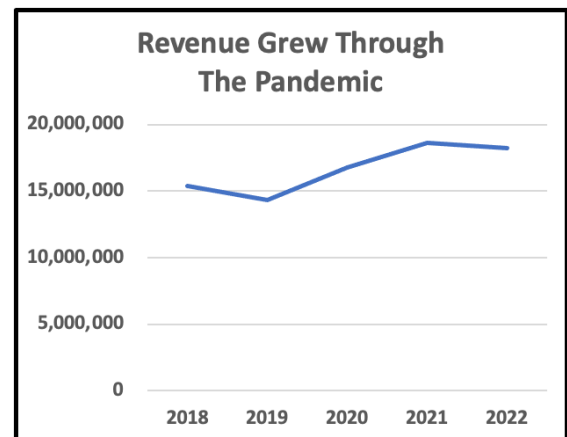


# One Of The Largest Independent Machinery Dealers Of Its Type In The Western USA

This multi-location, need-based retailer enjoys a strong brand built over 50+ years by providing professionalism, expertise, and exceptional service as it delivers quality repair services and sells 120 product lines (some of which are exclusive or have exclusive territories). The business has built a loyal following from commercial, government, and multi-generational individual customers as evidenced by strong repeat business and higher inventory turns than the industry – an average of 98.2 inventory turnover in days vs. industry average of 130.4. It also has an average gross margin of 30.5% vs. industry 28.1%.

The business has a solid core staff with deep and broad industry & institutional knowledge. When combined with quality systems developed and refined over many years, it allows the company to provide a predictable quality boutique-style customer experience where there is consultative selling: staff take the time to understand customer needs and then help the customer learn about, and select, the best equipment to meet their objectives. This type of customer value means the business isn't in a race to the bottom as a low-price leader.

This company competes favorably against large national dealers by providing better service, greater expertise, and a broader and deeper selection of products, but its large size and longevity give it the resources and professionalism to be differentiated from smaller machinery dealers of its type. It has survived eight recessions since its founding and continues to demonstrate solid growth in both revenue and cash flow. From 2019 to the present the business' compound annual revenue growth has been about 8.5%.



**Compound Annual Revenue  
Growth of ~4.7% from 2020  
to TTM end 1/31/23.**

**2022 Gross Margin: 32.1%**

**2022 EBITDA Margin: 7.7%**

Business Type:	Machinery Dealer
General Location:	Portland-Metro, Oregon
Organization Type:	S Corporation
Business Listing Number:	1000001986
Years in Business:	50+
Employees:	50+
Price:	\$8.09 million
Revenue*:	\$18.4 million
Gross Profit*:	\$5.9 million
Re-Cast EBITDA*:	\$1.4 million

\*The above numbers are TTM ending 1/31/23.



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# Business Highlights

- **A singular focus on need-based machinery.** The business' singular focus on a particular type of machinery contributes to staff product knowledge, better understanding of comparative product features and benefits, greater skill at handling a variety of type of repairs, and enough customer feedback to better understand what products sell best, and why, which contributes to better buying. The need-based nature of the products makes the business less susceptible to down economic cycles.
- **The business has survived eight recessions, and came out of the COVID pandemic with 2021 being its best revenue year.**
- **Differentiated from both large national dealers and smaller machinery dealers.** The business has broader and deeper product lines than both national dealers of more general products in this category, and smaller independent dealers who focus on the same type of machinery. It also has greater resources, staff, and better systems than most smaller companies in its industry.
- **Good vendor relationships.** This company has good relationships with vendors due to volume, timely payment history, quality service, and reputation.
- **Strong repeat business.** Customer satisfaction is evidenced by the high degree of repeat business from commercial, government, and multi-generational consumers. While many customers aren't easy to track due to being cash sales, and many consumers don't need to buy this type of machinery every year, the business has 36 commercial or government customers who have generated revenue in each of the most recent five years, with an average annual amount of \$53,509 per customer.
- **Proactive management of working capital as evidenced by its A/R, A/P, and inventory turnover ratios and A/R aging.** This business has average annual inventory turnover of 4.07x, compared to the industry average of 2.8x. The business' average A/R turnover in days is 3.63. It has inventory that turns quickly, collects most of its money at time of sale or within a short period of time, but stretches out its A/P to retain use of its working capital for as long as possible without risking problems with vendors due to slow payment. The owner is unaware of ever having made a late payment to a vendor. A/R aging consistently shows 95-100% of A/R collected within 30 days.
- **Locations are on good-visibility, high traffic-count streets and roads, near freeways in high-growth metro areas.**

# Competitive Barriers to Entry

There are five primary barriers to entry for would-be competitors:

1. This business is a leading 50+ year entrenched local brand;
2. This is a capital-intensive and low-margin industry which makes it more difficult for a new market entrant to justify the start-up investment and time needed to become profitable - particularly on a single-location basis;
3. Exclusivity / protected geographic territories from vendors would prevent a new market entrant from being able to offer many of the product lines;
4. Municipal zoning changes in this business' region have made it increasingly difficult to find locations where this type of business can be operated; and
5. There are fewer people in the general population who have the requisite mechanical experience to provide the expertise, knowledge, and service that this company's core staff possess. Consequently, while hiring is difficult for all businesses, it would be even more challenging for a new market entrant trying to find and hire multiple high caliber staff with the right knowledge and experience in a modest period of time.

# Opportunities

- **Increase outbound marketing and sales to prospective and existing commercial and government customers.** The business already gets positive feedback from its larger repeat customers on its service, quality, and billing process. Many of its commercial and government customers not only spend significantly more than individual consumers, but also provide annual repeat business.
- **Extending business hours may lead to increased sales.** The business is open 6 days a week, and closes by 5:00 pm. Opening 7 days per week and/or extending business hours into early evening might increase sales from customers whose schedules make regular business hours more difficult.
- **An investment in improving the business' human resources processes may lead to the greatest improvement in the business.** The business has a solid core staff with good longevity but it has more of a challenge with recruitment, training, and retention of new staff. Improving processes may lead to lower turnover, better retention, lower expense, and an easier time of expanding the business.
- **Grow this business by opening new locations in its region.** The business' well-regarded brand, expertise, systems, and vendor relationships could be leveraged to open multiple new locations in its region and beyond. The type of machinery sold has universal demand amongst its target market segments.
- **Do a roll-up of smaller businesses in the industry.** Due to high capital needs and low margins this is an industry that's more difficult for single-location businesses. It may be possible to acquire such companies and increase efficiency and economies of scale.
- **There's an opportunity to better manage the business' online reputation to attract new customers.** The company's well-regarded brand isn't necessarily reflected in its online reviews, due to a very small number of reviews submitted over multiple years. By encouraging satisfied customers to provide positive online reviews it may help broadcast a more accurate and positive view of the company.
- **Good industry tailwinds.** There has been significant population growth in the markets in which this business has locations which is expected to continue, and there are macro-economic issues that may continue to drive growth. Furthermore, this company offers products that replace ones that are increasingly not meeting government regulations, are becoming functionally obsolete, and are less energy efficient.

# Financial

## Summary Income Statements

	2020	2021	2022	12-mos end 1/31/23
Revenue	16,767,274	18,639,439	18,194,049	18,433,286
COGS	(11,952,862)	(12,944,871)	(12,350,556)	(12,571,624)
Gross Profit	4,814,412	5,694,568	5,843,493	5,861,662
SG&A	(3,981,937)	(4,322,812)	(4,570,276)	(4,579,883)
NOI	832,475	1,371,756	1,273,217	1,281,779
Adjusted EBITDA	897,053	1,431,499	1,393,176	1,404,703

Any financial or operating information relating to the company was prepared by, or from figures, documentation and information supplied by the Seller. Codiligent LLC, its principals, and employees can not guarantee the accuracy, completeness, quality, or reliability of information, financial data, or assumptions provided. A buyer should not rely on Codiligent LLC, its principals, or employees for any investigation, interpretation, or opinion as to the accuracy, completeness, quality, or reliability of said information. A buyer should conduct its own independent investigation and evaluation of this business opportunity, ascertain the accuracy, quality, reliability, and completeness of information provided, and assumptions used, and develop and rely on independently developed projections. Codiligent LLC, its principals, and employees shall neither be responsible for the accuracy, completeness, quality, or reliability of information, financial data, assumptions used, or projections provided, nor shall it be responsible for Buyer relying on said information and data.

# Valuation

## Discounted Cash Flow Approach to Value

Historic Financial Summary				
	2020	2021	2022	TTM end 1/31/23
Revenue	16,767,274	18,639,439	18,194,049	18,433,286
Gross Profit	4,814,412	5,694,568	5,843,493	5,861,662
Net Operating Income	832,475	1,371,756	1,273,217	1,281,779
Re-Cast EBITDA	897,053	1,431,499	1,393,176	1,404,703

Projected					
	2023	2024	2025	2026	2027
Revenue	18,921,811	19,678,684	20,465,831	21,284,464	22,135,843
Gross Profit	5,929,035	6,166,196	6,412,844	6,669,358	6,936,132
Net Operating Income	1,358,342	1,412,675	1,469,182	1,527,949	1,589,067
EBITDA	1,451,044	1,509,085	1,569,449	1,632,227	1,697,516
Cap Ex	0	0	0	0	0
Change in Net Working Capital	0	0	0	0	0
Fed & State Income Tax (at 38%)	(516,170)	(536,817)	(558,289)	(580,621)	(603,846)
<b>Operating Free Cash Flow</b>	<b>934,874</b>	<b>972,269</b>	<b>1,011,160</b>	<b>1,051,606</b>	<b>1,093,670</b>
<b>Terminal Value</b>					<b>10,211,527</b>
PV of Operating Free Cash Flow	3,346,672				
PV of Terminal Value	5,046,459				
<b>Present Value of Company</b>	<b>8,393,131</b>				

Estimated Avg Income Tax Rate: 38%

Estimated Capital Structure			
	Weighting	After-Tax Cost	Weighted Cost
Debt	40%	5.27%	2.11%
Equity	60%	21.72%	13.03%
<b>WACC (Discount Rate)</b>			<b>15.14%</b>
LTGR			4%
<b>Cap Rate</b>			<b>11.14%</b>

CAPM cost of equity estimate		
Cost of Equity Calc (Ke)	21.72%	Formula: $Ke = RFR + (B \times ERP) + SSP + A$
Risk-Free Rate (RFR)	4.24%	20-year US Treasury Yield
Industry Beta (B)	1.44	(healthcare products)
Equity Risk Premium (ERP)	5.54%	(expected return on market - risk free rate)
Small Stock Premium (SSP)	5.00%	(private small company premium)
Company-specific risk premium (A)	4.50%	(unsystematic)

Note: This value assumes that the deal is structured on a cash-free and long-term-debt-free basis, and that net working capital excluding cash will be left in the business in an amount of \$300,000 plus outstanding current liabilities.