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### RE: Home Improvement & Window Retail

## Specifications

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 Price \$715,000	 Cash Flow \$192,624	 Revenue \$2,494,149
 Equipment \$39,000	 Down Payment 10%	 Account Receivable \$260,000
 Reason for Sale Owners have separate business they wish to focus on	 Location Nebraska & Iowa	 Employees Both locations have receptionists and many contracted 1099 installers; one location has 1099 sales reps



## SUMMARY OF THE BUSINESS –

Specializing in vinyl window and door installation, the sellers of this franchise business have locations in Nebraska and Iowa. Together, the stores gross over 2.4M in sales and profit the owners nearly \$200,000 in cash flow. As part of a nationally-recognized name brand, these stores promise huge growth potential coupled with absolutely no franchise fees!

Open for 6 years, each location has a warehouse and storefront, as well as a showroom. As the franchise is a

volume-based model, inventory is ordered for each project and not kept until sold. These stores are being sold on a partly owner/operator model, but a new owner could easily hand out many of the owner's duties to current 1099-contracted installers.

Each location is minimally run, with receptionists at both offices and many contracted 1099 installers. Included in the purchase price is \$389,000 in assets, including equipment and branded vehicles. At a purchase price of \$715,000, a buyer paying just 10% down could expect a first year's profit of \$78,805 after debts.

## Business Highlights

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- Years in Business: 6
- Location: Nebraska & Iowa
- Building Lease: Both locations have a storefront, showroom and warehouse
- Reason for Selling: Owners have separate business they wish to focus on
- Employees: Both locations have receptionists and many contracted 1099 installers; one location also has 1099 sales reps
- Seller Training Period: 90 days
- Growth Opportunities: Contract seller's duties out to existing installers; targeted marketing; work with remodelers and homebuilders to push product
- Current Owner's Responsibilities: One of the owners has a lot of duties that could be spread to the installers, and the other handles marketing

## Financial Highlights

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- List Price: \$715,000
- Gross Sales
  - 2016: \$2,494,149
  - 2015: \$2,304,226
- Cash Flow
  - 2016: \$192,624
  - 2015: \$111,489
- Assets included in purchase: \$389,000
  - Equipment: \$39,000
  - Vehicles: \$90,000 in branded trucks
  - A/R: \$260,000 in combined A/R between both locations

*\*amounts may vary*

# Cash Flow Analysis

Description of Financial Statement	Tax Return Combined	Tax Return Iowa	Tax Return Nebraska	Tax Return Combined	Tax Return Iowa	Tax Return Nebraska	Notes
	2016	2016	2016	2015	2015	2015	
<b>GROSS SALES</b>	\$2,494,149	\$604,824	\$1,889,325	\$2,304,226	\$561,187	\$1,743,039	
<b>Net Income Shown on Financial Statement</b>	\$-31,333	\$-20,743	\$-10,590	\$-83,159	\$-15,659	\$-67,500	
<b>ADDBACKS</b>							
Compensation to Owner	\$91,850	\$12,462	\$79,388	\$84,000	\$9,000	\$75,000	
11% Tax on total W2 Salaries	\$10,104	\$1,371	\$8,733	\$9,240	\$990	\$8,250	
Interest	\$24,424	\$1,130	\$23,294	\$18,303	\$279	\$18,024	Non-onward going expense
Depreciation	\$17,875	\$169	\$17,706	\$19,361	\$169	\$19,192	Non-cash item
Meals & Entertainment	\$939	\$0	\$939	\$1,104	\$60	\$1,044	Expenses unrelated to the business
Marketing Consultant	\$31,200	\$15,600	\$15,600	\$15,700	\$15,700	\$0	Outside marketing company no longer used
Non-Business Telephone	\$1,440	\$0	\$1,440	\$1,440	\$0	\$1,440	\$120/mo for personal cell phone
Sales Manager Salary	\$26,000	\$0	\$26,000	\$26,000	\$0	\$26,000	Business being sold as owner/operator
Sales Manager Commission	\$19,500	\$0	\$19,500	\$19,500	\$0	\$19,500	Business being sold as owner/operator
Travel	\$625	\$625	\$0	\$0	\$0	\$0	Travel expenses unrelated to business
<b>TOTAL ADDBACKS</b>	\$223,957	\$31,357	\$192,600	\$194,648	\$26,198	\$168,450	
<b>Seller's Cash Flow = Total Addbacks + Net Income</b>	\$192,624	\$10,614	\$182,010	\$111,489	\$10,539	\$100,950	
Profit Margin	7.72 %	1.75 %	9.63 %	4.84 %	1.88 %	5.79 %	

- Sellers had a Marketing Consultant position that they discontinue due to poor return
- One location has a Sales Manager position that was made redundant by the salesmen

## Products

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- Windows
  - Replacement vinyl
    - Single hung, double hung, sliding, casement, awning, bay & bow, picture
  - Grid patterns: colonial, prairie, diamond
  - Grid styles: flat, contoured, simulated
  - Glass energy options: obscure, Niagara
- Doors
  - Replacement doors
    - Sliding, swing
  - Grid patterns: colonial, prairie, diamond
  - Grid styles: flat, contoured, simulated
  - Glass energy options: obscure, Niagara and glue chip-glass
- Roofing
  - Repairs and replacement
  - Class 4 Impact Resistance
- Siding
  - Repairs and replacement

## Services

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- Installation of vinyl windows and doors
  - Installation included in pricing
  - Average order takes 2 to 3 weeks to be built and shipped
  - Average order takes less than 1 day to install
- Repair and replacement of roofing and siding
- Professional installation
  - Installers go through a strict screening process
  - Each installer carries Public Liability Insurance, Workmen's Compensation Insurance and Property Damage Insurance
- Lifetime warranty

## Process

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- Network of independent business owners across the U.S.
- Extensive network allows for purchase of large volumes of windows directly from manufacturers to precise standards
  - Makes for tremendous discounts passed on to consumer
- Each window is individually measured
  - Custom order is submitted to manufacturer for production
  - Manufacturer builds windows and ships them to warehouse

## Market & Growth Outlook

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- The franchise model is built on a volume basis
  - Growth is endless and depends on the staff in place and owner's needs
- There are no franchise fees, so independent businesses are not hindered by the franchise impinging on sales numbers
- Increase marketing efforts to drive new sales and name recognition
- No inventory costs, as product is ordered per job
- Work with remodelers and homebuilders to push product

## Valuation Details

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The Firm Business Brokerage used a Cash Flow Valuation methodology to determine the Purchase Price of the business.

The formula used is as follows:

$$2016 \text{ Cash Flow} \quad \times \quad \text{Prescribed Multiple} = \quad \text{Fair Market Value}$$

Cash Flow is the sum of business net income plus any owner perks and any non-onward going expenses.

A multiple is prescribed by a 20-question, 100-point parameter ranking system that is used to analyze the current business health. Each question is based on a scale from 1 to 5: 1 being low, 2 below average, 3 average, 4 above average, 5 high. The average of the responses sum is the business' prescribed multiple.

With this information, the computation is as follows:

$$\$192,624 \quad \times \quad 3.9 \quad = \quad \$751,233$$

The Fair Market Value of this business is \$750,000. However, due to the seller's wish to devote time elsewhere, the business is being listed at a discounted price of **\$715,000**.

## Funding Example

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<b>Purchase Price:</b>	<b>\$715,000</b>
<b>10% Buyer Down Payment:</b>	\$71,500
<b>10% Seller Financing:</b>	\$71,500
<b>80% Bank Loan:</b>	\$572,000

Seller Financing 5-year term at a rate of 4.5% equals a monthly loan payment of \$1,333.

Bank Loan 7-year term at a rate of 5.25% equals a monthly loan payment of \$8,152.

After business expenses and loan payments, a buyer with a 10% down payment of \$71,500 would retain a profit of \$78,805, a 110% return on investment in the first year!

A lender is required to have a minimum 1.5 coverage ratio for any business loans extended. At a proposed Purchase Price of \$715,000 with the terms listed above, the coverage ratio is 1.69.

***Please note that the decision of whether to extend a loan on any sale belongs to the bank, and this document does not guarantee specific terms or verify that financing is available.***

To receive a full financial package and specific information regarding this business:

1. Complete the Qualified Buyer Documents (Non-Disclosure Agreement and Buyer Questionnaire) [on our website](#) or print, scan and return the attachments to [info@TheFirmB2B.com](mailto:info@TheFirmB2B.com)
2. Call The Firm Business Brokerage at 402.998.5288 to schedule an appointment or conference call with a Broker.

The Firm currently has over 90 cash flowing businesses available. If you find that this is not a fit for you, please let us know and we would be happy to provide you with other opportunities.

The Firm makes no warranties or representation in consideration to the information provided above. All communication regarding this business must occur directly with The Firm Brokerage, LLC.