

# Chapter 11: Automotive Businesses

**This major group includes establishments primarily engaged in furnishing automotive repair, rental, leasing, and parking services to the general public.**

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## Automotive Glass Repair Shop

**SIC: 7536 NAICS: 811122**

This category is comprised of entities engaged in the installation, repair, or sales and installation of automotive glass.

### Description of Business

In the highly competitive auto-glass industry; installers, distributors and manufacturers tend to yield to vehicle insurance companies' guidelines. A large portion of this industry is dedicated to the repair of auto glass damaged by collision or accident, hence the critical relationship with insurers. Automotive glass installers and repairers remove broken, cracked, or pitted windshields and window glass. Installers apply a moisture-proofing compound along the edges of the glass, place the glass in the vehicle, and install rubber strips around the sides of the windshield or window to make it secure and weatherproof (Bureau of Labor Statistics, Occupational Outlook Handbook).

### General Industry Information

Increasingly, car buyers ask for more creature comforts on their vehicles, such as tinted windows, integrated heaters, solar controls, laminated side and back lights to reduce noise, integrated antennas and other features. These added values affect vehicles' aesthetic appearance and functional value.

An increase in the average number of miles driven on the road can improve aftermarket glass sales, because it boosts vehicles' exposure time to weather elements that can cause wear and tear on the glass. Regions with severe weather, such as Colorado and Illinois, have greater need for replacement glass than places with consistently moderate conditions, such as California and Florida.

The automotive glass aftermarket has helped itself by offering fast and efficient service, setting very high standards for repair time and product availability. The Internet has assisted in streamlining the service-delivery process and improving the overall transparency of the automotive-glass aftermarket. Use of the Internet also forces installers to be more competitive. (Source: National Glass Association, Auto Industry forecasts)

**Financial Performance Ratios**

**Table 11-1: Auto Glass Repair Shops**

Margins	
Manager/Owner Salary (% of revenue)	30-35%
Operating Expenses (% of revenue)	96-98%
EBITDA/Operating Margin (% of revenue)	1-3%
Ratios	
Working Capital (% of revenue)	4-6%
Current Ratio	1.15-1.55
Quick Ratio	0.9-1.25
Accounts Receivable Turnover	15 times
Debt/Total Capital Ratio	40-65%
Asset Turnover Ratio	60-120%
Profit & Growth	
Return on Invested Capital	1-3%
Prior Years' Annual Growth (% of revenue)	5-10%



**Business Valuation Formulas**

1.8 times SDCF.  
40-60% of annual revenue.



**Equipment Valuation and Real Estate Rental Formulas**

*Equipment*  
OLV is typically 5-15% of retail value.

*Real Estate*  
Rent as a % of Sales: should be 2-5%. Rental spaces for these businesses tend to fall between 2,500 sq ft and 10,000 sq. feet, with a median of 4,000 sq ft for retail operators. The typical lease is a gross expense lease. Solo operators simply pick up the glass and go to the client. The typical lease is a gross expense lease.



**Red Flags and Risks**

Workers face the risk of on-site injuries. The installation workers deal with heavy, elevated glass components and are required to bend for long periods at a time. Accidents and workers' compensation can be costly for both workers and owners. As always, it is important to review localized competition. Development of nationwide delivery networks helps to curb competition and any contracts for service should be reviewed for transferability. This business requires large numbers of equipment, which should be examined thoroughly prior to the purchase in order to ensure proper working order. Finally, it is important to consider the effect of a sale on any existing leases. Specific terms within the lease