

LISTING OPPORTUNITY

Stable HOA Landscaping Business with Recurring Income

\$690,663 Revenue with \$196,352 SDE



SPECIFICATIONS

| | | |
|--|--|--|
|  Price: \$495,000 |  Revenue: \$690,663 (3-Year Avg) |  Cash Flow: \$196,352 (3-Year Avg) |
|  Location: Santa Clara County, CA |  Service Area: San Francisco Bay Area |  Profit Margin: 28% (3-Year Avg) |
|  Employees: 6 FT |  Reason for Sale: Retirement |  Goodwill: 43 Yr. Reputation |

BUSINESS SUMMARY

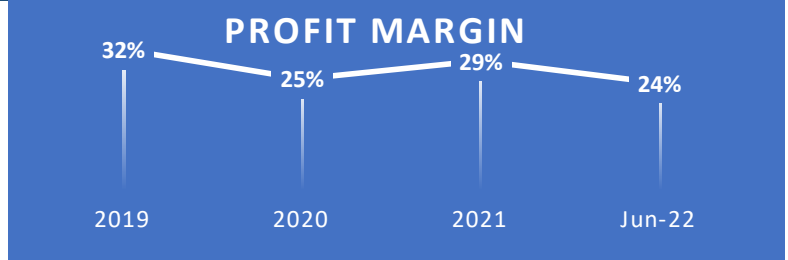
- Year Established: 1979
- Services: 43 years of landscape design, installation and maintenance service provider with focus on multi-family HOA properties across the San Francisco Bay Area.
- Clients: 100% HOA properties
- Lease: Home based (new owner may need to lease a storage space for equipment)
- Personnel: 6 FT employees, 1 FT owner and 1 PT owner (admin)
- FF&E: Estimated value of \$73,608 including 3 vehicles, 4 trailers and many small tools.

Do you want recurring income? If yes, this is the right business for you. This landscaping business has 40+ years of great reputation and a stable and pandemic-proof income. 70% of the revenue is generated from recurring maintenance work and 30% from design, installation and repair work requested outside of the contracted service. All accounts are HOA properties, no residential clients. Maintenance service is conducted for each client account on a weekly basis, four times a month. The current owners do not do any advertising. All business is built upon their reputation through word of mouth. They are in their retirement age and would like to spend more time with family. For a more motivated owner, with a bit more marketing effort, this is a business with great potential to grow. Fall is the perfect time to get into landscaping business!

This business comes with significant equipment, vehicles, and tools with estimated value of \$73,608. There is a highly experienced crew of six employees to provide continued operational strength into the future. The business is pre-approved for SBA loan with 10% down payment for qualified buyers.

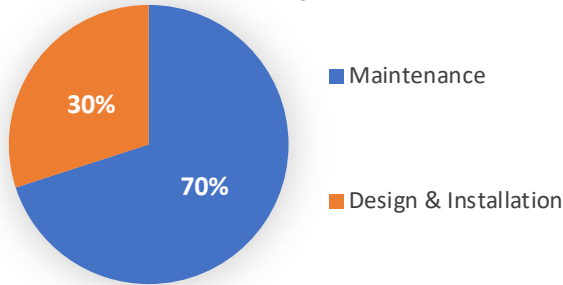
VALUE PROPOSITION

- over 40 years of good will and reputation
- HOA commercial accounts only
- Long-term customers
- No customer concentration
- 70% revenue from contracted maintenance
- 30% revenue from add-on works
- Opportunity to add more HOA & residential clients

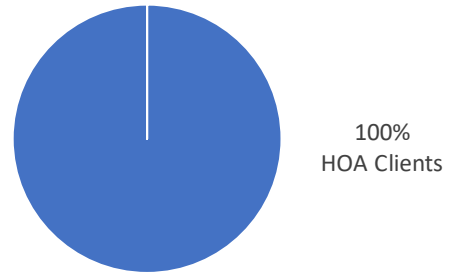


REVENUE BREAKDOWN

Revenue by Service

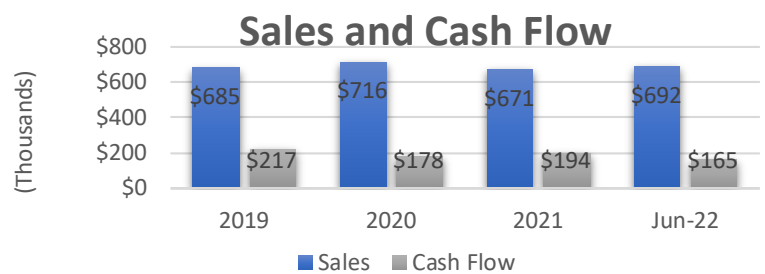


Revenue by Customer



FINANCIAL HIGHLIGHTS

- Listing Price \$495,000
- Pre-approved for SBA loan with 10% down payment
- Stable revenue from long-time customer base
- Average profit margin (SDE) at 27%
- 70% revenue from recurring maintenance contracts
- COVID and recession resistant



CASHFLOW ANALYSIS

| Source of Financial Statement | Tax Return 2019 | Tax Return 2020 | Tax Return 2021 | TTM P&L Jun-22 |
|---|--------------------|--------------------|--------------------|-------------------|
| Sales | \$685,076 | \$715,729 | \$671,185 | \$691,958 |
| Less Cost of Sales | \$95,457 | \$120,554 | \$131,107 | \$216,393 |
| Less Operating Expenses | \$589,604 | \$594,095 | \$519,959 | \$511,653 |
| Equals Net Income Before Taxes | \$15 | \$1,080 | \$20,119 | (\$36,088) |
| Plus Depreciation | \$3,604 | \$1,949 | \$1,875 | \$0 |
| Plus Amortization | \$0 | \$0 | \$0 | \$0 |
| Plus Interest on Loans to Business | \$2,356 | \$122 | \$346 | \$0 |
| Plus Officer/Owner's Salary | \$135,000 | \$108,025 | \$86,855 | \$81,623 |
| Plus Payroll Taxes on Officer/Owner's Salary | \$11,678 | \$9,344 | \$7,817 | \$7,346 |
| Equals Preliminary Seller's Discretionary Earnings | \$152,653 | \$120,520 | \$117,012 | \$52,881 |
| Addbacks: | | | | |
| Auto Insurance | \$1,200 | \$1,200 | \$1,200 | \$1,200 |
| Auto & Truck Expense | \$1,106 | \$4,060 | \$3,653 | \$4,944 |
| Employee Meetings | \$8,824 | \$4,749 | \$15,974 | \$19,220 |
| Property Tax | | | | \$21,177 |
| Computer & Internet Expense | \$1,086 | \$3,205 | \$1,842 | \$2,061 |
| Dues and Subscriptions | \$2,108 | \$464 | \$1,552 | \$2,190 |
| Gifts and Entertainment | \$3,181 | \$2,854 | \$5,135 | \$4,986 |
| Employee Benefit Program | \$21,574 | \$11,272 | \$9,364 | \$10,186 |
| Repair & Maintenance - Home | \$4,221 | \$1,650 | \$4,505 | \$4,117 |
| Office Expense | \$10,018 | \$12,799 | \$18,656 | \$9,198 |
| Shop Supplies | \$1,630 | \$5,971 | \$7,150 | \$5,633 |
| Telephone Expenses | \$3,629 | \$3,451 | \$2,710 | \$2,714 |
| Utilities | \$5,636 | \$6,088 | \$5,157 | \$5,549 |
| One-Time Expense - Home Repair | | | | \$18,617 |
| Sum of Addbacks: | \$64,213 | \$57,763 | \$76,898 | \$111,792 |
| Total Seller's Discretionary Earnings (SDE) | \$216,866 | \$178,283 | \$193,910 | \$164,673 |
| Profit Margin | 32% | 25% | 29% | 24% |

Note: TTM ending June 2022 has \$16,447 uncollected A/R, which takes the Net Profit to \$181,120.

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, a three-year average cash flow is applied with a multiple of 2.52x. The resulting value is \$495,000.

CASHFLOW X PRESCRIBED MULTIPLE = FAIR MARKET VALUE

With this information, the computation is as follows:

$$\underline{\$196,352} \times 2.52 = \underline{\$495,000}$$

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

\$495,000

FUNDING EXAMPLE

Purchase Price: \$495,000

| | | |
|-------------------------------|-----------|---|
| 10% Buyer Down Payment | \$49,500 | Buyer's equity |
| 90% Bank Loan | \$445,500 | 10-Year term at a rate of 6.5% = Monthly loan payment of \$5,058 |

- Cash Flow (3-Year Average SDE): \$196,352
- Annual Payment to Bank: \$60,703
- Net Profit (After Expenses and loan payment): \$135,649

\$49,500 cash investment will result in \$135,649 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 **\$495,000** with the terms listed above, the coverage ratio is **3.23**.

* 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.