



# M&A DISCOVERY TIRE & AUTO SERVICE 2024

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# M&A DISCOVERY

## NAVIGATING YOUR PATH TO SUCCESS

You've worked hard to build a successful company and create a legacy. Selling your business is a high-stakes and emotional event. You need a no-surprises approach to help guide you through the final few steps to realizing the value you have worked so hard to achieve.

### Perfect For Business Owners Who Are



#### Looking to retire

Looking to sell your business for retirement or move on to other business ventures.



#### Approached by a buyer

Approached by a buyer and want to ensure you receive a fair offer on your deal.



#### Looking for a partner

In need of a strategic partner or additional capital to grow your business and fit your needs.



#### Want to learn more

Interested in learning the value of your company in order to plan for the future.



# M&A DISCOVERY

## NAVIGATING YOUR PATH TO SUCCESS



We're in one of the longest-running positive M&A cycles in recent history. Even as global economic headwinds develop, corporate and private equity investors continue to experience unparalleled access to capital for potential deals. This suggests that the current wave of US industry consolidations and aggressive private equity investing will continue into the foreseeable future, even as deal volume has slowed from recent peaks.

At the same time, with increasing valuations for companies, expectations on sellers are more rigorous. Proactive preparation has become mandatory; processes are more accelerated and data-driven, quality of earnings analysis and sell-side due diligence have become critical. Sellers have to respond appropriately and with confidence as experienced buyers move toward a close.

Selling your company takes informed planning. Whether you are divesting the business completely or bringing in a private equity investor to fuel additional growth, the strategy you develop and follow will play a critical role in creating value for your shareholders and family. Everyone has access to a lot more data to value your business,. The one piece of information the market doesn't have is your story: what you've done and what the business can do next. Your story, when told effectively, can set up a clear and credible case for terms you can justify. A successful transaction will require that you are clear about buyers' expectations, understand your company's value and can evaluate and explain the prospects for your business. Many business owners approach selling their businesses as a finite deal while others have more than a one-time payout in mind. An optimum transaction will structure the deal to meet your long term goals. Before you take the first steps, you will want to work through what you want to accomplish for yourself and your stakeholders with a prospective transaction.

Whatever path you may be considering, we hope this guide serves as a useful starting point for the conversations you will have with your stakeholders, trusted employees and family, as well as your advisers as you realize the value you've worked hard to create.

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# M&A DISCOVERY

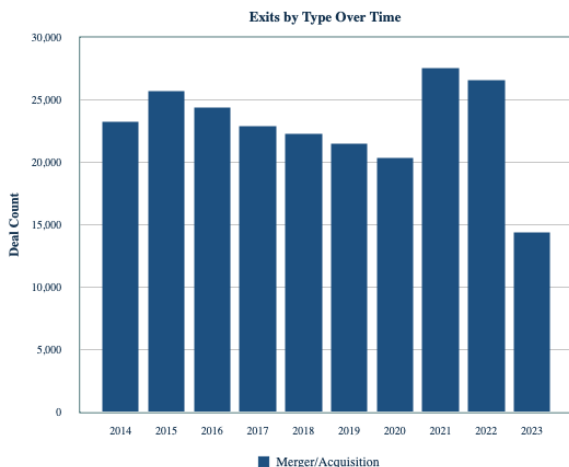
## ANALYZING TRENDS FOR 2024 & BEYOND

As we delve into the current market landscape, there's a distinct sense of optimism surrounding the M&A arena, particularly as we anticipate 2024 and the transition into 2025.

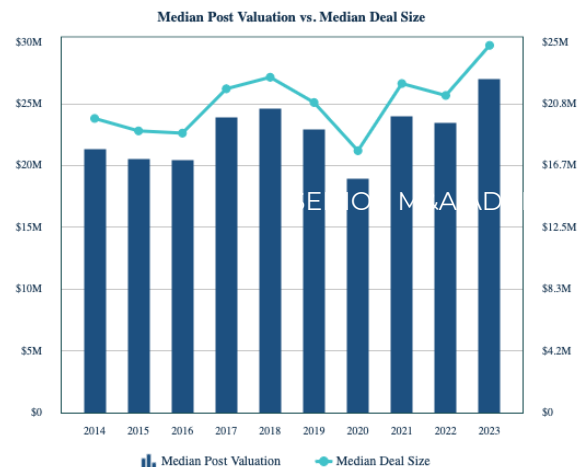
While we acknowledge that the broader macroeconomic conditions will undoubtedly continue to exert influence over dealmaking activities, there is a notable silver lining on the horizon—an impending period of increased interest rate stability. This newfound stability is poised to create an environment that is far more conducive for dealmakers, enabling them to confidently and accurately assess transaction pricing.

In our assessment, M&A has evolved into a pivotal "growth driver" unlike any we've witnessed in recent years. Business leaders across industries are increasingly recognizing its potential as a potent tool for strategically repositioning their enterprises, catalyzing growth through targeted acquisitions, and ultimately delivering sustainable, long-term outcomes.

## US M&A VOLUME & VALUE TRENDS



Source: PitchBook Data



Source: PitchBook Data



# M&A DISCOVERY

## SELLERS PREPARE FOR SUCCESS

As we cast our sights forward, we anticipate the emergence of strategic buyers with cash on their balance sheet actively seeking strategic opportunities. Main street to the mid-market segment, encompassing lower to mid-tier M&A activities, is expected to take center stage, with divestitures playing a pivotal role in shaping the deal pipeline. For prospective buyers, securing access to capital will be of paramount importance, necessitating a meticulous approach to financial and non-financial due diligence.

Conversely, for those contemplating the sale of their businesses, meticulous preparation will be the linchpin to achieving success in this dynamic and ever-evolving M&A landscape. Business owners should be prepared and primed to capitalize on the fast-paced and potentially transformative M&A opportunities that lie ahead.

### PREPARATION IS KEY

#### What buyers want

##### Buyers are paying more attention to:

- new strategic growth and value creation levers
- business model transformation opportunities
- technological capabilities (i.e., cloud, cyber, AI)
- a clear hypothesis of impact of generative AI on the business model
- deeper data analysis
- operating model robustness and durability
- Acquiring and retaining talent
- roadmaps to sustainable transformation

#### How can sellers get “deal ready”?

##### Savvy sellers need to prepare:

- a compelling equity story with quality supporting data
- a transformation strategy with targets and KPIs
- a detailed M&A roadmap
- new growth levers
- cost reduction opportunities
- a technology roadmap
- a scenario analysis of upsides and risks (including AI)
- an operations strategy and leverage
- a workforce strategy and metrics
- financial and operating data to meet sustainability reporting requirements



# M&A DISCOVERY

## PRIVATE EQUITY BUYERS

The tire industry is drawing increased attention from private equity firms seeking dealership acquisitions, driven by key factors:

- **Profit Potential:** Private equity is attracted to the industry's resilience and steady profitability. The ongoing demand for tire replacements and services, coupled with the consumable nature of tires, makes dealerships resistant to economic downturns. Electric vehicles present an expanded opportunity due to accelerated wear, contributing to enduring financial appeal.
- **Fragmented Market:** The tire industry's high fragmentation, with numerous small and medium-sized dealerships, offers an opportunity for consolidation. This appeals to private equity firms seeking economies of scale and maximum profits, despite regional chains being acquired.
- **Stable Cash Flow:** Tire dealerships are recognized for generating stable cash flow, making them appealing to private equity firms prioritizing predictable returns.
- **Industry Expertise:** Some private equity firms have specialized teams with automotive sector experience. They drive operational improvements and streamline processes in acquired dealerships, often bringing in former tire executives for leadership.

As private equity interest in tire dealerships grows, sellers must remain vigilant and understand the unique dynamics. Selling involves more than a deal signing; professional advisors covering legal, human resources, and M&A are crucial. Private equity firms may persist in direct approaches for negotiating leverage. With an understanding of these factors, sellers can make informed decisions, navigate a transaction successfully, and safeguard their interests.



# M&A DISCOVERY

## MARKET OVERVIEW

The tire dealers industry, covering retail sales of tires and tubes for various vehicles, faced a dynamic landscape over the past five years. Initially benefiting from rising consumer spending and increased demand for premium replacement tires, the sector encountered challenges like lower commodity prices and heightened price competition. The COVID-19 pandemic further strained the industry with reduced demand during the lockdowns. Despite these hurdles, the industry is poised for growth, with an expected 1.1% CAGR, reaching \$45.7 billion by 2023, including a 1.2% boost in 2023 alone.

Tire dealers contended with fluctuating rubber prices, impacting profitability over the past five years. The world rubber price saw a slight uptick at a 0.5% CAGR, elevating dealers' purchase costs. They faced intensified competition from e-commerce and big-box retailers, with uncertainty about future commodity prices limiting manufacturers' price reductions.

Anticipating renewed growth in the next five years, the industry is expected to benefit from increased tire sales due to rebounding consumer spending and travel. This upturn is likely to attract more dealers to the sector. Federal mandates and consumer preferences favoring fuel efficiency are anticipated to drive demand for niche tires with higher replacement frequency and larger price tags. Expectations include more stable commodity prices, with rubber prices predicted to increase at a 4.1% CAGR through 2028. Overall, industry revenue is projected to grow at a 1.5% CAGR, reaching \$49.2 billion by the end of 2028.



# M&A DISCOVERY

## INDUSTRY OUTLOOK

The tire industry outlook is driven by several factors:

- **Fuel-Efficient Tires:** The rising popularity of fuel-efficient tires, especially in larger vehicles, is expected to boost industry revenue. These tires may have a shorter lifespan, leading to more frequent replacements.
- **Crude Oil Price Impact:** Increased crude oil price uncertainty might impact vehicle miles driven, but an expected increase in the world oil price from pandemic lows is anticipated.
- **Regulatory Changes:** EPA and NHTSA's fuel economy standards by 2025 will likely drive the adoption of electric, hybrid, or clean diesel drivetrains, accelerating purchases of low-rolling resistance tires and ensuring a more stable market.
- **Mergers and Acquisitions:** Tire dealers are expected to expand through acquisitions, maintaining brand and location continuity. Despite a diffuse competitive landscape, revenue concentration among top competitors is growing.
- **Profit Dynamics:** Wages will continue to claim a significant share of revenue due to an increasing number of tire dealers. Market dynamics, as seen with Michelin's price increase, suggest potential rises in tire purchase prices. The shift towards fuel-efficient tires may boost demand for replacements, contributing to modest profit growth.





# M&A DISCOVERY

## INDUSTRY TRENDS

Key trends in the tire industry include:

- **Consumer Influence:** Higher disposable income and confidence led to increased tire replacements, with a preference for premium tires, driving revenue for dealers. Low overall prices encouraged more vehicle use and longer trips, boosting total miles driven and replacement tire demand.
- **Fuel Price Volatility:** Fluctuations in rubber and oil prices impacted industry revenue. The decline in gasoline prices during the pandemic affected tire prices and revenue. Ongoing geopolitical events, like the Russian-Ukrainian war, further disrupted oil supply, influencing tire costs.
- **Competitive Landscape:** Tire dealers face growing competition from e-commerce and big-box retailers. While online competitors lack installation services, big-box stores pose immediate threats with similar services at reduced costs. Tire dealers maintain an edge through personalized services and product expertise.
- **Commercial Sector Growth:** The surge in industrial production increased demand for commercial tires, driven by heavy transport needs. Rising freight volumes led to greater demand for new tires from freight operators. Tire dealers adapting to cater to the growing commercial segment and increasing fleet sizes contribute to this market's expansion.

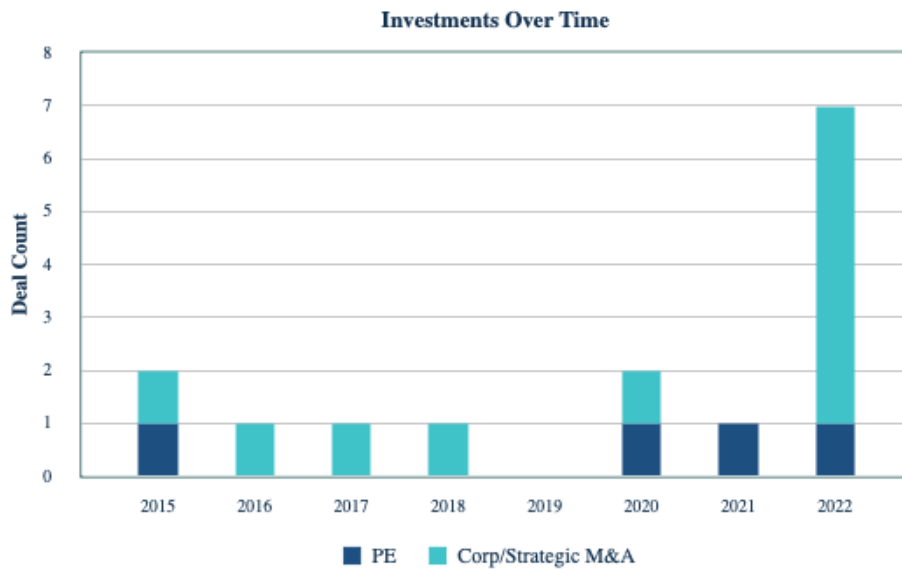
Overall, consumer behavior, global events impacting raw material prices, competitive dynamics, and the commercial sector's growth are pivotal trends shaping the tire industry's trajectory.



# M&A DISCOVERY

## CONSOLIDATION

Expect local expansion through strategic acquisitions, emphasizing brand and location retention. Despite a diverse appearance, industry consolidation is fostering growing revenue concentration among top competitors. Many independent dealers are contemplating seizing the opportunity to sell in 2024, appealing to strategic buyers and private equity firms aiming for growth through acquisitions.



Source: PitchBook Data



In the context of the Murphy M&A Discovery report, we can observe that over the preceding three years, the tire dealer sector has experienced significant merger and acquisition activity, with its peak occurring in 2022.



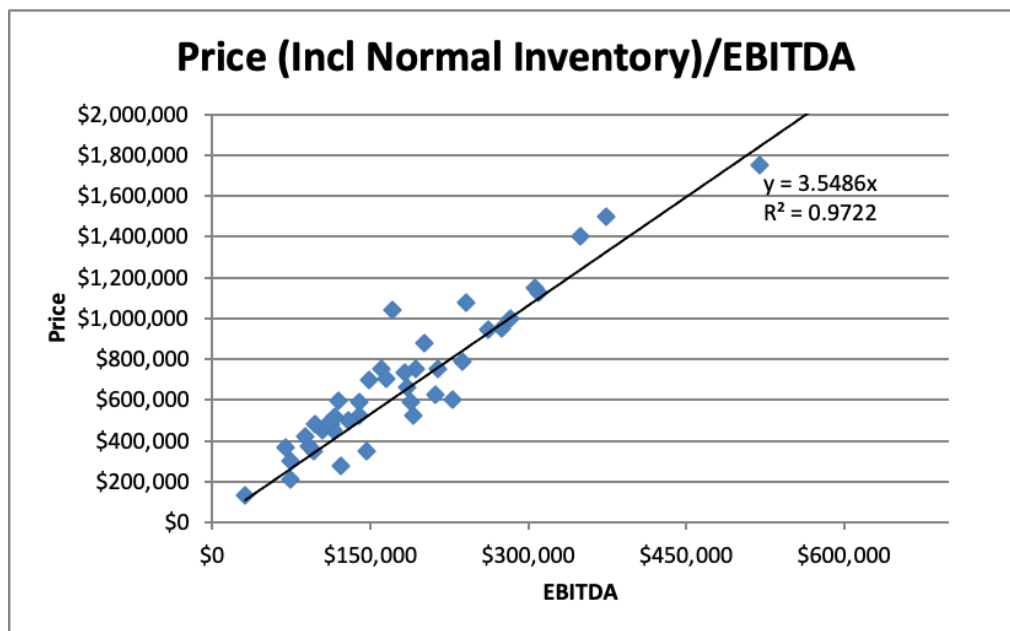
# M&A DISCOVERY

## LARGE MAIN STREET BUSINESSES TRANSACTIONS

### Regression Analysis of Manufactures Transactions

Below is a chart illustrating the results of a regression analysis conducted on Construction Equipment Dealerships transactions using data sourced from PeerComps. In this chart, each diamond symbolizes a company that has been sold, and its position on the chart represents the corresponding sale price (on the left axis) in relation to a specific financial metric (on the bottom axis).

In the equation that characterizes the line that best fits these observations, "y" denotes the value (sale price), and "x" signifies the financial metric (EBITDA). The numerical value associated with this equation represents the multiple applied. Additionally, we use R-squared as a statistical metric to assess how well this equation aligns with the actual outcomes. R-squared ranges from 0 (indicating no correlation) to 1.0 (indicating a perfect correlation).



# M&A DISCOVERY

## ..... INDICATION OF VALUE: MAIN STREET BUSINESSES

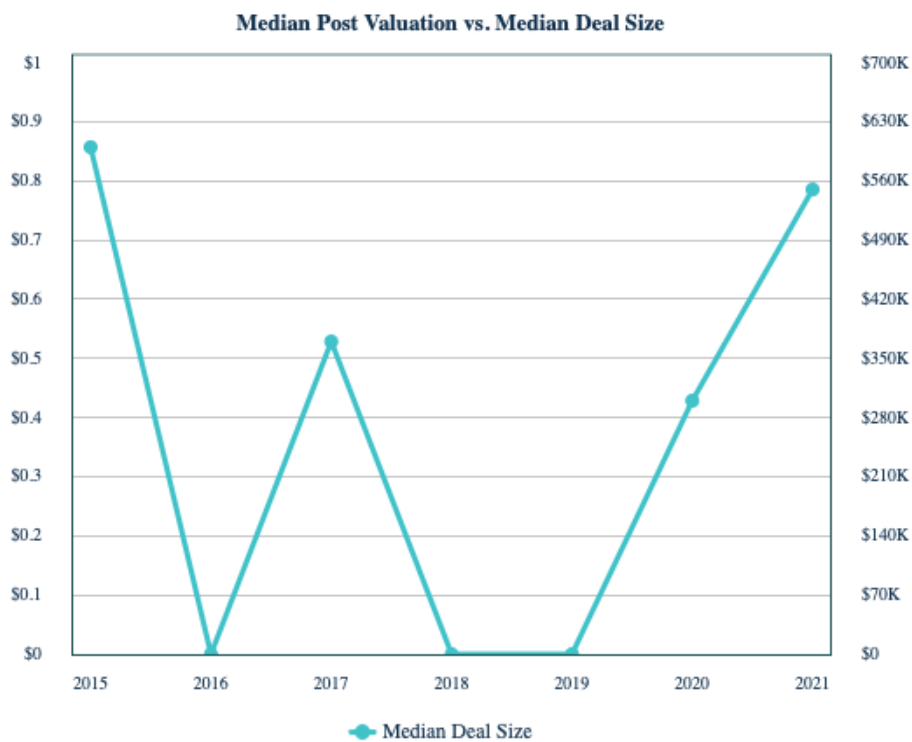
This indicative valuation range is based on EBITDA analysis relative to other companies that have sold. Once we receive detailed financials, we can perform a more thorough assessment based on Seller's Discretionary Earnings (SDE) and EBITDA, that may increase the value, or could decrease it, depending on the various expenses of each location.

EBITDA	Indicative Value Range
Less Than \$100,000	N/A
\$100,000 - \$250,000	\$355,000 - \$887,500
\$250,000 - \$500,000	\$887,500 - \$1,775,000
\$500,000 - \$1,000,000	\$1,775,000 - \$3,550,000
\$1,000,000 - \$2,500,000	\$3,550,000 - \$8,875,000
\$2,500,000 - \$5,000,000	\$8,875,000 - \$17,750,000



# M&A DISCOVERY

## MEDIUM DEAL SIZE



Understanding Median Post Valuation vs. Median Deal Size is vital for business owners eyeing a sale. It gauges industry competitiveness, helping assess where your business stands in terms of valuation and deal size, ensuring informed decisions in the selling process.



# WHO WE ARE



We are a skilled team of trusted and experienced M&A advisors specializing in lower-middle market companies ranging from \$5MM to \$50MM in annual revenue. Our primary objective is to help your clients determine an accurate business valuation and develop an exit strategy that matches their timeline and meets their financial expectations. Our dedicated team of advisors will handle the complexities and noise of searching for the right buyer and completing the transaction so that your clients can stay focused on running and growing their business.

Our client-centric approach and demonstrated results have made us the partner of choice for many great companies. Our goal is to maximize the value of your client's company and maximize cash to shareholders. When you choose to partner with us, you are opting for the full-service approach. Your clients enjoy:

**AN INITIAL DEEP-DIVE  
CONSULTATION AND  
BUSINESS VALUATION**

**OUR CONFIDENTIAL  
MARKETING PROCESS  
DESIGNED TO SELL  
YOUR BUSINESS**

**A THOROUGH  
SCREENING OF  
PROSPECTIVE BUYERS**

**PROVEN SALES PROCESS  
CONFIDENTIALLY,  
DISCREETLY,  
AND PROFITABLY**

**NEGOTIATING OFFERS  
AND STRUCTURING  
THE DEAL**

**EXPERTISE DURING  
DUE DILIGENCE AND  
CLOSING**

We have extensive real-world experience in business research and advanced analytics. We understand the importance of data, information, and action. This gives us a unique perspective on M&A deals and allows us to deliver similarly unique outcomes for your clients. We welcome the opportunity to discuss our process with you and share our blueprint for success.



# OUR SERVICES

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**BUSINESS  
BROKERAGE**



**MERGERS &  
ACQUISITIONS**



**BUSINESS  
VALUATION**

# OUR SUCCESS

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**96%**

BUSINESSES WE  
SELL TRANSACT FOR  
AT LEAST 96% OF  
THE LISTED PRICE,  
ON AVERAGE

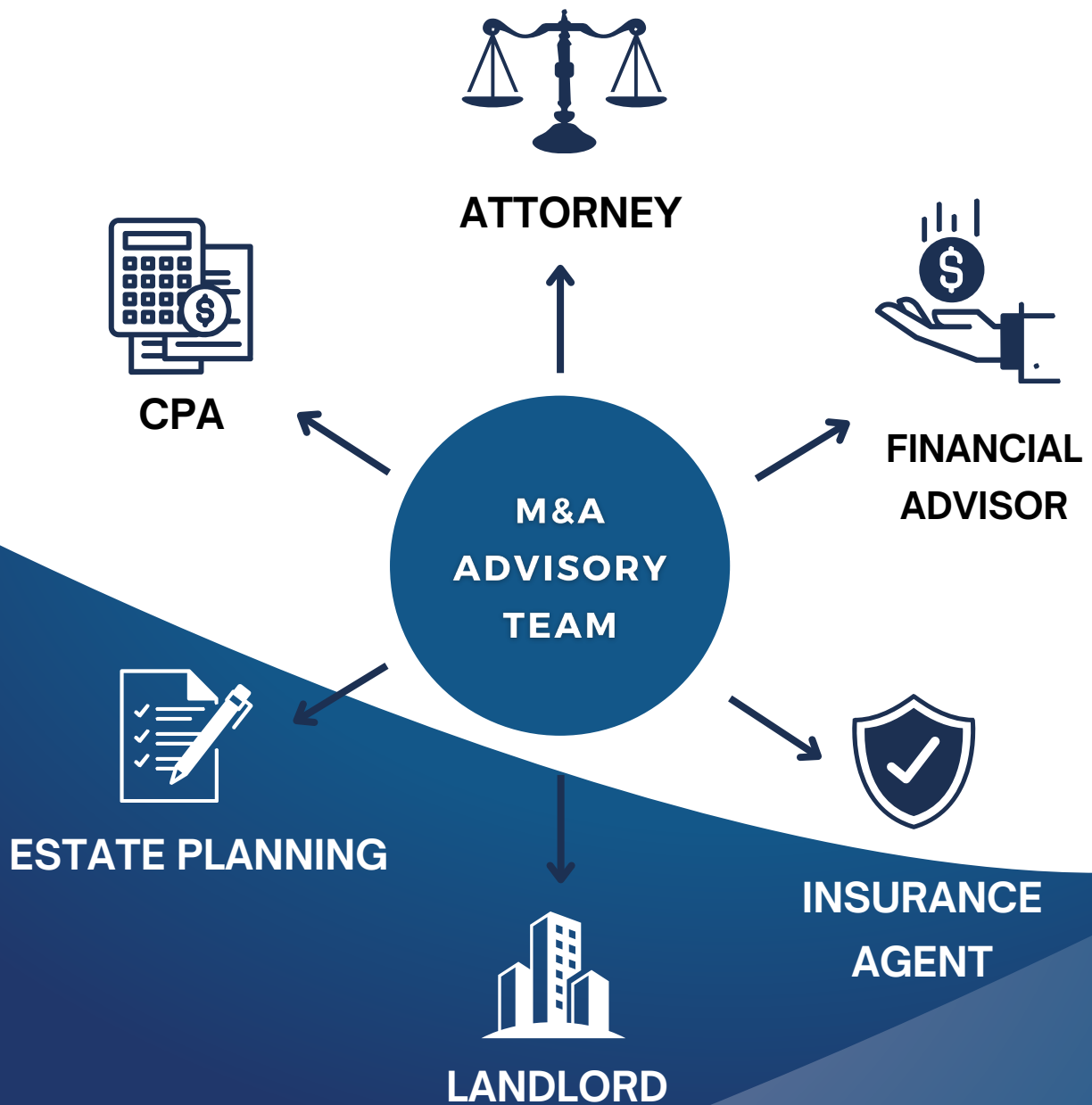
**\$419MM**

TOTAL TRANSACTION  
VOLUME NATIONWIDE  
IN 2022

**140+**

OVER 140 OFFICES  
ACROSS THE U.S. HELPING  
TO CONNECT YOUR  
BUSINESS WITH BUYERS

# HOW WE MANAGE THE DEAL TEAM





# WE BRING BUYERS TO THE TABLE



Our network of buyers share our passion for building strong relationships and thinking long-term when it comes to mergers and acquisitions. We have a proven track record of working with many types of buyers across multiple industries.

**STRATEGIC BUYERS**

**PRIVATE EQUITY  
GROUPS**

**HIGH NET  
WORTH INDIVIDUALS**

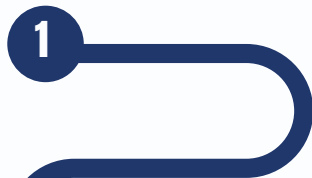
**FAMILY OFFICES**

We leverage our buyer network to provide our sell-side clients with rich opportunities and to entice prospective buyers to bring in compelling offers. Our buyers are interested in acquiring great companies.

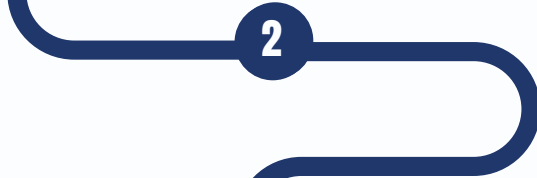


# 4 STEPS TO QUALIFIED OFFERS

**BUSINESS VALUATION**



**OFFERING PACKAGE**



**MARKETING PLAN**



**SCREEN PROSPECTS**

**EVALUATE OFFERS**



# TULLY RYAN

## CERTIFIED M&A ADVISOR

Tully Ryan, a recognized industry leader, serves as the firm's managing director. A Certified M&A Advisor and licensed real estate broker, Tully has over 30 years of experience leading companies in all facets of business including business development, go-to-market planning and execution, financial controls, capital raises, and acquisitions. Tully has also served on various boards including the East Carolina University Board of Visitors and the Carolina Virginia Business Brokers Board of Directors.



# JESSE STONE

## CERTIFIED M&A ADVISOR

Jesse Stone, is a South Carolina native who has been a top Merger and Acquisition Advisor for close to a decade. Jesse has 20 years' experience starting, acquiring, selling and brokering companies in the Southeast. Jesse has served on several chamber of commerce boards, community development and economic boards in the Carolinas. Jesse has a passion to assist business owners in successfully exiting their company.

# JASON ROWE, PHD

## SENIOR M&A ADVISOR

Jason Rowe has over 25 years of business-to-business sales and marketing experience. Jason specializes in the use of historical databases and predictive analytics to maximize business valuation across all industry sectors. He holds a PhD in Business Administration (Marketing) from the University of Kentucky and an MBA and BBA in Marketing, both from Marshall University.



# CLIENT TESTIMONIALS

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”

Tully Ryan and the team at Murphy Business Sales have a deep understanding of our market, the competitive landscape and important trends. Their tailored approach resulted in a terrific outcome for the acquisition of our (business) as well as our employees who are excited about the next phase of the company. Murphy Business’ valuable counsel, experience, and diligent process management were all critical in achieving a great result.

**-George Leviton**

***COO OF TWIN TOWERS TRADING SITE MANAGEMENT LLC***

# CLIENT TESTIMONIALS

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”

Tully, and the entire Murphy Business Team, streamlined our acquisition management processes through seamless communication and collaboration between Monro and Murphy. They Identified existing automotive repair and tire chains for acquisitions, assisted with due diligence and negotiating the purchase, directed real estate lease related activities, and managed the process through closing — all in coordination with our Legal and Finance team. Tully and his team got things done in an expeditious and efficient manor, adding value to our M&A group by allowing us to focus on priority issues and close more transactions.

**-Paul Barrata**

***VICE PRESIDENT OF REAL ESTATE MONRO, INC.***



# CLIENT TESTIMONIALS

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”

We were looking for a team that had experience with middle market acquisitions. Our Wells Fargo Wealth Advisor referred us to Ron Buck and Tully Ryan with Murphy Business Sales, and we got exactly what we were looking for. Ron, Tully, and the entire Murphy team not only met, but far surpassed our expectations. We were extremely satisfied with their expertise, thoroughness, and level-headed navigation through the inevitable noise of the transaction. Not to mention the price, terms, strength of the buyer, and the time it took to complete the transaction. We really appreciate all that they did for us, from initial engagement to closing (and even post-closing), and would highly recommend them to other owners interested in selling their business.

**-Mark Edelman and Ken McMullen**

***CO-OWNERS, MARK-AIR, INC***

# CLIENT TESTIMONIALS

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”

Overwhelmingly positive experience with Murphy Business. I tried selling my business for 3 years with a different business broker and within 167 days after listing, Murphy Business found a buyer and closed the sale for 100% of our asking price. I have had an overwhelmingly positive experience with the Murphy Business Services team and Tully Ryan. I have found Tully to be honest, knowledgeable, and attentive to the needs of both buyer and seller.

By setting realistic expectations and using his expertise and past experiences, Tully brings incredible value to both sides of the transaction, facilitating successful transactions which maximize value for sellers, while simultaneously setting up a buyer for long-term success. I would not hesitate in recommending him to anyone who is seriously considering selling their business.

**-Chris Carpenter**

***PRESIDENT***

# CONTACT US



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