

## LISTING OPPORTUNITY

# Established Custom Signage Manufacturer with \$354K Cash Flow

Post-COVID Sales \$748K with 47% Profit Margin for TTM Ending 3/31/2022



### SPECIFICATIONS

 <b>Price:</b> \$570,000	 <b>Revenue:</b> \$747,827	 <b>Cash Flow:</b> \$354,149
 <b>Location:</b> Santa Clara County, CA	 <b>Service Area:</b> All of California	 <b>Profit Margin:</b> 47%
 <b>Employees:</b> 4 FTE (Includes 2 Owners)	 <b>Reason for Sale:</b> Sellers are Retiring	 <b>Goodwill:</b> 42 Yr. Reputation, 4.5 Stars

### BUSINESS SUMMARY

- Year Established: 1980
- Services: Full-service sign company providing a range of services from project management, custom sign packages, exterior monumentation (full & simple replacements), window graphics, A-frames and banners.
- Equipment/inventory: \$30,000 valued equipment and inventory included in the sale price
- License Requirement: C-61/D-42 non-electrical sign contractor license required
- Sales Mix: 70% new construction; 30% refurbishment
- Lease: 2,520 sqft including 80% manufacturing & 20% office; Lease ends 7/31/2025 @ \$2985/mo.
- Personnel: 2 FT Employees & 2 FT Owner
- Customer Profile: Majority of contracted works are for property management companies, home building contractors and developers; the company also provides vehicle graphics, banners, A-frames and other customized signs to retail customers.

This 42-year established signage manufacturer comes with a pristine operating history and a large roster of customers across the entire state of California. The company's expertise includes specialized, custom signage to comply with local, state and federal government building codes and ADA requirements. The company also has the reputation of being one of the leaders in Architectural Signage.

The company works with many large developers on new multifamily building projects as well as refurbishment. Often architects, builders or developers will assign projects to the company as a "design-build project," meaning that the company is hired to interpret the building code requirements and identify and specify all the required signs needed to pass building inspections. Additional areas of growth potential include corporate campus and facilities departments, educational facilities, hospitals, libraries, government buildings, and public works. Services also cover retail customers for internal and external custom signs.

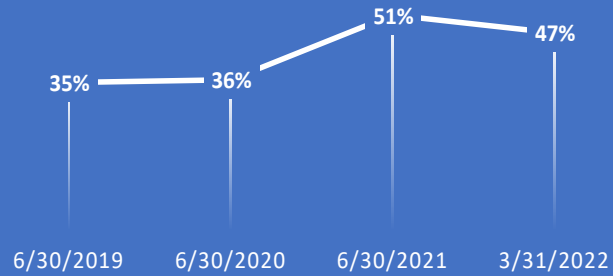
The business remained steady and profitable during COVID. The seller is retiring but willing to provide support and training as much as needed for a smooth transition. The business is driven primarily by word of mouth and repeating clients. In addition, the company also obtains customers through its Instagram account and its website. The key employee is willing to stay with the company after sale to support the new owner. The buyer for this business must have a C-61/D-42 license to continue offering the same level of signage service.

This business has been pre-approved for an SBA loan to a qualified buyer.

## VALUE PROPOSITION

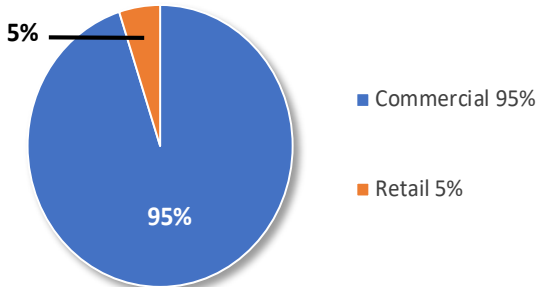
- 42 years of established reputation
- Excellent goodwill with 4.5-star customer reviews
- Expert in architectural signage with limited competition
- Consistent profit margin 35% - 51%
- Pre-approved for SBA loan with 10% down payment
- COVID/disaster-resistant business
- C-61/D-42 contractor license required

## PROFIT MARGIN

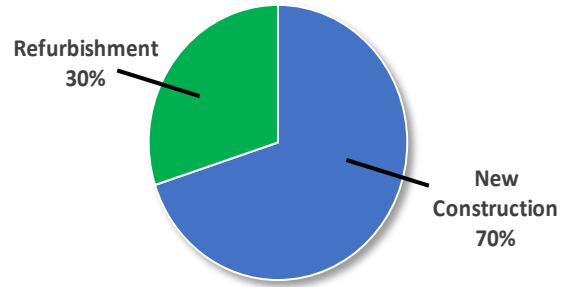


## REVENUE BREAKDOWN

### Revenue by Customer Type



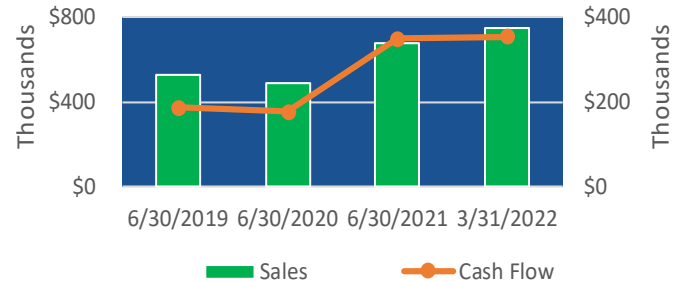
### Commercial Projects



## FINANCIAL HIGHLIGHTS

- Listing Price: \$570,000
- TTM ending 3/31/2022 cashflow (SDE): \$354,149
- Fiscal year ending 6/30/2021 (SDE): \$349,281
- 2021 sales increased 30% compared to 2019
- Consistent historical profit margin 35% - 51%
- \$30,000 worth of FF&E included in the sale

### Sales and Seller's Cash Flow



## CASHFLOW ANALYSIS

Financial Statement Source	Tax Return 6/30/2019	Tax Return 6/30/2020	Tax Return 6/30/2021	TTM P&L 3/31/2022
<b>Sales</b>	\$527,737	\$491,832	\$679,572	\$747,827
<i>Less</i> Cost of Sales	\$195,987	\$168,991	\$202,753	\$185,146
<i>Less</i> Operating Expenses	\$338,126	\$358,174	\$377,448	\$381,079
<i>Equals</i> Net Income Before Taxes	(\$6,376)	(\$35,333)	\$99,371	\$181,602
<i>Plus</i> Depreciation	\$3,102	\$1,875	\$19,975	\$5,813
<i>Plus</i> Amortization	\$0	\$72,180	\$72,180	\$20,800
<i>Plus</i> Interest on Loans to Business	\$38,712	\$34,275	\$26,362	\$22,419
<i>Plus</i> Officer/Owner's Salary	\$62,992	\$31,839	\$61,906	\$75,625
<i>Plus</i> Payroll Taxes on Officer/Owner's Salary	\$4,819	\$2,436	\$4,736	\$5,785
<i>Equals</i> Preliminary Seller's Discretionary Earnings	\$103,249	\$107,272	\$284,530	\$312,044
<b>Addbacks:</b>				
Auto Lease/Payments for Owner's Benefit	\$7,249	\$7,618	\$7,321	\$8,255
Auto Expenses for Owner's Benefit	\$3,879	\$3,495	\$3,647	\$4,912
Insurance Premium	\$16,339	\$16,012	\$17,347	\$14,813
Discretionary Professional Services (legal/accounting)	\$725	\$25	\$0	\$350
Owners' Pension Plan	\$10,577	\$5,359	\$4,460	\$7,205
Discretionary Meals & Entertainment	\$5,453	\$2,867	\$989	\$2,942
Discretionary Travel	\$1,749	\$303	\$2,362	\$808
Discretionary Telephone, Internet & Cell Phone Expenses	\$3,171	\$3,064	\$2,499	\$2,805
One Time Non-Recurring Charges or (Income)	\$2,091	\$250	\$0	\$15
Owner portion of employee benefit plan	\$31,537	\$29,969	\$26,126	\$0
<b>Sum of Addbacks:</b>	<b>\$82,770</b>	<b>\$68,962</b>	<b>\$64,751</b>	<b>\$42,105</b>
<b>Total Seller's Discretionary Earnings (SDE)</b>	<b>\$186,019</b>	<b>\$176,234</b>	<b>\$349,281</b>	<b>\$354,149</b>
<b>Profit Margin</b>	<b>35%</b>	<b>36%</b>	<b>51%</b>	<b>47%</b>

Note: The company's fiscal year ends June 30th.

## 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 listing price is \$570,000. Based on the cash flow from TTM ending 3/31/2022, the resulting multiplier is 1.6x, which is below market average in favor of buyer.

**CASHFLOW X PRESCRIBED MULTIPLE = FAIR MARKET VALUE**

With this information, the computation is as follows:

$$\underline{\$354,149 \times 1.6 = \$570,000}$$

The fair market value found above positions the listing price as:

**\$570,000**

## FUNDING EXAMPLE

**Purchase Price: \$570,000**

<b>10% Buyer Down Payment</b>	\$57,000	Buyer's equity
<b>90% Bank Loan</b>	\$513,000	10-Year term at a rate of 6.0% = Monthly loan payment of \$5,695

- Cash Flow (SDE in 2021 Calendar Year): \$354,149
- Annual Payment to Bank: \$68,344
- Buyer's Cost of Living: \$50,000
- Net Profit (After buyer's cost of living and loan payment): \$235,805

**\$57,000 down  
payment will  
generate \$235,805  
return in 12 months.**

A lender is usually required to have a **1.25 coverage ratio** for a business loan extended.

At a proposed purchase price of **\$570,000** with the terms listed above, the coverage ratio is **4.45**.

\* 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.