

# Differentiated wood product manufacturer with 80%+ repeat business

After a successful 30-year run, the owner of this pacific-northwest-based wood products manufacturer is ready to retire and turn his business over to another company or individual that would have the same commitment to quality and service that clients have relied upon. Despite being in a highly competitive industry the business has enjoyed steady repeat business and profitability with very limited marketing and business development activities. It has such a strong brand and reputation that its ratio of orders-to-quotes has grown to greater than 100%. How does this ratio exceed 100%? Prior year orders are fulfilled or business is awarded for which a client doesn't require a quote. In 2013 the company fulfilled 1,816 orders and gave 2,903 quotes for a ratio of orders-to-quotes of about 63%. In 2014 this increased to 81%. In 2015 it fulfilled 1,610 orders and gave 1,501 quotes for a ratio of 107%, and for the first 3 months of 2016 the ratio is 117%. Of course, landing business is important, but do the products meet client specifications? During the company's entire history there's been less than .01% product replacement, no bad debts in the past 11 years, and rapid A/R turns (evidencing satisfied clients).

## High quality: less than .01% product replacement

This business would be an excellent acquisition for:

- \* A similar manufacturer that would like to acquire a differentiated product line;
- \* A complementary wood building products manufacturer;
- \* A similar company that is seeking geographic diversification and reach (to be more competitive in the western USA); or
- \* An individual or financial buyer looking for a stable business with a great reputation.

<b>Listing Number</b>	1000009979		<b>12 Months</b>
<b>Type of Business</b>	wood products		<b>4/30/2016</b>
<b>Location</b>	Pacific Northwest	<b>Revenue</b>	\$7,658,564
<b>Year Founded</b>	1986	<b>Gross Profit</b>	\$1,076,375
<b>FT Employees*</b>	50	<b>Seller Disc Earnings</b>	\$558,473
<b>PT Employees*</b>	10	<b>EBITDA</b>	\$406,817
<b>Why Selling</b>	Retirement		
<b>Price</b>	\$2,700,000		
<b>Inventory:</b>	\$1,628,833	not included in sale price	
<b>Seller Financing</b>	No		

# Benefits of This Business

## **Have confidence in business' long-term viability**

With a nearly 30-year operating history, the business has survived and thrived through three recessions. It hasn't had any bad debts in the past 11 years, and has not had an operating loss in 30 years. This type of staying power suggests a low level of risk.

## **Limited geographic competition and good location to serve Western North America**

Located in the Pacific Northwest, this business is well positioned from a freight and logistics standpoint to serve western North America. Its closest direct competitor is located in Los Angeles.

## **Significant competitive barriers to entry / a durable competitive advantage**

There are significant barriers to competitors entering the market, given that: it requires specialized knowledge; expensive specialized equipment; and without an established reputation it would be a difficult industry in which to attract clients away from an established reputable existing business. Also, while margins are higher than the commodity market, they aren't so high that they encourage competition.

## **Strong and diverse repeat client base results in predictable revenue**

Roughly 80-90% of this company's business is repeat business from long-term highly satisfied clients, and its top client typically represents only 14-16% of total sales in a given year.

## **Rapid A/R turns results in good cash flow**

Receivables collection helps keep this business cash flow positive. Its A/R turns are 18-22 days, reflecting satisfied clients (if they weren't satisfied, the payments would likely be slower).

## **Well-trained staff follow standardized operating procedures**

High quality, extensively cross-trained staff, with good longevity follow standard operating procedures to ensure efficiency, reliability, and the production of quality products.

## **It is 5x as large and with greater capabilities than competitors in the Pacific Northwest**

Other manufacturers that have similar size and capabilities who offer similar products are located outside the region, and for a variety of reasons may find it difficult to be price-competitive with this business. While there are some smaller competitors, the largest is about 1/5th the size of this business and lacks many of the capabilities.

# Opportunities

## **More direct marketing to its target markets**

A large part of this company's business is "recipe" business, creating the same types of products, over and over for the same clients. The simplicity and recurring nature of this business is attractive. However, most business is generated from word of mouth and referral, or through distributors. By proactively marketing to targeted clients a buyer may be able to not only proactively grow sales, but focus on the attractive recipe business that continues to generate revenue year after year.

## **Improving the production process may lead to a 10% volume increase**

There may be ways to improve the production process that could lead to a 10% volume increase by improving scheduling and coordination. While doing so would not necessarily generate more demand, it may increase profit margins, and further increase the facility's capacity.

## **Open a new facility in another geographic market**

With significant additional capacity in the current plant - particularly if adding more shifts, and the ability to improve the production process to increase volume by about 10% it probably doesn't make sense to add another geographic location in the short-term. However, when the business starts to run out of capacity, opening a facility in a location that could still serve current clients but also would give it a further eastward reach may be worth considering, for example, perhaps in Colorado.

## **BUYER REGISTRATION FOR CODILIGENT LISTING #1000009979**

Thank you for inquiring about Codiligent listing #1000009979.

Confidentiality in this transaction is of utmost importance. A more comprehensive package of confidential information is available to qualified buyers who complete and submit the following forms to Codiligent LLC. You are welcome to submit an alternate certified personal financial statement in place of using the provided form.

**Please submit these forms by email: [e@codiligent.com](mailto:e@codiligent.com) or Fax: 888-324-5888**

Name:	<input type="text"/>	Company:	<input type="text"/>
Email:	<input type="text"/>	Address:	<input type="text"/>
Phone:	<input type="text"/>	City, State, Zip:	<input type="text"/>
Mobile Phone:	<input type="text"/>	Website:	<input type="text"/>

Are you an owner, director, shareholder, manager, employee, advisor, or consultant to any other businesses in this business' industry? YES or NO (please circle one)

If you answered "Yes" to the last question, name the business(es) and describe your affiliation:

Please describe your career background in 2-3 sentences:

What's the source of your down payment:

What is the minimum average annual return on equity that you require?  %

What are your top acquisition criteria?

1	<input type="text"/>
2	<input type="text"/>
3	<input type="text"/>
4	<input type="text"/>

What is most appealing about this business based on information you have already reviewed?

What concerns do you have about this business based on the information you have thus far?

What businesses / industries or geographic locations are of interest for an acquisition?

Businesses / Industries:	<input type="text"/>
Geographic Locations:	<input type="text"/>

# **CONFIDENTIALITY AGREEMENT FOR CODILIGENT LISTING 100009979**

## ***THIS IS NOT AN AGENCY AGREEMENT***

Neither this agreement nor any other communications between Codiligent LLC and you will establish a Principal-Agent Relationship, unless explicitly stated in writing. Codiligent LLC represents the Seller. Nothing in this agreement shall be construed to create a Principal-Agent Relationship between you and Codiligent LLC. You agree and acknowledge that you will engage professional advisors as you deem necessary and appropriate in connection with a potential acquisition, and that Codiligent LLC is only providing you with certain information. You agree and confirm that you have neither engaged Codiligent LLC to provide any advice to you about an acquisition, nor will you rely on information provided by Codiligent LLC in making a purchase decision. Codiligent LLC makes no representation or warranty, express or implied, as to the truth, accuracy, or completeness of any information provided to Codiligent LLC by the Seller. You further agree that you have not established a Principal-Agent relationship with Codiligent LLC.

## ***CONFIDENTIALITY***

This Agreement is made between the undersigned individually, and any business entity in which the individual is employed by, an officer of, or has a financial interest in, as well as any such entity's officers, directors, employees, agents and advisors ("The Buyer") and Codiligent LLC for the benefit of Codiligent LLC and the owner ("The Seller") of the number-designated business listed above ("The Business") of which information is being requested.

In consideration of the disclosure of confidential information regarding The Business by Codiligent LLC to Buyer, it is understood and agreed that:

1. Confidential Information is defined as: all information received by The Buyer from Codiligent LLC or The Seller now and in the course of future investigations or due diligence, which is not available to the general public. This confidential information includes all oral, written, or electronic data inclusive of, but not limited to, records, reports, analyses, photos, plans, financial statements, policies, procedures, ideas, customers, samples, notes, and studies. Anything prepared by Codiligent LLC, The Seller, or another party pertaining to The Business is to be considered Confidential Information unless explicitly stated in writing otherwise by Codiligent LLC or The Seller. If there is any reasonable doubt whether anything is, or may be Confidential Information, it is.
2. The Buyer will not disclose any Confidential Information or make known by confirmation, that this company, division, or product line is for sale or that financing is being sought, either before or after termination of investigations or negotiations to any person or organization not authorized in this agreement.
3. Without specific prior written approval of Codiligent LLC or The Seller, The Buyer shall not provide any Confidential Information to any broker, intermediary, lending institution, prospective equity partner, syndication member, investor, or other financing source. If disclosure to such parties is desired, Codiligent LLC may require the execution of a separate confidentiality agreement with those parties.
4. The Buyer will not contact the The Seller's employees, customers, suppliers, competitors, accountants, bankers, or attorneys to discuss The Business or seek information about it, without written permission from Codiligent LLC or The Seller.
5. The Buyer will not contact The Seller directly unless authorized by Codiligent LLC.
6. All Confidential Information provided by Codiligent LLC or The Seller to The Buyer shall be used solely for the evaluation of a potential acquisition or financing decision, and shall not be used for any other purpose.
7. All Confidential Information shall be promptly returned or destroyed, as directed by Codiligent LLC or The Seller.
8. The Buyer shall not enter into any agreement for the purchase of stock or assets of any companies about which Codiligent LLC furnished information to The Buyer, unless said agreement contains an acknowledgement that Codiligent LLC is the procuring cause of such agreement and Codiligent LLC is entitled to a commission as agreed upon by such company and Codiligent LLC.

Dated at \_\_\_\_\_ am/pm this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_.

Name (printed): \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_

Signature: \_\_\_\_\_

# CERTIFIED STATEMENT OF PERSONAL WORTH AND INCOME

Name (printed): \_\_\_\_\_ Date: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

I certify that the following information is true & accurate (please sign) \_\_\_\_\_

## **ASSETS**

### **AMOUNT IN US\$**

Cash on Hand  
US Government Securities  
Other Stocks & Bonds  
IRAs & Tax Deferred Retirement Accounts  
Accounts, Loans & Notes Receivables  
Cash Surrender Value of Life Insurance  
Real Estate  
Equity in Business Owned  
Automobiles  
Plane, Boat, RV, Motorcycle  
Household Furnishings and Personal Effects  
Other Assets


### **TOTAL ASSETS**

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## **LIABILITIES & NET WORTH**

### **AMOUNT IN US\$**

Credit Card Debt  
Line of Credit Balance  
Notes Payable  
Auto Loans  
Liens on Real Estate  
Plane, Boat, RV, Motorcycle Loan  
Other Liabilities


### **TOTAL LIABILITIES**

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### **TOTAL NET WORTH (ASSETS - LIABILITIES)**

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## **SOURCE OF INCOME**

### **AMOUNT IN US\$**

Salary  
Bonus & Commissions  
Dividends & Interest Income  
Business Income  
Real Estate Income, Royalties  
Other Income


### **TOTAL INCOME**

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