Service Stations
Approach to Valuations & Market Overview

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1. Valuation Approach

2. Practical Examples Using Each Method

3. Overview of the Service Station Market
Valuation Approach
Three primary methods of Service Station Valuation:

1. Income Capitalisation
2. Investment Method
3. Market Comparison – Comparable Method
Income Capitalisation

- Review of historic, current and budget trading, ideally the last three years actual trading accounts
- Project forward 1 or 2 years to stabilised year /fair maintainable level
- Capitalise EBITDA adopting an appropriate multiple
- Deduct Capex (if appropriate) and purchaser’s costs (4.46%)
Investment Method

- Analysis of lease in particular the rent review clause
- Is it Upward Only Rent Review
- Gather comparable rental evidence
- Capitalise the rent payable at appropriate yield.
- Deduct purchaser’s costs.
- If provided with trading figures you can as a cross check establish what the rent payable would be to see if this is in line with the current rent being paid and is this sustainable for any operator.
- Operators would normally pay a rent based on a percentage of their EBITDA or turnover.
- Service Stations sold with goodwill would normally expect to achieve a premium on investment values.
Comparable Method

- Analyse recent sales evidence
- Apply to Service Station being valued
- Ensure the comparable are relevant to subject property
- Check method only – not primary valuation method
Practical Example
Hypothetical Service Station

- N7 Naas Road
- Well known Fuel Brand
- Well known Convenience Store Operator
- Freehold
Tools for the Preparation of a Valuation

- Last 3 Years Trading Accounts
- Projected Turnover Figures
- Site Inspection
- Fuel Agreements and developments in the pipeline
- Meet the operator to discuss financials and to get a general overview of the property
## Historic Trading

### Hypothetical Service Station vs. Historic Trading

<table>
<thead>
<tr>
<th>Year</th>
<th>December</th>
<th>December</th>
<th>December</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
<td>2010</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td><strong>Profit and Loss Account</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>7,983,093</td>
<td>8,887,583</td>
<td>9,000,000</td>
</tr>
<tr>
<td><strong>Cost of Sales</strong></td>
<td>7,011,331</td>
<td>7,516,010</td>
<td>7,620,000</td>
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<tr>
<td><strong>Gross Profit</strong></td>
<td>971,762</td>
<td>1,371,573</td>
<td>1,380,000</td>
</tr>
<tr>
<td><strong>Gross Profit Margin</strong></td>
<td>12.17%</td>
<td>17.5%</td>
<td>22.10%</td>
</tr>
<tr>
<td><strong>Administration Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Wages and Salaries</strong></td>
<td>275,000</td>
<td>266,000</td>
<td>276,000</td>
</tr>
<tr>
<td><strong>Directors Remuneration</strong></td>
<td>68,577</td>
<td>72,345</td>
<td>80,000</td>
</tr>
<tr>
<td><strong>Directors Pension Costs</strong></td>
<td>21,543</td>
<td>30,000</td>
<td>32,000</td>
</tr>
<tr>
<td><strong>Rent</strong></td>
<td>118,470</td>
<td>118,470</td>
<td>118,470</td>
</tr>
<tr>
<td><strong>Rates</strong></td>
<td>29,211</td>
<td>29,000</td>
<td>28,900</td>
</tr>
<tr>
<td><strong>Other Administrative Expenses</strong></td>
<td>250,000</td>
<td>275,000</td>
<td>256,123</td>
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<tr>
<td><strong>Bad Debts</strong></td>
<td>15,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>120,000</td>
<td>120,000</td>
<td>120,000</td>
</tr>
<tr>
<td><strong>Total Administration Expenses</strong></td>
<td>897,801</td>
<td>910,815</td>
<td>911,493</td>
</tr>
<tr>
<td><strong>Profit / (Loss) before taxation</strong></td>
<td>73,961</td>
<td>460,758</td>
<td>468,507</td>
</tr>
</tbody>
</table>
EBITDA (including “Add Backs”)  €814,470
YP (multiple)  5.5
Gross Value  €4,479,585
Less costs (4.46%)  €4,288,000
1. A service station on the busy N5 Castlebar Road, Westport sold at Allsops Auction in May 2012. This was let to Sweeney Oil at a rent of €45k pa and sold for €525k.

2. The October 2012 Allsops Auction saw the sale of a former Esso site on the Headford Road, Galway (0.14 hectares) sell for €560k.

3. Applegreen Service Station, Ballinteer Avenue, Ballinteer is let to Applegreen on a 21 year lease from 08/06/2009 on a FRI basis. The lease is subject to a stepped rent for the first ten yearly intervals.
   - Yrs 1&2 €100k, Yrs 3-5 €120k and Years 6-10 €140k. Break in June 2021.
   - Sold Q1 2013 for in excess €1.4m which represents an initial yield of 8.2%.
Market Overview

• Service Stations have adjusted to market changes and turnover figures have appeared to have stabilised.

• Unmanned Service Stations particularly in rural locations could be a concept of the future.

• A number of Service Stations where they are being sold as a goodwill are sold off market.
Q&A

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