

What's My Company Worth?

I have received numerous emails and telephone calls over the past several weeks indicating;

- I'm being contacted by numerous business brokers.
- They state, "That now is the time to sell".
- They have a client interested in having immediate conversations with me, what should I do?

My answer as always----are you be prepared to let go?

I've written numerous articles on being prepared and on how to value a trucking/logistics business. I've also written articles on the timing issues. However, the time to sell is when you're ready.

With that stated;

- Merger and Acquisition activity is on the rise in 2011.
- The number of transactions is likely to hit a record this year after plunging in 2008 and again in 2009.
- 2010 saw a rebound, and;
- I believe it's going to continue this year.

Is trucking the darling of the investment community? No! However, there are some opportunities available, if you're ready to let go and are realistically priced.

The value of deals worldwide is up 10% passing the \$3 trillion mark, as financing options become more attractive. For U.S. deals alone, the Kiplinger report indicates there's going to be a 20% hike in the value of deals; more than \$1 trillion dollars. Does that mean that \$1 trillion is going to be spent in the trucking industry? No!

- Hot markets are going to be energy, technology, financial services, life sciences and health care, but;
- Trucking companies with specific geographic niches and specific contracts are in demand, due, to current market conditions.

Is this market going to last? No! Do I have any idea when the market is going to change? No! However, if I was to make a bet, I would say that, within the next 12 – 18 months, the second rush of Investors will move on.

Each week, as I prepare to write my "advisory", I am constantly reviewing the world economy, because it provides "benchmarks" of what we can expect to happen in the United States.

I've stated, on numerous occasions, that trucking moves 87% of all product in the United States.

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in this issue

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**I've also stated that I believe the next 12 – 18 months is going to be good for the trucking industry, but not necessarily for the economy.** I continually monitor the rising cost of fuel, as it pertains to our industry and I continually review the consumption worldwide.

**The Saudis' keep hinting that fuel could raise oil production; if that happens, their production and refining cost will increase and the cost of fuel will increase.** For example, since 2007, gas consumption in the U.S. has been essentially flat. **Yet, oil prices have risen 50% - why? Imagine how oil prices will rise if consumption rises.** As gasoline prices surge, consumers will have less disposable income which chokes the economy and directly affects the trucking industry.

**It's safe to say that we do not have infinite resources and, clearly while infinite growth may be possible in areas such as innovation and creativity, much of our economy depends on resources with finite supplies.** As poor nations become bigger consumers of limited resources, the richer nations have to consume less. **Therefore, resource capacity will be a growing problem that will lead to more meager lifestyles in the West,** which means that consumers may spend less money; that means trucking companies will have less freight to haul.

**I believe it's very important, that anyone operating a trucking business, understand their cost of purchased transportation.** If you own trucks or utilize independent contractors, every time you dispatch a truck;

- You should know exactly what the cost of that truck is.
- **You should have a pre-determined profit that you're trying to achieve, and;**
- You should monitor your truck productivity on a daily and weekly basis.

**As an owner of a transportation business, you should focus on;**

1. Achieving a specific amount of revenue, each day.
2. You should focus on balancing your lanes, as frequently as possible, to achieve the highest rate of return.
3. You need to keep your eye on your fuel cost, at all times.
4. Fuel surcharges have to be implemented immediately upon as cost escalates, and;
5. It's crucial that you treat each truck as a profit center.

**For a less than truckload carrier, it's more important than ever that you be able to;**

- Track your cost and productivity separately for pick up routes, delivery routes, stops, cross docks and line haul.
- Your software program should be able to include time data, pounds per man hour, load factors and other productivity measurements.

**Whether you're a TL carrier, LTL carrier or a freight broker, your software program should be able to provide an analysis of;**

- Individual shipments.
- Customers.
- Shipping points.
- Rates for bids.
- Lanes.
- Routes, and;
- Terminals.

**In all instances, the rates you charge a Shipper should be predicated on actual operating cost, not your competitors.**

**There are opportunities over the next 12 – 18 months to improve your overall operating earnings and stock pile money.** There are also opportunities to sell your business! **If you want to sell, do it now, not later. You may be ready later, but the “market” may not!**

**At the same time, you need to also recognize that you need a long term business plan.** If you follow the economy and believe that there will be a day of reckoning, then you should position yourself to;

1. Achieve the highest rate of return, in good times;
2. Have a contingency plan when the market starts to “shift”.

**A contingency plan is not when the market collapses; you decide to sell your business; it’s too late.**

**According to the Kiplinger Letter, by mid 2011, the Federal Reserve** will abandon its policy of easing, and pumping liquidity into the money supply to help stimulate jobs and create growth. **That means, economic problems will begin to manifest itself. How bad it gets is suspect at best?**

**Meanwhile, firms will try to raise prices – most unsuccessfully.** Instead, they will have to swallow higher, raw material costs and try to boost productivity. The advent of warmer weather is going to bring a spike and demand of gasoline pushing the national average of gasoline to \$3.50 a gallon.

**In conjunction with the above, it’s been estimated that;**

- Consumers will notice higher rents.
- Increased utility bills.
- An increase in food, medical cost and tuitions, as well as;
- Telephone and cable televisions.

**Housing and utility bills account for 42% of the consumer price index.** As prices increase, it impacts the economy, which in turn, impacts trucking.

**As you’re preparing for the second and third quarter of 2011, you should;**

1. Make profits your first item of expense.
2. Determine what day of the year will be your break even day.
3. Recognize that finances are the key to profits and recognize operating statements are essential to cost control.
4. Establish reports that you want to receive on a weekly and monthly basis and utilize core principles to improve the overall operating efficiency of your business.

**At the same time, take a hard look at your people; employees are either assets or liabilities. Who needs more liabilities? In reality, the difference between great employees and all others is not as great as people think.** The difference –executives and top producers consistently make more requests of others. Whether you’re a CEO, COO, or Manager of a department; **recognize there is always room to improve, but it requires change.**

**Effective leaders know where they are going and convince others to go with them.** Leadership is the ability to get people to do what they don’t want to do and like it!

**QUOTE OF THE WEEK: “You can tell when you’re on the right road – it’s up hill.” (Unknown)**