



AUTOMOTIVE BUYING CHECKLISTS

Buying a dealership can be just as challenging as selling one. Barriers to entry are high and purchasers need to consider and understand the shape of the business, cash flow, revenue, and profitability. Obtaining this information is about asking yourself and others the right questions.

Asking the right questions

- Do franchise requirements complicate the picture?
- What are the facility development requirements of the franchisor?
- Is the lease term too long or short for your future plans?
- What does the future hold for the brand(s) involved? (A weak brand today may be much stronger tomorrow or vice versa).
- Is the potential gross profit of the dealership adequate for the size and cost of the facility?
- What is the value of the customer database, staff, dealership name, website, and phone numbers?
- Is the dealership's prime market area economically diversified with a wide ranging customer base?
- Are there other franchise opportunities within the prime market area?
- How strong are your banking and financing relationships?
- Do you have access to the required capital?
- Is your current business in good shape in terms of cash flow, revenue, and profitability to support the acquisition?

The Buying Process

Have you:

- Arranged a valuation to determine a realistic purchase price
- Undertaken thorough due diligence assessing the reliability of information
- Thoroughly examined the financial records
- Considered the people working at the dealership
- Considered a transition plan to avoid disruption to the business
- Prepared a business plan and financial projections
- Identified any matters which may impact on the ongoing financial operating aspects
- Sought taxation advice on the structure of the transaction
- Sought franchise approval.