect buyer can't consider acquiring your business today because he is still integrating another trucking acquisition. Or a great deal dies because the buyer's global bank places a moratorium on acquisition financing two weeks before the closing (true COVID-19 story). No problem. If you are early to the process, you can discreetly go about making the business better and more valuable while waiting for the right buyer to return to the table – without conceding any unnecessary deal points.

CONCLUSION

Educating yourself about factors that can influence how you exit the trucking industry is an ongoing process. You are on the right track. Keep going and you will avoid many of the pitfalls down the road that can limit or prevent your business sale success. Spencer Tenney is President and CEO of Tenney Group, a merger and acquisition advisory firm dedicated to the transportation industry since 1973. Tenney Group primarily helps business owners sell trucking companies with annual revenues ranging from 20M to 300M. For more information on Tenney Group, contact www.thetenneygroup.com.

TENNEY

GROUP

WWW.THETENNEYGROUP.COM