



VR Business Brokers

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CONFIDENTIAL BUSINESS REVIEW

CUSTOM CLOSET & ORGANIZATIONAL SYSTEMS
COMPANY

PRICE: \$175,000

Prepared By:

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VR AND ITS AGENTS EXCLUSIVELY REPRESENT THE SELLER IN THIS TRANSACTION

Disclaimer

Buyer understands that all of the enclosed information is provided by the Seller, or other sources identified by Seller, and is not verified in any way by VR. VR has no knowledge of the accuracy of ANY information provided to Buyer and makes no representation, promise, or warranty, express or implied as to the accuracy or completeness of such information. Buyer shall be responsible to make an independent verification of said information prior to entering into an agreement to purchase any business. Buyer agrees to indemnify and hold VR and its agents harmless for any claims or damages which may occur by reason of the inaccuracy or incompleteness of any information provided to them with respect to any business they might purchase. It is understood and agreed that any and all information provided to Buyer regarding any business is to be considered confidential and proprietary, and that disclosure of any such information could result in damage to the business.

VR Business Brokers of Charlotte has based its presentation and analysis upon information, which includes but is not limited to the financial statements and a Seller's Disclosure Statement, supplied by the Seller, officers and/or representatives of the company. The Seller has reviewed this presentation and has authorized its dissemination to pre-screened potential Buyers. VR Business Brokers of Charlotte and its representatives did not make an attempt to independently verify these representations, and, therefore, does not make any expressed nor implied warranties as to the conclusions drawn.

During the due diligence process, it is the responsibility of the Buyer, with the aid of advisors, accountants and/or attorneys if necessary, to independently verify all representations which have been made by the Seller, particularly as they relate to the adjustments made to the profit and loss statements and any notes and assumptions upon which future projections were based. Readers of this report should understand that statements are not guarantees of value or results. Many factors will affect the company's actual financial results and cause them to vary materially from expectations. Factors that can affect the company's actual results include, among other things, future economic circumstances, industry conditions, company performance, availability and prices of materials, product pricing, the competitive environment, related market conditions, operating efficiencies, the Buyer's access to capital, actions of governments, regulatory factors and other risks. It is the responsibility of the Buyer to verify all representations and to make a final purchase decision based on their own independent investigation. Except where otherwise indicated, this Confidential Business Review speaks as of the date hereof. Neither the delivery of this Confidential Business Review nor the purchase of the Company shall, under any circumstances, create any implication that there has been no change in the affairs of the business since the date hereof. Neither the Company nor VR Business Brokers of Charlotte and its representatives undertake any compulsion to update any of the information discussed herein.



Purpose of the Report

This Confidential Business Review is being furnished by VR Business Brokers of Charlotte only to those pre-screened prospective parties that have made a specific request for information regarding this company with the intention of determining any interest in submitting an offer to acquire the Company and have subsequently executed a valid Confidentiality Agreement. This Confidential Business Review is intended to provide a prospective purchaser with pertinent preliminary information regarding this opportunity and discuss the factors that create value within the Company. This Confidential Business Review was prepared for the purpose of informing prospective purchasers and their advisors about the subject company and its history, strengths, weaknesses, and opportunities.

This document is only to be reviewed by those parties who have:

- Signed a VR Business Brokers Non-Disclosure and Confidentiality Agreement specific to the subject company. This document commits the reviewer personally to maintain the confidentiality of all data regarding the company.
- Provided/or will be providing information to VR Business Brokers on the prospective purchaser's competency and financial qualifications to undertake a transaction of the size and nature contemplated.
- Specifically requested information on the subject company for the specific purpose of forming a decision to propose a purchase of the subject company.



Confidentiality

This Confidential Business Review has been prepared by the Business and its owner(s) (collectively the “Seller”) and Providence Advisory Partners LLC, dba VR Business Brokers Charlotte (“VR”). By accepting this Confidential Business Review, you agree to keep all information contained within this document confidential, and you promise to abide by the terms and conditions below and in the Confidentiality Agreement you have already signed. VR makes no representation or warranty as to the accuracy or completeness of the information contained within this Confidential Business Profile or any other written or oral communication transmitted or made available to a prospective purchaser of the Business. By granting you limited access to the summary information contained in this Confidential Business Review, neither the Business nor VR have any obligation to provide you with access to any additional information. If you decide not to pursue an acquisition of the Business, please return this Confidential Business Review and any other information supplied in connection with this acquisition to VR. VR makes no representation or warranty as to the accuracy or completeness of the information contained within this Confidential Business Profile or any other written or oral communication transmitted or made available to a prospective purchaser of the Business. By granting you limited access to the summary information contained in this Confidential Business Review, neither the Business nor VR have any obligation to provide you with access to any additional information. If you decide not to pursue an acquisition of the Business, please return this Confidential Business Review and any other information supplied in connection with this acquisition to VR. Confidential Information includes, but is not limited to:

- The fact that the Business is for sale
- Any information about the Business or its operations, finances, management, trade secrets, and any other information that if released to other parties may cause injury or harm to the Business
- The fact that discussions or negotiations are taking place concerning a possible transaction involving the Business
- Any of the terms, conditions or other facts with respect to any such possible transaction, including the status thereof.

You are not allowed to contact, either directly or indirectly, any client, customer, supplier, competitor, employee or any third party affiliated with or employed by the Business to discuss the operations of the Business without written permission from Business or VR.

YOU ARE NOT ALLOWED TO EMAIL, SCAN, OR PHOTOCOPY THIS CONFIDENTIAL BUSINESS REVIEW WITHOUT PERMISSION FROM ADVISOR OR COMPANY.



At a Glance

YEAR FOUNDED	2006
PURCHASE PRICE	\$175,000
APPROXIMATE INVENTORY	\$1,000 in miscellaneous parts for installations
TERMS	Seller is open to partial seller financing for qualified buyers.
SELLER'S MOTIVATIONS	Retirement.
BUYER DEBT / LIENS ENCUMBRANCE ASSUMPTIONS	Select equipment leases which seller indicates are assignable. Buyer to verify
NON COMPETE AGREEMENT	Seller agrees to not compete with the buyer for 2 years from close within a 50 mile radius
TRANSITION TIMELINE	Seller agrees to provide training and orderly turnover for 4 weeks at 30 hours per week following close of business, included in the purchase price, at no additional cost to the buyer
CONSULTING TIMELINE	Should the new owner wish to engage the Seller for technical or sales consulting after the sale, the parties will negotiate a mutually acceptable rate for such services.



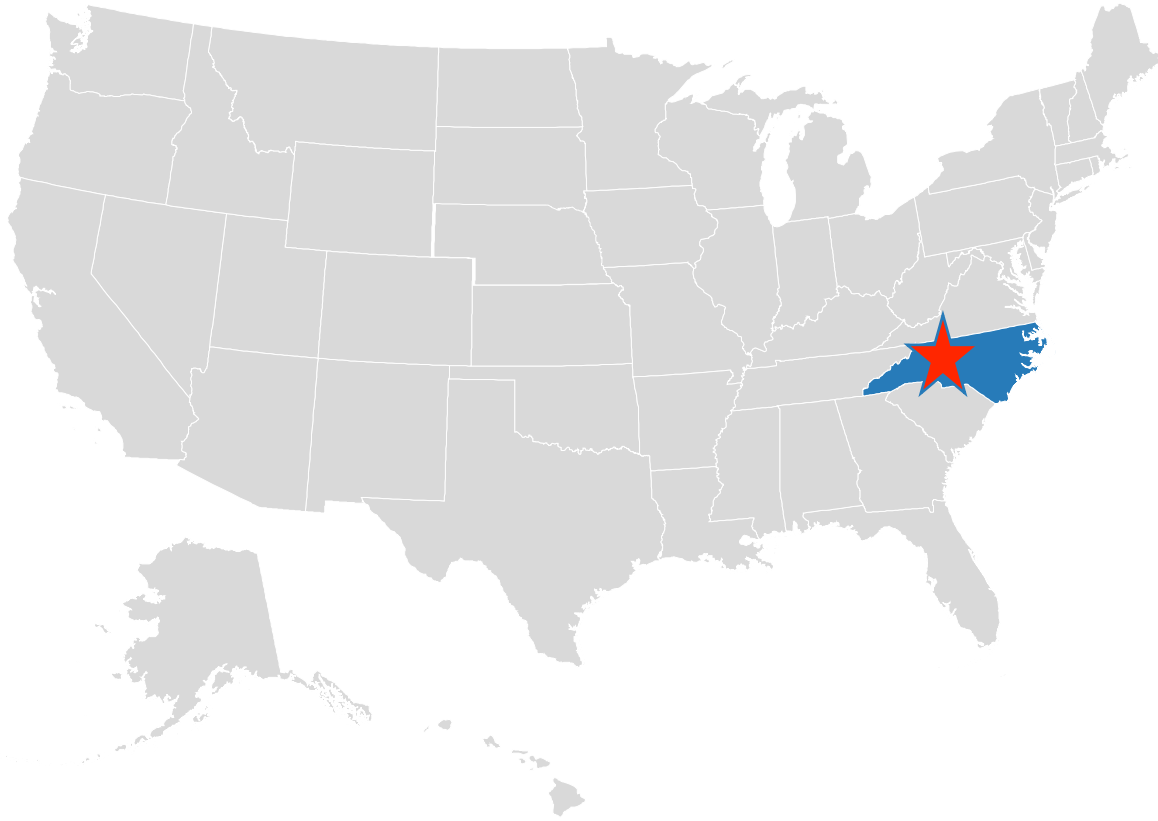
Executive Summary

Custom Closet & Organizational Systems Company

Hickory / Charlotte NC



Strategically Located in Hickory / Charlotte, N.C.



HICKORY / CHARLOTTE METRO STATISTICS



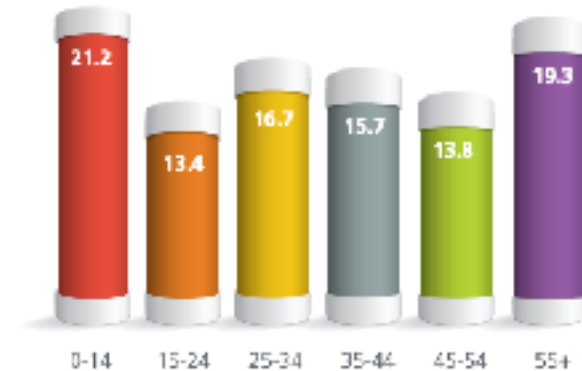
- 22.90% population growth since 2010.
- 15th fastest growth rate in the country.
- Media home price is \$250,000.
- Unemployment is just 3.8%.
- 35% of residents have college degrees. 11% have graduate degrees.
- Cost of living is 95% of national average.



Statistics

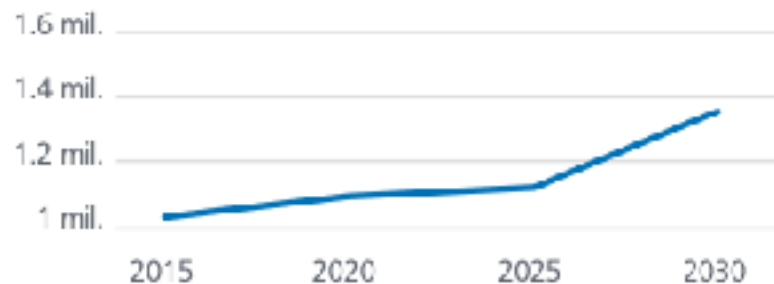
Percent of Population by Age Group

Mecklenburg County



Source: U.S. Census Bureau, American Community Survey 2009-2012 5-Year Estimates

Population Projections



Domestic In-Migration: Top 10 States

Rank	State	No. of People
1	Other NC Counties	22,690
2	South Carolina	4,705
3	Florida	3,960
4	New York	3,950
5	Virginia	2,705
6	Georgia	2,590
7	New Jersey	1,532
8	Pennsylvania	1,487
9	Maryland	1,329
10	Ohio	1,324

Source: 2008-2012 American Community Survey Migration Flows





BUSINESS OVERVIEW

❖ *Background*

The owners started the company in 2006 with the dream of providing homeowners and builders with affordable organization systems for closets, garages, kitchens and pantries.

The owners run this business as a part-time lifestyle, venture, supplementing their incomes that are full time in other careers. The installation work is primarily done on weekends.

Operating out of a manageable 24 x 24 production facility / workshop at their residence, the owners work part time in the business, outsourcing the manufacturing of the systems to leading melamine fabrication facilities.

Designs are done through third-party CAD type programs that provide the manufacturer with detailed measurements. The materials are then cut off site and shipped to the business, where they are stored until ready for client installation.

Numerous material choices and laminates are available to consumers as well as unlimited space and organization configurations to suit their needs.

The business was originally based in the Lake Norman area before consolidating back to their home office and storage facility.

The business has a vast array of repeat customers including many custom home builders.





BUSINESS OVERVIEW

❖ *Covid-19 Impact*

The company did not apply for a PPP loan in 2020.

The housing industry has seen little impact from Covid-19 and in fact, the business reports that sales traffic has remained steady throughout the healthcare crisis, as many homeowners who were forced to work remotely, saw their homes as a safe place to invest during the downturn.

Overall, the company had minimal disruptions to their business.





BUSINESS OVERVIEW

❖ *Product Line*

Product lines are specific to individual consumer and business needs but include:

Custom closets;

Pantries;

Garage storage;

Home offices;

Craft spaces.





BUSINESS OVERVIEW

❖ *Customers*

CUSTOMERS

The business caters to both residential and builder / trade accounts, throughout the northern Charlotte metropolitan area, foothills and NC mountain communities (Hickory, Lake James, Lake Norman, Boone / Blowing Rock, Asheville).

Residential customers: 30 %

Trade / Builder customers: 70 %

NUMBER OF REGULAR CUSTOMERS

Roughly 90% of the builder / trade customers are repeat.

CUSTOMER'S GEOGRAPHICAL PROFILE

The majority of the customers come from the northern Charlotte metropolitan area and surrounding mountain and foothill communities.





BUSINESS OVERVIEW

❖ *Sales & Marketing*

- Advertising is mainly in the form of a web site.
- Have used home shows, print ads, flyers, direct mail and Google AdWords in the past.
- Word of mouth and repeat business continues to be one of the most effective forms of advertising for the business.
- Networking groups and local home builder associations.





BUSINESS OVERVIEW

❖ *Competition*

There are several competitors:

- Lake Norman Custom Closets
- True Cabinets
- California Closets
- Closets by Design
- There is no single dominant competitor. Many of the national chains will not venture to the foothills area (Hickory and north of the city limits) so this affords the business an opportunity to leverage their geographic advantages.
- They are the only “true” custom closet fabricator in the greater Hickory area.





BUSINESS OVERVIEW

❖ *Customer Testimonials*

They have completed over 100 projects for us over the last several years. They consistently offer an exceptional experience from the initial design consultation to the quality of their installation. We and our clients have high expectations, and they come through for us every time.

Custom Home Builder - Hickory and Lake James, NC

The owner is a great designer that listened to our needs while providing great advice. The installation team was professional, efficient and cleaned up when the project was completed. I recommend them to all my friends and clients.

Interior Designer - Hickory, NC

They have exceeded my high expectations from beginning to the very end of my projects. If you can dream it, they can do it! They are a pleasure to work with and the level of quality is top notch. I have completed three separate projects with them and I love the additional storage and space they have helped me create on a custom level. I highly recommend them for your next project.

Satisfied Repeat Client - Hickory, NC





BUSINESS OVERVIEW

❖ *Expansion Opportunities*

There are several opportunities for growth for this business:

- Run the business as a full time venture, not part time,
- Expand the sales staff to add more builder & trade accounts,
- Participate in local home builder and interior designer networking events,
- Add full service interior design services,
- Offer related services such as personal organizing,
- Enhance marketing to be more consistent throughout both print and digital platforms,
- Develop a trade pricing structure to allow designers and builders to sell the product lines.





The company operates part time, as needed, based on client needs.

All hours by appointment only.

BUSINESS OVERVIEW

❖ *Hours of Operation*





The business is a home-based business with storage and limited production being operated out of a 24 x 24 out building / workshop the owner's property.

The buyers could continue a similar set up at their residence or rent a small storage facility.

BUSINESS OVERVIEW

❖ *Facilities*





BUSINESS OVERVIEW

❖ *Company Assets*

❖ *Licensing*

Furniture, Fixtures and Equipment

The business is well positioned with quality installation materials and tools necessary for growth of the business.

All existing equipment and tools will be part of the sale including storage, miscellaneous hand tools, a boring tool and a pick up truck for delivery.

Assets

The current assets, included in the sale price, are available upon request.

Licensing

No special license is required to operate the business.





BUSINESS OVERVIEW

❖ *Staff*

Employees

A single part time employee is involved in the business to assist with installations, material pick ups and delivery and odd jobs.

Owner Involvement

Both owners share the responsibilities of sales, estimates, design and installation.

TITLE	PAY RATE	WEEKLY HOURS	YEARS OF SERVICE	HEALTH INSURANCE
Owner A	\$50,000 /yr	10-20	15	N
Owner B	\$50,000 /yr	10-20	15	N
PT Employee	\$16 /hr	20	5	N





SWOT ANALYSIS

- ❖ *Strengths*
- ❖ *Weaknesses*
- ❖ *Opportunities*
- ❖ *Threats*



OPPORTUNITIES

- Expand the business to run full time
- Add sales staff for builder / trade accounts
- Expand product lines
- Add related personal organizing services
- Attend more industry / trade events
- Do more consistent advertising
- Develop on-line sales
- Build out interior design & builder service offerings

WEAKNESSES

- No showroom
- Not a full time business
- No consistent advertising / branding
- Owner will need to identify a new facility

THREATS

- Housing downturn
- Dominant national franchise competitors

STRENGTHS

- Locally owned
- Tenure in market
- Large repeat customer base with consumer and trade accounts
- Not a franchise
- Low cost to operate
- Higher margins
- Outsourced production
- Longevity



TERMS

- ❖ *Price & Terms*
- ❖ *Training / Non Compete*

Price & Terms

The structure of the transaction will be an Asset Sale. The Asking Price assumes the Seller will retain all cash and satisfy all liens and encumbrances of the business at, or prior to, closing. The Asking Price assumes the Seller will retain all Accounts Receivable and satisfy all Accounts Payable outstanding at the time of Closing. However, this could be negotiated if mutually agreed by buyer and seller. For qualified buyers, the owner will discuss taking a seller note on a small portion of the business.

Training & Non-Compete

Seller will work with new owner to train and prepare new ownership for an agreeable period of time. Seller will agree not to compete for 2 years within a 50-mile radius.





FINANCIAL STATEMENT ANALYSIS

❖ Financial Summary



DETAILED FINANCIAL ANALYSIS PROVIDED BY SELLER

YEAR	2017	2018	2019	2020
DATA SOURCE	Tax Returns	Tax Returns	Tax Returns	Company Financials through 12/31/20
INCOME STATEMENT				
Revenue	\$150,735	\$238,489	\$225,491	\$251,956
Cost of Goods Sold	\$67,934	\$106,914	\$107,830	\$101,413
Gross Profit	\$82,801	\$131,575	\$117,661	\$150,543
Operating Expenses	\$39,060	\$51,058	\$43,871	\$51,000
Other income	\$0	\$0	\$0	\$0
PRE-TAX NET PROFIT	\$43,741	\$80,517	\$73,790	\$99,543
ADJUSTMENTS / ADD BACKS				
Depreciation	\$0	\$458	\$1,858	\$1,858
Automotive	\$1,735	\$5,252	\$32,672	\$2,024
Meals & Entertainment	\$0	\$387	\$0	\$0
Travel	\$457	\$249	\$428	\$162
Misc	\$8,201	\$20,518	\$1,708	\$2,122
Discretionary Expenses	\$11,186	\$29,265	\$35,055	\$5,839
Other Misc		\$1,197	\$96	\$464
Rent Adjustment	(\$12,000)	(\$12,000)	(\$12,000)	(\$12,000)
SELLER DISCRETIONARY EARNINGS	\$42,927	\$98,240	\$98,703	\$95,240

ALL NUMBERS SHOULD BE VERIFIED BY THE BUYER. SUPPORTING DOCUMENTATION FROM THE SELLER IS AVAILABLE

Transaction Process / Next Steps

The information contained in this Confidential Business Review is intended to provide a prospective purchaser with sufficient information to make a preliminary determination with regard to potential interest in entering into a business purchase transaction. Although any purchaser will have the opportunity to conduct due diligence prior to completion of a transaction, we do not expect to provide additional information until after a purchaser has submitted either an Offer to Purchase (Offer), or a Letter of Intent (LOI) as more fully described below.

If you have no further interest

- Please inform us and proceed with the return of all information in accordance with the confidentiality agreement (NDA) that you have signed.

If you have further interest

- We ask you to submit a written Offer to Purchase Agreement or a Letter of Intent (LOI), containing the salient terms of your proposal, including, without limitation:
 - A preliminary value for the proposed transaction structure
 - Security to be offered for any seller notes (Note: A personal guarantee will be required for any seller notes proposed)
 - A suggested time line for closing on the transaction
 - A description of your sources and level of financing for the transaction
 - Confidential financial documentation that validates purchaser's capability to close this transaction



MORE INFORMATION



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