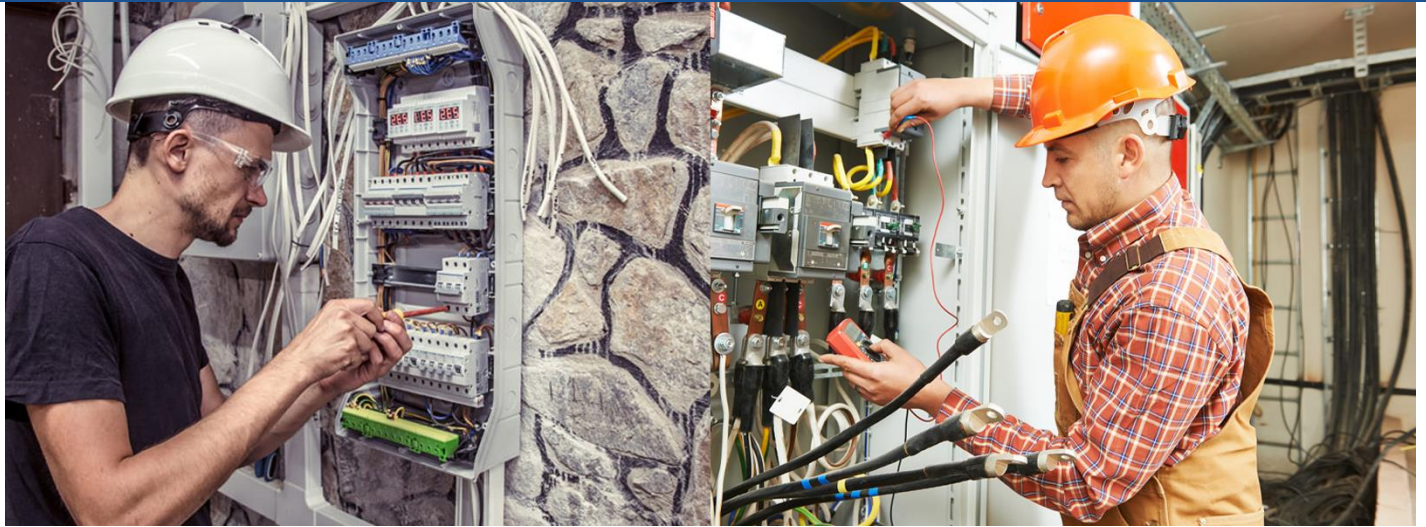











## LISTING OPPORTUNITY - SB776

Electrical Contractor - \$750,000 Sales, \$325,000 Earnings (SDE)

40% Margin, Strong Year over Year Growth, 2 Crew plus Seller



### SPECIFICATIONS

 <b>Price:</b> \$395,000	 <b>2020 Revenue:</b> \$613,890	 <b>2020 Cash Flow:</b> \$252,978
 <b>Location:</b> Santa Cruz County	 <b>2021 Revenue (Est.):</b> \$750,000	 <b>2021 Cash Flow (Est.):</b> \$325,000
 <b>Employees:</b> 3 FTE (Includes Owner)	 <b>Reason for Sale:</b> Seller is Relocating	 <b>Goodwill:</b> Good Reputation

### BUSINESS SUMMARY

Year Established: 2014  
Services: Electrical Contractor  
Equipment: 2 Equipped Work Trucks, Various trade tools  
Clients: 60% Commercial, 40% Residential  
Lease: No lease, operates out of home  
Personnel: 2 FT Technicians and Owner  
License Required: California Contractor License Required, C-10 [Electrical] or Other

This 7-year old electrical contracting company provides 40% margin of earnings (SDE) to the owner. There is strong year over year sales growth and high demand for their services. Quality service and their strong reputation continues to drive increases in their business.

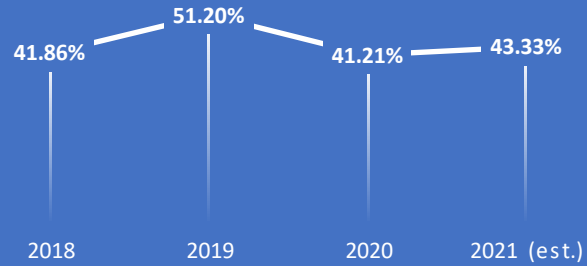
A buyer for this business should have appropriate state contractor licenses (C-10 or other).

The relocating owner will offer training and transitional support to facilitate buyer's success in the 100% acquisition of this business. Terms to be mutually agreed to.

## VALUE PROPOSITION

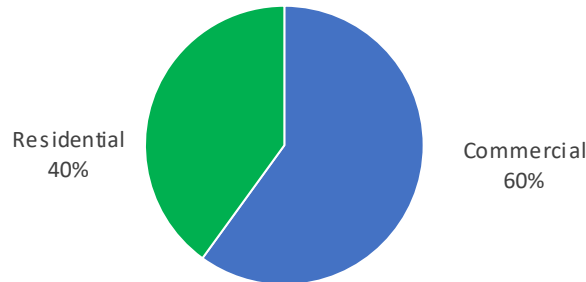
- Stable Year over Year Margins
- 3 FTE (including Owner)
- Strong Revenue Growth
- Desirable Location - Santa Cruz County

## PROFIT MARGIN



## REVENUE BREAKDOWN

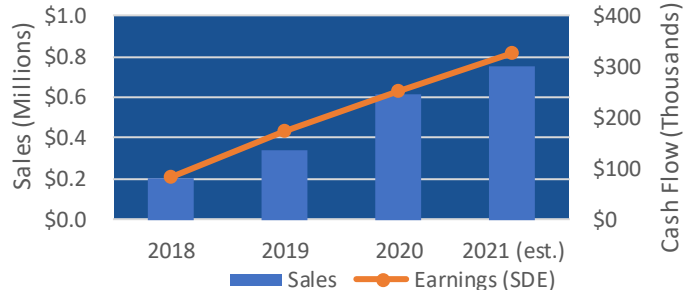
### Revenue by Sector



## FINANCIAL HIGHLIGHTS

- Listing Price: \$395,000
- \$325,000 Projected 2021 Earnings (SDE)
- 2021 Projected Revenue \$750,000
- \$487,671 Revenue for 2021 (YTD thru July 28)
- \$252,978 SDE 2020 Earnings
- More than 40% Margin to Seller Earnings
- Strong Year over Year Growth

### Sales and Seller's Cash Flow



## CASHFLOW ANALYSIS

Financial Statement Source	Tax Return 2018	Tax Return 2019	Tax Return 2020	Projected 2021 (est.)
<b>Sales</b>	\$203,538	\$338,268	\$613,890	\$750,000
Less Cost of Sales	\$59,864	\$165,051	\$184,388	
Less Operating Expenses	\$114,001	\$134,622	\$216,207	
<i>Equals</i> Net Income Before Taxes	\$29,673	\$38,595	\$213,295	
<i>Plus</i> Depreciation	\$0	\$31,417	\$5,432	
<i>Plus</i> Amortization	\$0	\$0	\$0	
<i>Plus</i> Interest on Loans to Business	\$2,521	\$3,076	\$2,330	
<i>Plus</i> Officer/Owner's Salary	\$53,000	\$43,500	\$70,104	
<i>Plus</i> Payroll Taxes on Officer/Owner's Salary	\$0	\$0	\$0	
<i>Equals</i> Preliminary Seller's Discretionary Earnings	\$85,194	\$116,588	\$291,161	
<b>Addbacks:</b>				
Salary to Working Family Member	\$0	\$0	\$0	
Auto Expenses for Owner's Benefit	\$0	\$0	\$0	
Insurance Premium Owner Benefit	\$0	\$6,598	\$7,728	
Discretionary Medical	\$0	\$0	\$4,089	
2019 Year End Work, Invoiced, Paid in 1H-2020	\$0	\$50,000	(\$50,000)	
<b>Sum of Addbacks:</b>	<b>\$0</b>	<b>\$56,598</b>	<b>(\$38,183)</b>	
<b>Total Seller's Discretionary Earnings (SDE)</b>	<b>\$85,194</b>	<b>\$173,186</b>	<b>\$252,978</b>	<b>\$325,000</b>
Profit Margin	41.86%	51.20%	41.21%	43.33%

## ASKING PRICE

The asking price is determined using a cash flow methodology. Cash flow is the sum of net income from the business plus any non-cash expenses, non-recurring items and any seller's personal expenses. A multi-factor multiplier is applied to the cash flow based on the condition of the business.

For this business, the cash flow is applied making the business price more favorable to the buyer. The multiplier applied in this case is 1.6x, below the market in favor of the buyer.

### CASHFLOW X MULTIPLE = ASKING PRICE

With this information, the computation is as follows:

$$\underline{\$252,978} \quad \times \quad 1.6 \quad = \quad \underline{\$395,000}$$

The fair market value is much higher than the asking price, as the relocating Seller would like to move this quickly and offer transitional support for the buyer to facilitate growth.

## FUNDING EXAMPLE

### Purchase Price: \$395,000

20% Buyer Down Payment	\$79,000	Buyer's equity
80% Bank Loan	\$316,000	10-Year term at a rate of 5.50% = Monthly loan payment of \$3,430

- Cash Flow (SDE in 2020): \$252,978
- Annual Payment to Bank: \$41,160
- Net (After Expenses and loan payment): \$211,818

Numbers above  
result in an **268%**  
return on cash in the  
first year.

A lender may require a **1.35 coverage ratio** for a business loan.  
At a purchase price of **\$395,000**,  
with **\$100,000 Owner Salary** with  
the terms listed above, the coverage  
ratio could be **2.7**

\* 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, calculations or verify that financing is available.