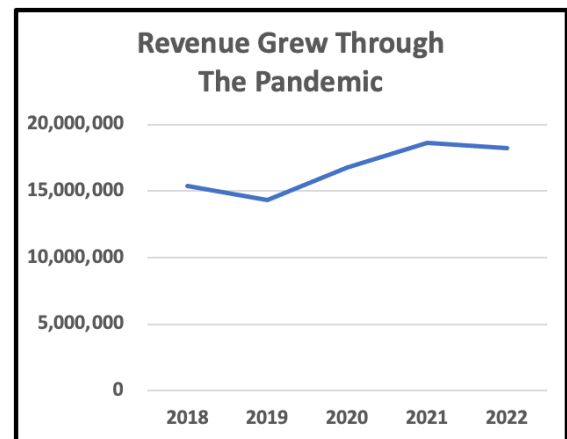


# Multi-location, 50+ year, non-fashion retail business with strong brand and repeat customers

This multi-location, need-based retailer has developed a strong brand by delivering professionalism, expertise, and exceptional service as it provides sales and repairs of 120 product lines (some which are exclusive, or are in protected territories). While the majority of its business is to loyal repeat B2C consumers, the business also enjoys a material number of repeat B2B and B2G customers, and pursuing more of these is likely the easiest path to higher future growth.

Customers appreciate that the business offers greater expertise, service, and a broader and deeper selection of products than many of the larger competing national retailers who are staffed by lesser-trained generalists and often choose to carry fewer SKUs. Yet, this business has the resources, professionalism, systems, staff, buying power, exclusive products / territories, longevity, and branding that smaller single-location businesses have a difficult time competing against. The business could grow to many more locations and still be in the “goldilocks” just-right size range.

The business has a solid core staff with deep and broad industry & institutional knowledge, who are capable of continuing to operate the business after an ownership transition. When combined with quality systems developed and refined over many years, it allows the company to provide a predictable, quality, consultative selling, boutique-style customer experience. This service is a differentiator from competitors, and is reflected in its average of 98.2 inventory turnover in days vs. the industry average of 130.4. It also has an average gross margin of 30.5% vs. industry 28.1%, while enjoying compound annual revenue growth from 2019 to present of 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:	Multi-location retail
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.

# Business Highlights

- **A singular focus on need-based products.** The business' singular focus on a particular product niche (rather than general retail) 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 big-box and single-location retailers.** The business has broader and deeper product lines than both national retailers of more general products in this category, and smaller independent retailers who focus on the same type of products. 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 these types of products 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 technical 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 has received a very small number of online 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.

## **BUYER REGISTRATION FOR CODILIGENT LISTING #1000001986**

Thank you for inquiring about Codiligent listing #1000001986.

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 100001986**

## ***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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