



FINANCIAL INSIGHTS

By Terry Monroe, president and COO, American Business Brokers

So You Want to Buy a C-Store? Better Do Your Homework

Practical advice to find and buy the right store at the right price

The convenience store industry is composed of nearly 150,000 stores. At any point in time, several thousand stores are available for prospective buyers. Opportunity is abundant and forthcoming, but there are still plenty of obstacles that could turn a sweet buy into a lemon deal for the potential single- or multi-store buyer.

Here are some tips to prepare you in finding and purchasing a good convenience store for a great price:

UNDERSTAND YOUR BUYER TYPE

People are looking at new and different ways to invest and make money in today's market. As a result, the definition of the c-store buyer has evolved. I've narrowed down the list to include three different types of buyers. The first is the "job buyer," who is looking to purchase a c-store because he wants to buy a job. The second is the "investment buyer," who is looking to invest a portion of his financial portfolio in the hopes of a favorable return. And the third type of buyer is the "trade buyer," who is already in the business and looking to grow his operation. Correctly identifying what type of buyer you are will help you evaluate a potential business for sale.

WHAT'S THE UPSIDE?

Once you've determined what kind of buyer you are, the next step is to search for a business that has an upside. I al-

ways advise my clients to be on the lookout for businesses that are only running on six of eight cylinders. Why? Because regardless of what type of owner or operator you are, you cannot improve on something that is running at maximum efficiency. When evaluating a business's potential, or upside, it's important to



take into account several factors, including the store's cash flow, location, environmental records, lack of products or services offered and quality of assets.

HOW MUCH CAN YOU AFFORD?

If you're thinking about buying a c-store that sells gas, you need to know how much money you have available to invest. The banks will usually finance 80 percent of the purchase price, but you'll need enough money to cover more than just the down payment. Beyond the down payment, you'll also need to think about inventory, deposits, operating cash and merchandise.

KNOW WHAT YOU ARE BUYING

Once you've identified a store that you want to purchase, determined its upside and how much you can afford, you'll want a list of the assets that are included in the sale. You cannot assume anything in the purchase, and obtaining a list of assets assures that you know exactly what you are buying and exactly what is being sold. You don't want any surprises on closing day.

DUE DILIGENCE

Doing your homework is perhaps the most important part of the process. It's crucial to always remember when buying a business, the seller has the upper edge. The seller knows all about the business, the good and bad points, competition, weaknesses and employees. Your job is to create a checklist covering all aspects of the business, starting with the financials. Double-check the specifics, so at closing you can verify the financials are accurate, the taxes are applicable and the assets are yours. ■

About Terry Monroe

To learn more from Terry about "How to Buy A Convenience Store for a Great Price," and for more information, including a buyers' checklist for preparing to purchase a store, log on to www.abbunitedstates.com.

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