

## **The Right Time to Buy or Sell Your Oil Company**

*By John Nardozi, CPA, CVA*

Now that another challenging heating season is coming to an end, we can expect to see many signs of Spring. Flowers in bloom. The Red Sox on the field. And dozens of oilheat companies suddenly up for sale.

Is this the best time to sell your company? Is it a good time to grow your business by buying a competitor? As with most things in life, timing is important when it comes to buying or selling a business.

When you decide to sell your oilheat company, you want to maximize your profit. That is the reward for all those years of hard work and long hours. And the end of the heating season may be the optimal time to accomplish that objective. Here's why:

- All of your prepaid and budget credit accounts are (hopefully) fulfilled and off the books.
- The season's profits are already in the bank.
- Outstanding accounts receivable are being collected.
- That pile of bills on your desk is being whittled down as you pay off the season's debts.
- You have not yet started the planning process for next year (price protection programs, hedging plans, supply agreements, service contract renewals, etc.).

All of these add up to a good time to make a clean break and to put your company on the market. Let the buyer make those decisions!

If you are on the other side of the table, and are looking to buy another oilheat company, Spring is also a good time to start the process. But don't be in any hurry to close the deal immediately. Assuming that negotiations and finance arrangements will take from six to eight weeks, a purchase made now is unlikely to be completed before mid- to late-Summer. Perfect timing for you, because:

- You don't have to carry off-season costs all Summer.
- You can reduce the purchase price you pay by the amounts due to customers (pre-pay balances, budget credit balances).

- You know what the company's actual margin was and can negotiate a better price based on that figure.
- Retained gallons measuring period may be accelerated (reduced) because the heating season is about to begin.
- Customers are less likely to jump ship and shop for another dealer too close to the season.
- Your pay back, which is normally 18 to 30 months, can be cut by up to 6 months.
- You can integrate your new customer base into your existing customer base more easily before the season starts.

If you have the deal under agreement, you can strategize together the targeted margin, pre-buys of wet barrels, hedging strategizes, as well as setting pricing programs and service plans for the upcoming season. This eliminates any surprises and purchase price adjustments.

It is also a good time to determine the strategy for marketing the merger and how best to communicate the change to customers.

So is now the best to buy or sell an oilheat business? If your company is in financial difficulty, the best time to sell may be right away, no matter what the timing may be. But if you have made the decision to sell based on other factors, and your business is basically healthy, you have the "luxury" of being more selective and reviewing more offers.

If you are buying, get into the game now so that you have time to find the right match for your company. But don't rush to finalize the deal until later in the Summer.

*John Nardozi of Nardozi Consulting, LLC and Oilheat Network Exchange, LLC is a veteran oil industry expert. He can be reached via email at [jnardozi@nardoziconsulting.com](mailto:jnardozi@nardoziconsulting.com).*