










Business Overview

RE: Radon Testing & Mitigation Services

Specifications

 Price \$230,000	 Cash Flow \$58,458	 Revenue \$155,629
 Equipment \$14,500	 Profit Margin 38%	 Inventory \$2,000
<p>Employees</p>  2 subcontracted techs paid per job	<p>Reason for Sale</p>  Cannot accommodate growth in addition to other businesses owned	<p>Intangible Assets</p>  Relationships with realtors, name recognition and reputation



SUMMARY OF THE BUSINESS –

Opened for 1 ½ years, this radon testing and mitigation services company is growing faster than the owner can keep up. Nebraska regulations continue to change and become more stringent, and radon testing is increasingly in demand. The current owner partners with local real estate agencies that refer clients needing these services, and the company is having to turn away business due to time constraints.

Most clients are referred by real estate agents for both buyers and sellers. 95% of jobs are mitigation, with 5% of jobs consisting of only radon testing. Testing runs are \$85, with many jobs costing around \$750 to include mitigation systems. The seller has two subcontracted techs that are able to complete each job together. One

is also a certified plumber and is able to ensure all pipework for the systems are correctly installed.

Jobs typically last around 2 to 3 hours, with the team completing roughly 30 to 40 jobs each month. In 2016, around 400 jobs were completed for existing homes. The seller has not devoted time to testing or installing systems in new homes, but that is becoming a hot growth area.

A buyer paying 10% down on a purchase price of \$230,000 would see a 94% return on investment the first year. With the right buyer dedicated to growing the company, expansion would be easily achieved.

Business Highlights

- Years in Business: 1.5 years
- Location and Service Area: Omaha Metro
- Demographics: Mostly existing homes; approx. 400 jobs completed in 2016; 95% of jobs are mitigation
- Service Charges: Average job is \$750 with fixed labor costs around \$175; test kits run at \$85
- Reason for Selling: Cannot accommodate growth in addition to other businesses owned
- Employees: 2 subcontracted techs paid per job
- Hours: 9am – 7pm
- Seller Training Period: 90 days
- Growth Opportunities: Obtain Iowa license; test new construction; add another crew
- Current Owner's Responsibilities: Employee management; meets with clients; picks up deployed test kits

Financial Highlights

- List Price: \$230,000
- 2016 Gross Sales: \$155,629
- 2016 Cash Flow: \$58,458
- YOY Growth: 2017 is set to gross \$204,871, which would be a 24% increase from 2016
- \$36,500 in Assets included in the purchase:
 - Equipment: \$14,500 – Sun Nuclear testers, core drills, saws, screw guns, ladders, hole saw blades, cordless and hand held tools
 - Vehicles: \$20,000 – 2016 Ram ProMaster 1500 (seller also has a 2005 Hummer H2 that is negotiable)
 - Intangible Assets: Relationships with realtors, name recognition and reputation

- Inventory: \$2,000 – fans, batteries, piping

**amounts may vary*

Cash Flow Analysis

Description of Financial Statement	P&L Statement January - May	Tax Return	Notes
	2017	2016	
GROSS SALES	\$85,363	\$155,629	
<i>Annualized</i>	<i>\$204,871</i>		
Net Income Shown on Financial Statement	\$52,067	\$38,297	
ADDBACKS			
Meals	\$193	\$461	<i>Expenses unrelated to business</i>
Radon Testing	\$0	\$11,700	<i>One-time expense</i>
Vehicle Wraps	\$0	\$8,000	<i>One-time expense</i>
TOTAL ADDBACKS	\$193	\$20,161	
Seller's Cash Flow = Total Addbacks + Net Income	\$52,260	\$58,458	
<i>Annualized</i>	<i>\$125,424</i>		

Profit Margin 61.22 % 37.56 %

- 37.5% profit margin in 2016
- \$155,629 in sales during 2016 with the first 5 months of 2017 earning \$86,063
- 2017 is projected to earn \$204,871 with a cash flow of \$125,424

Services

Radon Testing

- Continuous Radon Monitors
 - used to make decisions about whether you need mitigation and what methods that can used to mitigate elevated radon levels

Radon Mitigation

- Installation of Radon Mitigation Systems Sub-Slab Depressurization (SSD)
 - PVC piping installed through slab floor and fan connected with the piping
 - Fan applies a vacuum beneath the slab and the vapors in the soil beneath the building are directed outside
- Sub-Membrane Depressurization (SMD)

- Impermeable membrane (such as plastic sheeting) is placed over earthen or gravel area and the ventilation piping is installed through the membrane
- Sump and Drain-Tile Depressurization (SDTD)
 - Vacuum is applied to water drainage area to collect radon from a followed path
- Block Wall Depressurization
 - Radon-laden air is collected from voids in block walls and exhausted to a safe location outdoors

Radon in Real Estate

- Homes with radon can be reliably reduced to less than 4 pCi/L
- Multiple systems can be installed in one day
- After mitigation, a 23-hour delay is set to verify results
- Radon can be found in any home, regardless of age
- More and more builders are installing radon systems

Pricing

- In 2016, this business completed approximately 400 jobs
 - Between 30 and 40 jobs are completed each month, with both subcontracted techs working each job together
- The company operates 7 days each week, with installs generally scheduled for weekdays and test pickups occurring on the weekends
- Radon test kits cost \$85
- Mitigation system installations range from \$700 to \$1,600 depending on the job and the system installed

Assets

- Equipment - \$14,500
 - Sun Nuclear test kits - \$12,000
 - Download results into a graph form
 - Provides graph and written PDF for recommendations
 - Core drills
 - Saws
 - Screw guns

- Ladders
- Hole saw blades
- Cordless and handheld tools
- Vehicles - \$20,000
 - 2016 Ram ProMaster 1500
 - Able to hold 25 pipes that can cover jobs for 3 to 4 days
 - Fully custom build-out to carry all supplies/tools neatly and organized
 - Seller also has a 2005 Hummer H2 that is negotiable in the sale
- Inventory - \$2,000
 - Fans
 - Batteries
 - Piping

Vendors

- Biggest vendor is RadonAway
 - Purchase specialty radon equipment (fans, diagnostic tools/kits, etc.)
- Basic supplies, such as piping, are purchased from Menard's
- Inventory is typically replenished on a weekly basis
 - Each order is roughly \$2,500 and includes supplies for 12 – 14 jobs
 - Average system costs \$200

Market & Growth Outlook

Market & Competition

- Radon testing and the installation of radon mitigation systems requires state licensing, creating a barrier to entry
 - A license for one person is \$200
 - A business license is a yearly charge of \$700
 - The business and a job supervisor must both be licensed, as a job site requires that at least one individual have proper certification
 - Passing of a test is required before a license can be issued

- There are 11 licensed mitigation companies in the immediate Omaha area
 - There are 35 licenses measurement companies in the immediate Omaha area
- The testing and mitigation market is like a pie chart that barely gets bigger each year
 - Competition can be tight
- Service levels and quality work differentiation companies from each other
 - The seller believes that are 2 other companies in the area that do the same quality work and are true competition

Growth

- Obtain an Iowa license
 - Current owner has not pursued this, but moving into Council Bluffs and surrounding areas in Iowa would increase sales opportunities
- Increase crew size
 - Hiring even just 2 more subcontractors would help to increase the amount of jobs that can be tackled
 - Easiest way to double business
- Seller currently has partnerships with some local real estate brokers for a small fee
 - Continue to foster these relationships and work to build new ones
 - Realtors are increasingly pushing clients to test for radon, and the MLS page will often mention any testing or radon levels found
- Add more home inspectors to do testing
 - Testing results in lead generation for mitigations
 - Would require more test kits/devices
- Break into new construction
 - Work with builders to install mitigation systems in new homes
 - Legislation is tightening and this may be a growth area

Valuation Details

The Firm Business Brokerage used a Cash Flow Valuation methodology to determine the Purchase Price of the business.

The formula used is as follows:

$$\text{2-Year Avg Cash Flow} \quad \times \quad \text{Prescribed Multiple} = \quad \text{Fair Market Value}$$

Cash Flow is the sum of business net income plus any owner perks and any non-onward going expenses.

A multiple is prescribed by a 20-question, 100-point parameter ranking system that is used to analyze the current business health. Each question is based on a scale from 1 to 5: 1 being low, 2 below average, 3 average, 4 above average, 5 high. The average of the responses sum is the business' prescribed multiple.

With this information, the computation is as follows:

$$\$91,941 \quad \times \quad 2.5 \quad = \quad \$229,852$$

The Fair Market Value of this business is \$230,000.

To receive a full financial package and specific information regarding this business:

1. Complete the Qualified Buyer Documents (Non-Disclosure Agreement and Buyer Questionnaire) [on our website](#) or print, scan and return the attachments to info@TheFirmB2B.com
2. Call The Firm Business Brokerage at 402.998.5288 to schedule an appointment or conference call with a Broker.

The Firm currently has over 90 cash flowing businesses available. If you find that this is not a fit for you, please let us know and we would be happy to provide you with other opportunities.

The Firm makes no warranties or representation in consideration to the information provided above. All communication regarding this business must occur directly with The Firm Brokerage, LLC.