

OILHEAT ADVISOR

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A Newsletter for the Oilheat Industry from Gray, Gray & Gray Certified Public Accountants

Sales Up? Margins Strong? Now May Be the Time to Sell!

by John H. Nardozzi, CPA

The heating season just ended proved to be a good one for most retail oilheat dealers. Yes, prices were high, both at the rack and to the consumer. But these high prices did not come as such a big surprise this year. A cold winter and ample supplies combined to push margins higher and boost profits for dealers who were able to control their costs. Overall, it was a much more enjoyable year to be in the oil business.

Which makes it the perfect time to get out of the oil business.

Don't get me wrong! I still think oilheat is a great business, and will continue to be so for the foreseeable future. If you are a young and enthusiastic owner, my advice is to stay the course and continue to build your business.

But if you are at the stage in your life and career where you are considering retirement, or tired of fighting the day in, day out grind, now may be the best time to make the transition. It is a seller's market, which may be the impetus you need to make a difficult decision.

Whatever your reason for wanting to sell, there are a number of reasons to do it now.

1. High business value. – Your business may never be as valuable as it is this year. A glance at some of the key indicators shows why. Retail prices continue to be at their highest levels ever. Oil supplies are plentiful and stable. Competition (from gas and electric utilities) is reeling from supply and pricing problems. The result of all this is a price

per customer that may not be this high for many years to come.

2. Eager buyers. – Like many other industries, consolidation has become an important strategy in the oilheat business. There are some very large holding companies in the field who are "rolling up" small and mid-sized dealers. To compete, many larger dealers are merging or making their own acquisitions. Size matters, and many buyers are paying a premium to grow their business.

3. Favorable financing. – One of the stumbling blocks for acquisitions in the past has been the availability of bank financing for the buyer. But in recent years several of the Northeast's regional banks have awakened to the possibilities of the oilheat industry, committing specialists to focus on financing for dealers. There is still plenty of money out there, which will make it easier for a buyer to meet your price.

4. Tax advantages. – The Bush administration's tax cutting plan, including the repeal of the estate tax, is great news for an individual who is selling a business, either to the next generation of family or an outside interest. You'll get to keep more of what you take in from the sale.



Selling a business in which you have invested so much time, money, effort and "emotional capital" is never an easy decision. But it makes sense to get the most benefit from the sale when it finally happens. Now is the best time in the past ten years to realize the highest profit and most favorable conditions from a sale.

Highlights from FuelTrack

Gray, Gray & Gray's latest FuelTrack® report provides an interesting glimpse of the "typical" New England oilheat dealer. Here are some average figures that you can use to measure your own company's performance against that of your peers. Please note that these are averages from oilheat dealers of all sizes, and from throughout the region.

- Number of retail customers: 4,945
- Number of retail gallons sold during the heating season: 5,042,916
- Gallons of oil purchased by a retail customer during the season: 1,019
- Renewal price for a service contract: \$145.30
- Number of service contracts: 2,473
- Number of service calls annually: 7,981
- Number of service trucks: 13
- Number of oil trucks: 10
- Annual insurance costs for an oilheat dealer: \$94,174
- Total number of employees: 34
- Number of oil delivery drivers: 7
- Number of service technicians: 11



FuelTrack® is a statistical analysis report created by Gray, Gray & Gray. We conduct extensive surveys and review of fuel oil dealers of various sizes on an annual basis in order to develop a statistical profile. FuelTrack is also available on an individual basis, allowing oilheat dealers to better gauge and analyze their own company's performance.

FuelTrack is a remarkable management tool. Using our many years of experience in the fuel oil field, we have developed a very thorough, very extensive management analysis program that looks carefully at all sources of income and expense. Any strengths or weaknesses can be pinpointed quickly.

How does your company compare to fuel oil dealers of similar size? Only an individual FuelTrack analysis will tell. For more information about "FuelTrack," contact John Nardozi or Joe Ciccarello at (781) 407-0300.

Current Pricing:
FuelTrack Industry Profile Report (full version): \$350
Individual FuelTrack Analysis: \$1750 - \$2,000

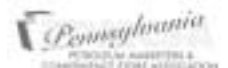


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