



Agricultural Construction

**CBR**

Confidential Business Review

November 29, 2021

# CONFIDENTIAL BUSINESS REVIEW

## CONFIDENTIAL BUSINESS REPORT

### Proprietor's name(s)

CONFIDENTIAL (Ownership Group)

### Contact Details

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### Business Main Location

Midwest business, located on 17 acres, approximately 12,000 square feet of office, workshop, and warehouse space. Located in a highly agricultural area. 90% of sales within a 90-mile radius.

### What the business does

Sales, installation, and service of grain handling equipment ranging from repairs to complete turnkey projects on a green site. Additional revenues from equipment rentals, online sales, walk-in customers.

### Category

Agricultural Construction

### History

Business was established 35+ years ago. The company was sold in 2013 to the current owners. 100% owned by Ownership Group

### Why the business is an attractive proposition to a buyer

Business provides equipment installation and support services for the agriculture industry therefore is not as susceptible to general market downturn conditions. Good profitability with very little to no financing needed for projects. High level of records and resources for its customer base creating efficiency. Well established in the area and respected. Supplier agreements also of value to prospective buyers. General skills transferable to other industries. Dedicated and experienced workforce.

### Reason for selling

The company is wholly owned by its shareholders who are seeking to sell 100% of the company to an acquirer. The current owners would like to transition toward retirement.

### **Independency on the present owner**

The company is already prepared for the change of ownership. Customer relations, contracts, quotes, blueprints, financial, and other key information is well maintained and documented. The staff members are trained to manage all operations without the present owner's supervision and have a strong management team in place to run the day-to-day operations.

## **Brief business highlights**

### **Product or service**

Skilled millwright and fabrication for commercial and farms for all aspects of grain storage. A combination of scheduled jobs and emergency callouts.

### **Customer Profile**

Built on loyal, diversified customer base of farm operations and commercial agricultural facilities. In Michigan, sales value is similar for both customer types, although there are few, high value jobs in the business market. Sales revenue is balanced between farm and commercial facilities. Customer list of approximately 500.

### **Sales channels used**

Customer referrals, repeat business, website, agricultural trade shows, local advertising to include magazines, newspapers, billboards.

### **Key market facts**

In general, the business isn't as susceptible to economy downturns as an average business. Company currently has market share within its desired coverage area but plenty more growth opportunities are available. Sales can be limited by the capacity to complete the projects within the requested timeline. More sales certainly can be achieved by increasing coverage area. Company does not cold call or have over the road salesforce.

### **Main promotional methods**

Strong word-of-mouth referrals from satisfied customers have been a major contributor to profitability grown over time. Local brand awareness is the result of sustained local advertising. Social Media activity is building an important following through news and information, website, Facebook, Instagram, and Google.

### **Future Growth**

As varieties and yields continue to increase in the agricultural industry the need for additional grain handling and storage equipment will rise. Also, as food safety regulations increase, so will the demands for our services.

### **The value proposition**

The company stands out with high-quality services rendered, as well as knowledge and experience.

### The main advantage over competitors

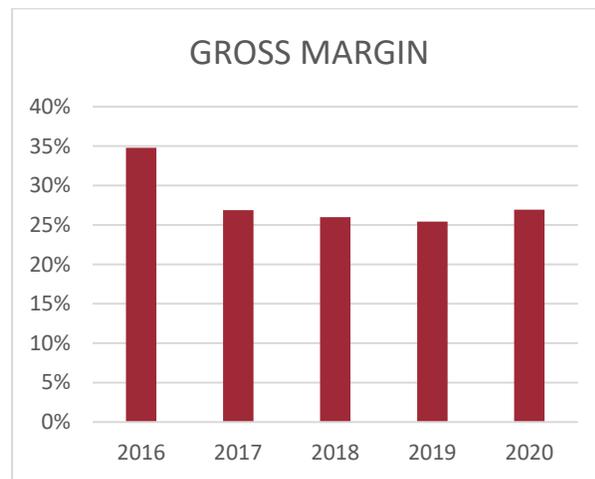
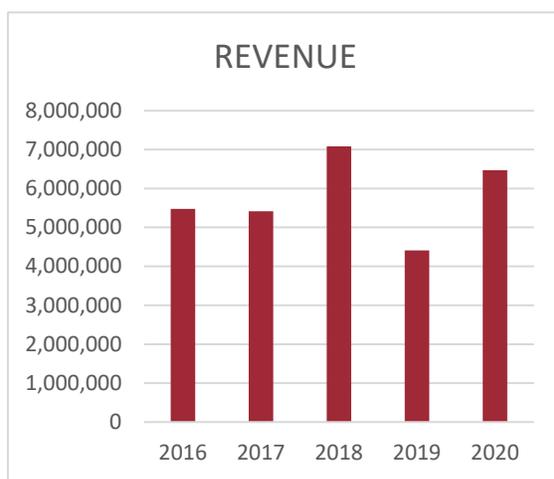
The company has gone to great lengths to develop a superior team well positioned as a leading local provider. The Company's reputation in the industry is impeccable and has been carefully crafted over 35 years by consistently and successfully delivering on promises for its customers.

- Excellent Reputation
- Location
- Adapt to Changing Trends in the Industry
- Multi-skilled & Flexible Hi-level Workforce

### Financial Information

Income Statement					
	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2019</u>	<u>2020</u>
Revenue	5,477,744	5,414,616	7,081,726	4,410,109	6,469,780
Cost of Revenue					
Gross Margin					
Gross Margin %	34.8%	26.9%	26.0%	25.4%	26.9%
Operating Expenses					
Operating Income					
Interest Expense					
Other Income					
Other Expenses					
Net Income					

*\*2019 new equipment sales slowed. Installation and services remained strong.*



### **Staffing**

Number of employees, full time: 22

3 Owners

1 Operations Manager, 1 Office Manager/HR, 1 Business Manager,

2 Foreman

14 Skilled Labor

Seasonal employees and subcontracted crews as needed

### **COVID-19 Impact – Essential Services**

During the COVID-19 pandemic, our services have generally been considered essential in nature and have not been materially interrupted. As the situation continues to evolve, we are closely monitoring the impact of the COVID-19 pandemic on all aspects of our business, including how it impacts our customers, subcontractors, suppliers, vendors, and employees, in addition to how the COVID-19 pandemic impacts our ability to provide services to our customers. We believe the ultimate impact of the COVID-19 pandemic on our operating results, cash flows and financial condition has been minimal. We have continued with minimal disruptions. New product services were slowed as some customers remained conservative.

### **Transition of business ownership**

To smooth the transition to new ownership, ownership is willing to provide the business with consultancy services or possibly stay employed for a period of time.

### **Type of business sale**

Prefer a stock sale but would be open to additional sale options.

### **Terms of sale**

An ideal transaction would involve a strategic buyer already engaged in some aspect of the agricultural construction industry, though private equity and other investor groups could also profit from a transaction.