





## Business Overview

### RE: Architecture Firm with Professional Team

Established for over 30 years with a 25% profit margin!

## Specifications

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 <b>Price</b> \$1,450,000	 <b>Revenue</b> \$1,668,433	 <b>Location</b> Houston
 <b>Profit Margin</b> 25%	 <b>Employees</b> 2 Licensed Architects, 1 Office Manager, 3 Project Managers, 2 Interns	 <b>Down Payment</b> 10%
 <b>Service Area</b> Houston & Dallas	 <b>Reason for Sale</b> Retirement	 <b>Account Receivable</b> Backlog 2018: Projects – 18 Dollar Amount – \$1,961,323 (after paying consultants)



**SUMMARY OF THE BUSINESS** – Even with 2017 being a rough year for Houston, this Municipal Architecture Firm still had its best year yet – and is set to keep growing. Showing a 34% profit margin due to the company cutting internal costs to improve the bottom line, sales have also increased by 20% since 2016, and the profit margin increased by 10% from 2016-2017. In business for 33 years, this firm is still strong and growing every year. The owner is not currently responsible for any billable hours. The owner works 30 hours per week in management only.

Located in Houston and also serving Dallas, projects are 80% K-12 and 10% municipal, with the remaining 10% comprised of retail, healthcare, transit and more. Projects range in size from 6 months in length to 2+ years, with staff continuously working on 14 projects each month. Beyond architectural design, this firm also offers project and construction management, cost estimation, interiors, specifications and more.

Staff includes 2 Architects, 1 Office Manager, 3 Project Managers and 2 Interns.

This is a great chance for an architectural firm to add a K-12 arm, or to expand into the Houston and Dallas markets. Priced at \$1,450,000 with 6-figure profits, a buyer could see a great first year's cash flow! Seller earnout is based on performance.

## Business Highlights

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- Years in Business: 33
- Location: Houston
- Service Area: Houston & Dallas
- Projects: 80% K-12 / 10% Municipal / 10% Other
  - 14 projects/month
- Services: Architectural design, 3D imaging, project management, cost estimates, construction management, interiors, specifications and more
- Lease: \$2,900/month in office space
- Reason for Selling: Retirement
- Employees: 2 Licensed Architects, 1 Office Manager, 3 Project Managers, 2 Interns
- Seller Training Period: 2-3 years
- Growth Opportunities: \$1B worth of Texas school projects coming up. Task order contracts.
- Current Owner's Responsibilities: Architect

## Financial Highlights

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- List Price: \$1,450,000
- Gross Sales:
  - 2017 - \$1,668,433
  - 2016 - \$1,335,528
- Cash Flow:
  - 2017 - \$422,150\*
  - 2016 - \$314,478
- *\*Cash flow reflects retaining the owner for one year or replacing with another principle at \$150,000 per year.*
- YOY Growth: 20% increase in sales since 2006
- Profit Margin: 25%

# Cash Flow Analysis

Description of Financial Statement	P&L Statement Jan-May	Tax Return	Tax Return	Notes
	2018	2017	2016	
<b>GROSS SALES</b>	\$861,001	\$1,668,433	\$1,335,528	
<i>Annualized</i>	<i>\$2,066,402</i>			
<b>Net Income Shown on Financial Statement</b>	\$134,411	\$308,812	\$3,120	
<b>ADDBACKS</b>				
Compensation to Owner	\$76,250	\$160,000	\$134,700	
11% Tax on total W2 Salaries	\$8,388	\$32,780	\$14,817	
Depreciation	\$0	\$2,370	\$11,650	Non-cash item
Contributions/Donations	\$2,000	\$34,312	\$1,945	Non-onward going expense
Meals & Entertainment	\$6,022	\$6,512	\$3,044	Personal expenses run through the business
Personal Auto	\$17,175	\$14,539	\$20,400	\$1,700/mo in lease payments
Health Insurance	\$1,250	\$2,999	\$3,000	\$250/mo for owner's premiums
Travel	\$5,124	\$8,326	\$4,867	40% personal
Cell Phone	\$625	\$1,500	\$1,500	2 lines at \$125/mo
Personal Expenses	\$0	\$0	\$76,620	Non-onward going expense
Credit Cards	\$0	\$0	\$38,815	One-time, non-onward going expense
Owner Salary	\$-62,500	\$-150,000	\$0	Salary to keep owner for 1 year or replace with new principle
<b>TOTAL ADDBACKS</b>	\$54,334	\$113,338	\$311,358	
<b>Seller's Cash Flow = Total Addbacks + Net Income</b>	\$188,745	\$422,150	\$314,478	
<i>Annualized</i>	<i>\$188,745</i>			

Profit Margin	21.92 %	25.30 %	23.55 %
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- Sales have jumped by over 90% over a 2-year period
- Between 2015 and 2016, the seller made internal changes to improve the firm's profitability
  - Office space was cut to reduce rent and a partner was removed

\*\*\*2017 cash flow reflects retaining the owner for one year or replacing with another principle at \$150,000 per year.

## Services

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Architectural Design	Construction Documents	Programming
Interiors	Specifications	3D Imaging
BIM Technology	Virtual Tours	Graphics
Project Management	Cost Estimating and Control	Construction Management
Bond / Pre-Bond Assistance	Facility Assessments	Master Planning
Program Management	Ed Specs / Standards	Code Analysis

## Clients & Projects

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### Concentration

- 80% K-12 & Higher Education
- 10% Municipal
- 10% Other
  - Healthcare, retail/commercial, religious/residential, transit/aviation

### Duration

- 14 projects in process during a 1-month period
- Range from 6 months to 2+years

### Texas laws regarding public work:

- Architects cannot be chosen based on fee
- "Select on qualification"
  - Fees are removed from the bidding process

### Fees

- For K-12 work – 6% to 7% of budget
- For Municipal work - 7.5% to 8% of budget

## Employees

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- 2 Architects
  - Handle most QA needs

- Analyze constructability and reviews plans
- One has been with the firm for 5 years
- 1 Office Manager
  - Handles all administrative duties and schedules
  - Project assistant
- 4 Project Managers
- 2 Interns
  - Production process
  - Not yet licensed architects, but still billable
  - Have been with the firm for between 6 months and 4 years

### Project Hierarchy



1. Seller takes the lead on a project and ultimately oversees the process as a whole
2. A Project Manager is assigned to orchestrate and takes over the project from the seller
3. The Project Manager forms a team that consists of an Intern and help from the Project Assistant

## Growth Opportunities

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- \$1B of upcoming K-12 & higher education work coming
  - Plenty of work on which to bid
- Task order contracts
  - Not much of this is currently being done by the firm but could be a growth opportunity if desired

## 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:

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

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.

For this business, a 2017 Cash Flow was used with a prescribed multiple is 3.3. With this information, the computation is as follows:

$$\$422,150 \quad \times \quad 3.3 \quad = \quad \$1,459,095$$

The Fair Market Value found above positions the business List Price at **\$1,450,000**.

## Funding Example

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**Purchase Price:** **\$1,450,000**

**10%Buyer Down Payment:** \$145,000

**45%Bank Loan:** \$655,000

**Seller Earn Out:** \$650,000

Bank Loan 8-year term at a rate of 6% equals a monthly loan payment of \$13,339.

Seller earn out is performance-based.

***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.