













Business Overview

RE: Boutique Bicycle Shop with \$350K+ in Sales

Specifications

 Price \$170,000	 Cash Flow \$119,868	 Revenue \$358,535
 Profit Margin 33%	 Valuation \$199,304	 Down Payment 10%
 Inventory \$83,641	 Equipment \$9,225	 Location Western Iowa
 Service Area Western Iowa	 Lease \$1,000	 Employees Seasonal: 1 PT in winter, 2 PT in summer



SUMMARY OF THE BUSINESS – Perfect location, great sales, and superior bikes. For the past 16 years, Council Bluffs has been lucky to have this bicycle retail and maintenance business, but retirement calls and over \$350,000 in sales could be yours! The only location in Western Iowa selling and servicing a major brand, this company also specializes in boutique selections to guarantee the best style and price for all.

Exposed brick walls, high ceilings and ornate molding lend a classy vibe not often found in similar shops, and track lighting highlights the \$80,000 worth of inventory. The workshop in back is well equipped and spacious, and the store uses a full-scale point of sale system with Enterprise-Class scalability and detailed options for monitoring financial performance and inventory. Location lends itself to event hosting, which could help boost sales with minimal cash expenditure. Other growth opportunities exist in social media marketing, selling used inventory and electric assist bikes, exploring the fast growing women's market, and utilizing the customer email list for marketing.

Within the first year of ownership, after debts and expenses of \$30,746 are paid, a new owner can expect to profit \$74,151 in net operating income. This equates to a 390% return on investment of the initial down payment of \$19,000.

Business Highlights

- Years in Business: 16
- Location and Service Area: Western Iowa
- Lease: \$1,000/mo. for 2,000 square feet³
- Reason for Selling: Retirement and pursuing other opportunities
- Employees: Seasonal: 1 PT in winter, 2 PT in summer
- Hours: Tue., Wed., Fri., 10-6, Thurs. 10-8, Sat. 10-5, Sun. 12-4
- Seller Training Period: 90 Days
- Growth Opportunities: Event hosting, social media, sell used inventory, electric assist bikes, explore fast-growing women's market, utilize email list for marketing
- Current Owner's Responsibilities: Inventory, payroll, bookkeeping, sales, repair

Financial Highlights

- **List Price:** \$170,000
- **2016 Gross Sales:** \$358,535
- **2016 Cash Flow:** \$119,868
- **2015 Cash Flow:** \$89,927
- **Assets included in purchase:** \$92,866
 - **Equipment:** \$2,000 Repair shop
 - **Vehicles:** 2006 Chevy Silverado \$7,225
 - **Intangible Assets:** Website, prime location for special events, brand recognition; only dealer between Omaha and Des Moines for a top brand
 - **Inventory:** \$83,641

- Parts are marked up 50%, rubber marked up 70-80%, bikes marked up 42%

*amounts may vary

Recasted Cash Flow

Description of Financial Statement	P&L Statement	Tax Return	Tax Return	Notes
	2016	2015	2014	
GROSS SALES	\$358,535	\$362,099	\$397,364	
Net Income Shown on Financial Statement	\$70,687	\$23,343	\$20,274	
ADDBACKS				
Compensation to Owner	\$53,646	\$51,250	\$41,523	
11% Tax on total W2 Salaries	\$5,901	\$5,637	\$4,568	
Depreciation	\$0	\$12,794	\$3,953	<i>Non-cash item</i>
Interest	\$3,451	\$7,525	\$5,311	<i>Non-onward going expense</i>
Health Insurance	\$1,590	\$2,894	\$2,524	<i>Owner's personal health insurance</i>
Auto-Personal Use	\$2,057	\$3,154	\$1,311	<i>Auto use unrelated to business</i>
Personal Fuel	\$0	\$761	\$0	<i>Fuel use unrelated to business</i>
New Fuel	\$-20,000	\$-20,000	\$-20,000	<i>Cost to buyer to hire new part-time associate</i>
Non-Business Telephone	\$1,800	\$1,800	\$1,800	<i>Personal cell phone at \$150/month</i>
Auto Insurance	\$736	\$768	\$1,959	<i>Owner's personal auto insurance</i>
TOTAL ADDBACKS	\$49,181	\$66,583	\$42,949	
Seller's Cash Flow = Total Addbacks + Net Income	\$119,868	\$89,926	\$63,223	

Profit Margin	33.43 %	24.83 %	15.91 %
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- The Recasted Cash Flow Analysis shows the add back of Owner non-business expenses or those expenses (such as depreciation and interest) which are specific to the current Owner and will not carry to a new Owner
- There was an increase in profit margin from 2014 to 2015
- There is a negative addback of \$20,000 to cover the cost of hiring on a part time associate to work in the business

Competition

- While being located near Omaha, it is not considered to be direct competition as most Omaha residents will purchase from Omaha and Council Bluffs Residents will purchase from Council Bluffs
- There are two other similar stores in Council Bluffs however neither offer the same major bike lines as this business

- High customer satisfaction reflected in repeat business and referrals
- Repair and service department
- High quality brands offered, that can't be found at nearby retailer

Growth Opportunities

- More active social media presence
- Keeping in contact with customers via company e-mail list
- Being active in group/club rides
- Selling used bikes or bike rentals
- Taking advantage of the marketing opportunities offered by Trek (Trek University)
- Electric Assist Bikes
- Putting more emphasis on the fast-growing women's market

Valuation Details

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

The formula used is as follows:

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

Cash Flow is the sum of business net income plus any owner perks and any non-onward going expenses. For this valuation, we used a two-year average cash flow of 2014 and 2015.

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:

$$2 \text{ Yr Ave Cash Flow (2015-2016)} \times 2.8 = \text{Price}$$

$$\$104,897 \times 1.8 = \$199,304$$

The Fair Market Value found above positions the business List Price at \$170,000, as the owner is ready to sell!

Funding Example

Purchase Price:	\$170,000
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10%Buyer Down Payment: \$17,000

15%Seller Financing: \$25,500

75%Bank Loan: \$127,500

Seller Financing 5-year term at a rate of 4.25% equals a monthly loan payment of \$475.

Bank Loan 7-year term at a rate of 5.25% equals a monthly loan payment of \$1,817.

After business expenses and annual loan payments of \$27,510, a buyer would retain a net operating income (profit) of \$77,387.

A down payment of \$17,000 results in a four-fold return on investment in the first year!

At a proposed Purchase Price of \$170,000 with the terms listed above, the coverage ratio is 3.81.

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
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.