



## Searching for the Perfect Deal?

**There are a lot of great opportunities in the world of convenience store acquisitions, but there is no such thing as a perfect deal**

**A**h! The perfect deal! How we all fantasize about finding it. No doubt you have heard a story similar to the one about the guy who finds the barely used 1957 Corvette stashed in the back of someone's garage. It has sat there unused for years. The owner just wants to get rid of it and agrees to let it go for a song.

Sounds great, doesn't it? Unfortunately it is rare that this ever occurs at auctions and estate sales, and it is even rarer that it occurs in the world of deal making or business acquisitions.

But still, even in today's tough economic climate where lenders are tightening their purse strings and our government is conjuring up ways to implement new taxes, I continue to get buyers calling me and giving me a 60 minute exposition on the business acquisition they wish I would help them acquire. But alas, imagine their woe when after my patient listening and patient rebuttal, they are fated to discover that what they are looking for is in fact, a perfect deal, and thus does not exist.

On the surface I understand and recognize they want to make sure they get the best value for their dollar they can possibly achieve. But the reality of the situation is there is no such thing as a perfect deal.

First, let me explain what I am talking about when I say the "perfect deal." In the world of business acquisitions, the perfect deal would be the buyer finding the convenience store that has the right size building; located at the best spot in town; has updated pumps and credit cards systems; the roof, air conditioning and cooling units are fairly new; has a profitable foodservice program with minimal competition; has a high volume of fuel gallon



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sales; and has consistently high inside sales (but with not a lot of cigarette sales). In addition, the seller is very motivated and is willing to sell the store below the current market value of a c-store.

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Have I got your attention? This would be pretty close to the perfect deal. Everybody has different criteria, but this will give you a general idea as to what I am talking about. Are these kinds of deals out there? Absolutely. Are they plentiful? No.

The reality is that almost all deals will “have some warts on them.” There is generally going to be something that is just not right about the deal. Maybe it has a great location, but the assets are a bit run down. Perhaps it does a great business inside and out, but the size of the building is too small for expansion in the future. Maybe it has a branded obligation that cannot be changed and the buyer is not interested in becoming part of the new brand. There are many different things that will come into play when looking at acquiring a convenience store.

My point is, there are a lot of great opportunities in

the world of convenience store acquisitions, but you first have to understand that there is no such thing as a perfect deal. Once this realization has been met, then the search becomes realistic,

and you can find a really good convenience store or group of stores that are available to be acquired with most of the criteria you are looking for at a fair price. Just this week I was presented with a group of eight convenience stores that an owner wanted to sell. Is it the perfect deal? No. Three of the stores are leased properties and five of the stores are owned in fee. But they are all profitable and have a great upside. Upside is the part of any deal that a buyer should be seeking.

What is the upside of this acquisition? The buyer knows he will have to invest money to acquire these stores; however, based on his expertise and knowledge in the operation of convenience stores, it is also known that

by adding certain items and maybe changing the floor plan and a few other things, he can raise the sales too. This means there is plenty of upside for him in this transaction and that the new profits generated from changes made are going to be his.

All of the hard work has already been done. By this I mean it is a lot easier to take an existing business and build it to a new level than it is to build a business from scratch and not know if or when you are going to make a profit. You see, when you buy an existing business, you have a cash flow from the very first day you take over the operations.

So put on your deal-making hat and take off your rose-colored glasses, and you will see there are many opportunities available for those hardworking owners of c-stores who are looking to expand and find some very good (but not perfect) deals in today's marketplace. ■

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**Editor's Note:** The opinions expressed in this column are the author's, and do not necessarily reflect the views of *Convenience Store News*.

