

CONFIDENTIAL INFORMATION MEMORANDUM

SEPTEMBER 2023



THRIVING HOME REPAIR & RENOVATION BUSINESS

Smart Home Remodeling

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Should there be no interest in the opportunity described herein, immediate notification of such should be transmitted to TRANSWORLD, and this as well as any other materials provided should be returned to:

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EXECUTIVE SUMMARY

SMART HOME REMODELING

This acquisition opportunity is for a top-rated home renovation business in Houston, Texas. Led by two business owners, the company specializes in the residential remodeling market with the capability to complete interior and exterior projects, including room additions, foundation leveling, roof installations, and everything in between. With experience completing remodeling construction projects spanning from \$100 to \$500,000, ownership takes pride in providing timely, quality work and unparalleled customer service, evidenced by the satisfaction guarantee that they offer.

Drawing upon their experience in other states, the owners established this Houston business in 2019, quickly proving the profitability of a residential repair and remodeling business that relies upon an internally developed call center to generate leads, salesmen trained to discuss all home-related services to secure the job, and subcontractors to complete the work. Even through the pandemic, the business roughly doubled in sales and size each year, growing to \$8.7M in revenue and \$2.14M in adjusted EBITDA for 2022. For the first half of 2023, the business has improved efficiencies, cutting its overhead in half while maintaining impressive sales figures.

After developing a solid lead generation system and impeccable operating standards that propelled the company to more than double its sales and size year after year, the two owners seek to move onto other projects.

HIGHLIGHTS		
2020	Revenue \$1.446M EBITDA \$486K	2021
		Revenue \$4.677M EBITDA \$1.28M
		2022
		Revenue \$8.70M EBITDA \$2.14M

INVESTMENT HIGHLIGHTS

SMART HOME REMODELING



Leads are generated in-house by the call center, so the business has more control over the quality of customers and can prioritize higher paying jobs.



Salespersons are 100% commission based and all the work is sub-contracted, so overhead is minimized.



There are 20 total employees, including 2 managers in key leadership roles.



The 4,500 SF Houston office, where the call center and support staff are based, may be leased by Buyer.

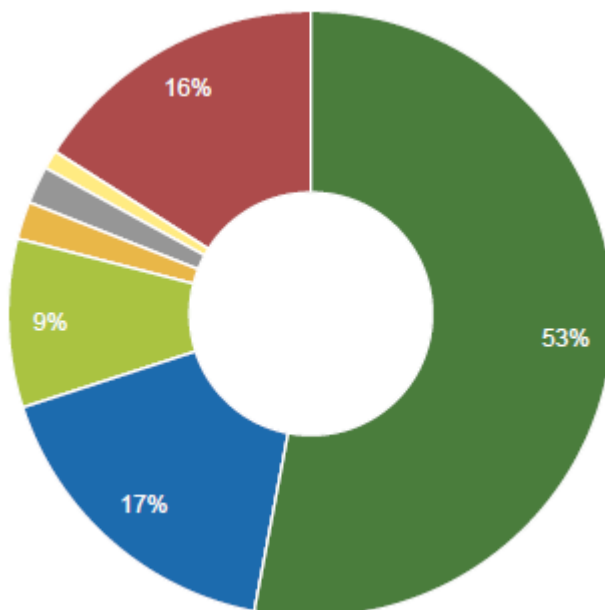


Major service offerings include bathroom remodeling, roofing, foundation leveling, and kitchen remodeling.

INDUSTRY OVERVIEW

RESIDENTIAL REMODELING INDUSTRY

- According to Grand View Research, the US residential modeling market size was estimated at \$512 billion in 2022 and is expected to grow at a compound annual growth rate (CAGR) of 4.4% from 2023 to 2030.
- Residential remodeling includes additions, alterations, reconstruction, maintenance, and repair work of constructed houses and other residential buildings, both single-family, and multifamily. Business models range from small family-owned firms, which may perform remodeling work themselves, to individuals serving as general contractors who hire employees and subcontractors to complete larger remodeling projects.
- Popular projects include additions to indoor and outdoor living space and kitchen and bathroom remodels. Other sources of revenue include providing maintenance/repair services and updating structures to meet new building codes and energy efficiency requirements.
- Seasonality of Demand - Residential remodeling activity is somewhat seasonal, peaking in the spring and summer months. Remodeling activity slows in many parts of the US during winter months. Interior remodeling work may continue unabated, but additions to existing homes and exterior work may become intermittent or stop entirely, depending on the severity of the weather. Firms that depend heavily on additions and exterior work are more likely to be impacted by the seasonal nature of the industry.



Residential Remodeler Revenue

- Contracted - Additions, Renovations & Alterations (53.0%)
- Contracted - Maintenance & Repair (17.0%)
- Contracted - New Construction (9.0%)
- New Residential Construction (2.0%)
- Project Management (2.0%)
- Decks & Landscaping (1.0%)
- Other (16.0%)

Source: US Census Bureau

HOUSTON MSA HIGHLIGHTS

Growing Market - The Houston Metropolitan Statistical Area (MSA) consists of nine counties, is the fifth most populous metro in the nation, and spans an area larger than five states. The Houston MSA population grew by 112,000 or 1.73% between 2021 and 2022 and is projected to grow 1.5% annually over the next five years. With a population exceeding 7.2M, the Houston MSA has been a popular destination for relocation, and this population growth continues to drive many sectors of the local economy.

Economic Outlook – Houston MSA's real GDP grew by 3.93% in 2022, up from 3.48% in 2021 and 1.91% in 2020. As the nation's seventh largest metro economy, Houston MSA's various growth engines make it better equipped to weather broader economic downturns compared to most other cities. More specifically, the area's population growth, dominance as an energy sector hub, robust healthcare and port systems, and accelerating development in construction and retail make a strong case for no local recession in the near term.

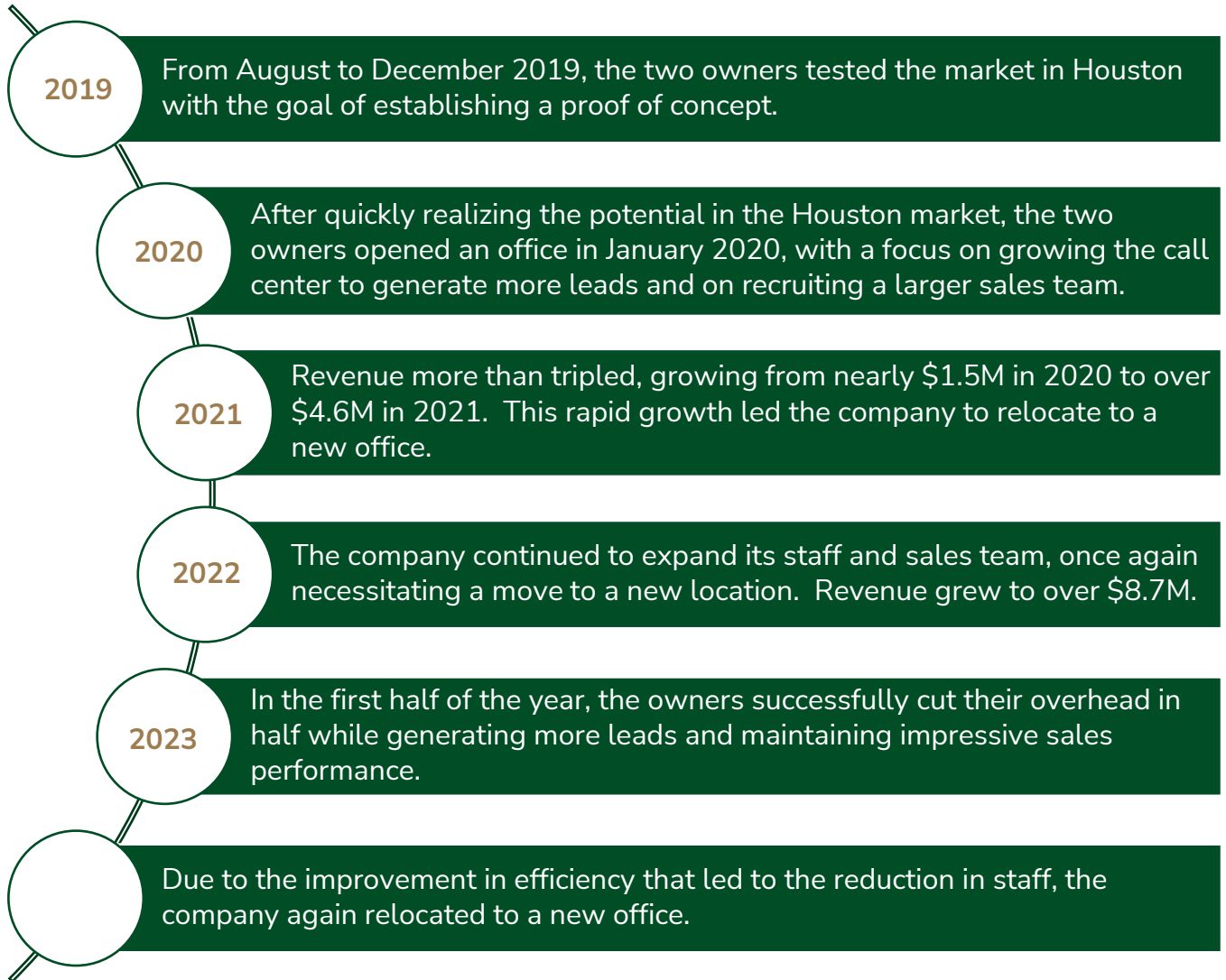
Advantageous Business Environment – Texas is one of the few states without personal, state, or corporate income tax, making the cost of doing business very competitive. In line with the state's pro-growth attitude and favorable tax structure, Houston has no local minimum wage, permitting is fast and friendly, and the cost of doing business in Houston is well below the US major metro average.

*Data Provided by First Research



COMPANY HISTORY

SMART HOME REMODELING



HIGHLIGHTS		
2020	Revenue \$1.446M EBITDA \$486K	2022 Revenue \$8.70M EBITDA \$2.14M
	2021 Revenue \$4.677M EBITDA \$1.28M	

BUSINESS STRENGTHS

SMART HOME REMODELING

- Internally developed call center provides leads to which competitors do not have access. Generating leads in-house enables the company to target larger projects with higher quality customers.
- Sales team is 100% commission based, which makes them more results-driven than salaried salespeople.
- Actual work is 100% sub-contracted, which allows business to scale rapidly with minimal risks and to market a wide variety of services.
- With established relationships with over 10 finance companies, the company can approve more customers than competitors and tackle larger jobs compared to competitors who only accept cash-paying customers.
- Company's policy of requiring no down payment and offering a satisfaction guarantee on the work gives customers confidence to choose the company's services over those of competitors.



SERVICE OFFERINGS

SMART HOME REMODELING

Sub-contracting 100% of the work allows the company to offer home repair and remodeling services that span the full spectrum, including:



Bathroom
and Kitchen
Remodeling

Foundation
Leveling

Insulation

Landscaping

Patio
Renovation



Central Air
and Heat
Installation

Windows
and Doors

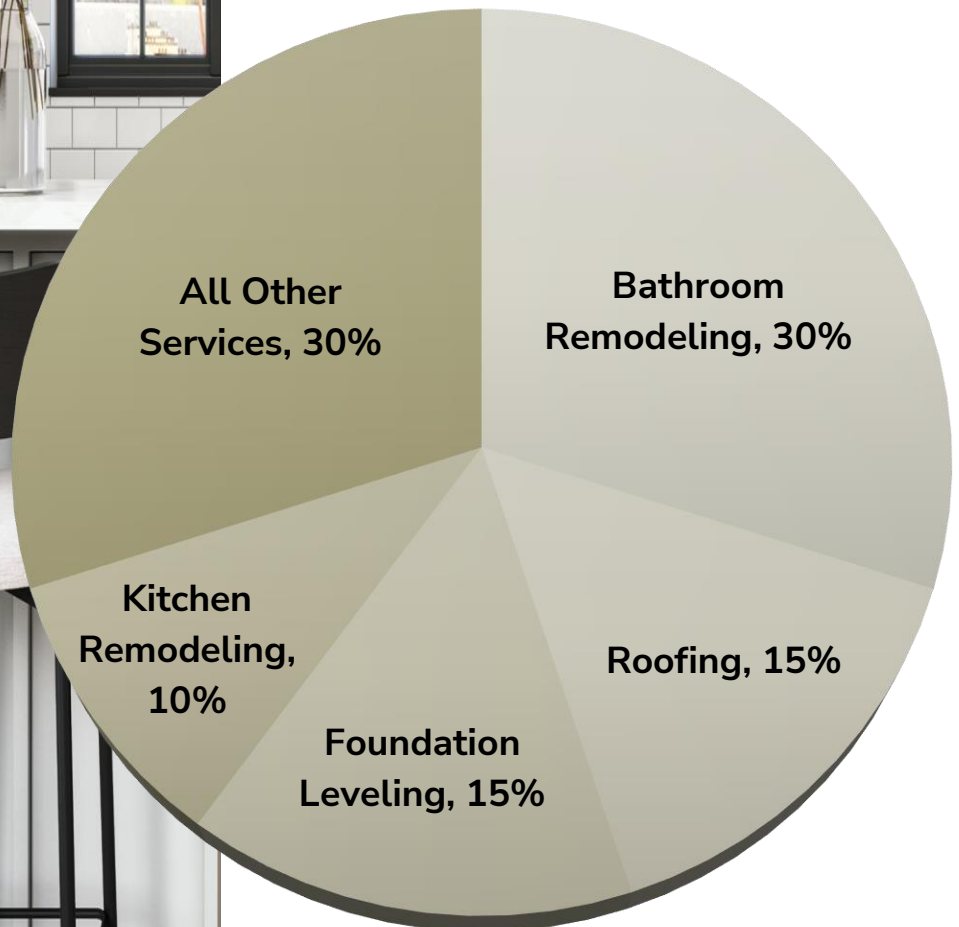
Flooring,
Painting,
and
Plumbing

Pool
Installation
and
Updates

Roofing

PERCENTAGE OF REVENUE BY SERVICE CATEGORY

2022 PERCENTAGE OF SALES



PRIMARY TARGET MARKET

SMART HOME REMODELING

Ideal clients for this business have been retired homeowners who value quality over price. Given their fixed income, these clients are drawn to the business' financing offers. They are also starting a new chapter in their life where they are at home more often and want to make the improvements that were deferred while they were working.



MARKETING

TARGETING REPAIRS AND RENOVATIONS



TELEMARKETING

Leads are internally generated by the well-trained call center. In 2023, the owners culled the number of call center agents on staff and focused more on efficiency, so sales remain strong.



ONLINE PRESENCE

Smart Home Remodeling has garnered high reviews on Google, Houzz, Yelp, and Facebook. Additionally, its sleek website makes it easy to request quotes, encapsulates the company's standards of professionalism, and highlights policies that set this business apart from its competitors.



SALES TEAM

The competence and presentation skills of the salespeople is the main driving factor for business' profitability. Great emphasis is placed on ensuring that the sales agents are masterfully coached to sell all services for the home.

REMODELING BUSINESS COMPETITION

NATIONAL COMPETITION



**POWER HOME
REMODELING**



MR. HANDYMAN



RE-BATH



LOCAL COMPETITION



**SUPERIOR HOME
RENOVATIONS**



**MODERN DESIGN
AND REMODELING**



**HOUSTON
REMODELING**



COMPETITIVE DIFFERENTIATORS

Company Standards That Have Driven Sustained Growth



Free Estimate
Good for 12 Months



No Down Payment
Satisfaction Guaranteed



Workmanship
One-Year Limited
Quality Warranty



Industry Leading
Customer Service



Constant
Project Management



Specialized & Licensed
Technicians



Flexible
Scope of Work



Responsible
Timeline



No Job Is Too Big
Or Too Small



Price Protection
Promise

ORGANIZATIONAL STRUCTURE

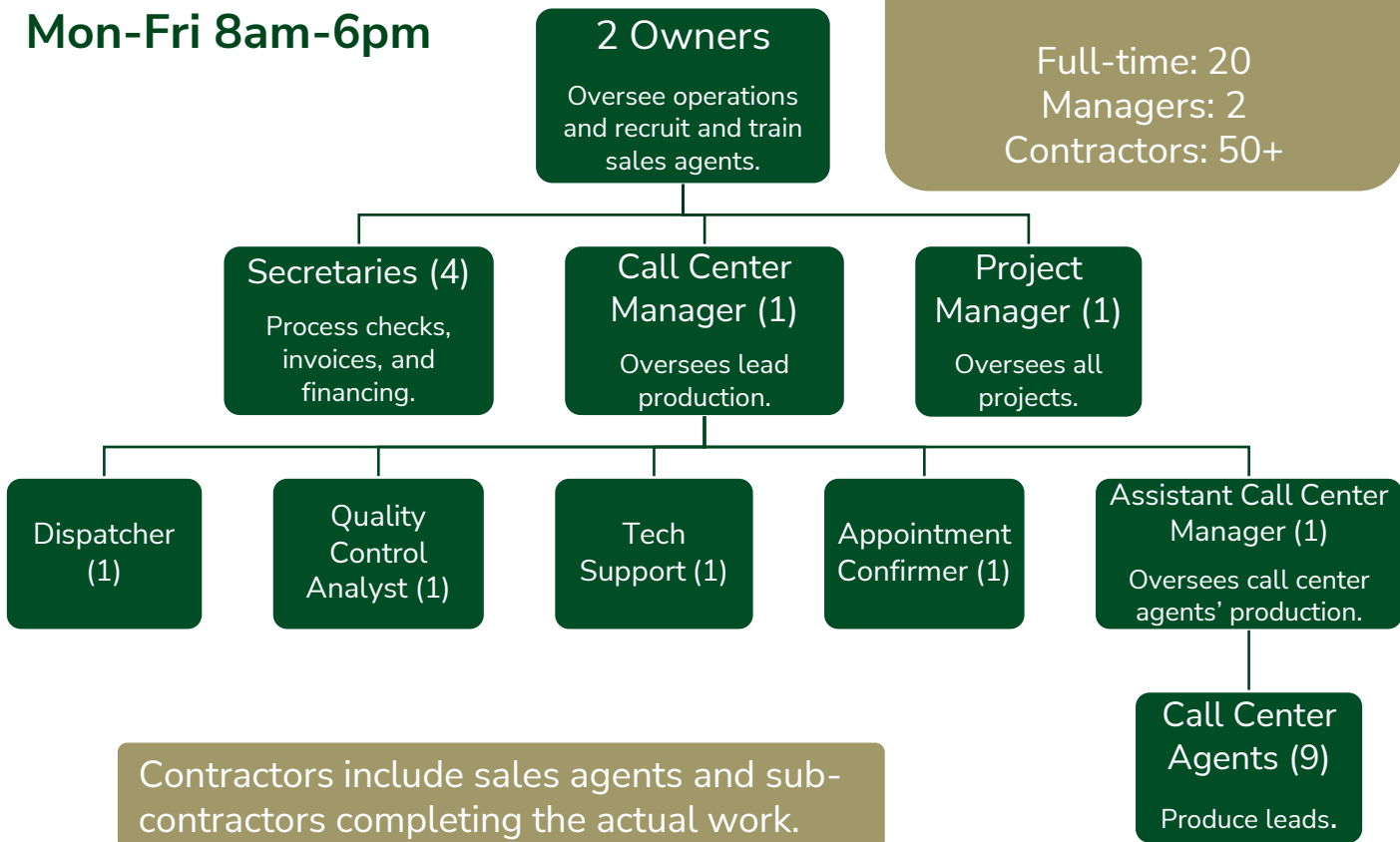
SMART HOME REMODELING



Hours of Operation:
Mon-Fri 8am-6pm

Total Employees: 20

Full-time: 20
Managers: 2
Contractors: 50+



Sellers' Roles

The two sellers currently work full-time for the business and primarily focus on the recruitment and training of the sales agents. Sellers hope to move onto other projects upon the sale of this business and will provide 4 weeks of training at no additional cost to the Buyer.

FACILITY – HOUSTON, TEXAS



Facility Type: Office

Square Footage: 4,500 SF

Monthly NNN Lease Payment: \$7,500
Base and Approximately \$1,500 for
Operating Expenses

Lease Term: 5 Years

Option to Renew: Negotiable

Estimated Value
of Leasehold
Improvements

\$120,000

FFE Estimated Value **\$25,000**

GROWTH OPPORTUNITIES

SMART HOME REMODELING



Utilize more **marketing avenues** such as magazines, mailers, canvassing, and social media.



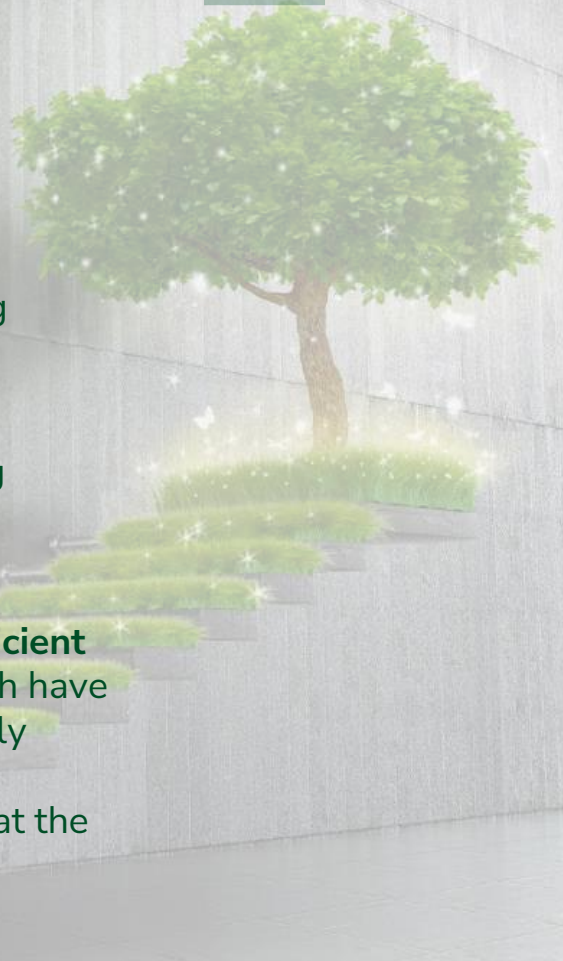
Hire a **recruiter** with a focus on bringing on more sales agents, as the sales team is the main factor in driving sales and profitability.



Margins can be improved by **replacing subcontractors** with in-house staff.



Place greater emphasis on **energy efficient products**, including solar panels, which have been in more demand and are relatively easy to sell if the monthly payment is structured to approximately equal what the customer currently pays for electricity.



FINANCIALS:

Profit & Loss (Cash Basis)

	2020 (Tax Returns)	2021 (Tax Returns)	2022 (Tax Returns)
Total Sales	\$ 1,446,819	\$ 4,677,357	\$ 8,701,341
Cost of Labor	\$ 1,241,900	\$ 2,976,072	\$ 4,668,352
Materials and Supplies	\$ 26,373	\$ 107,995	\$ 115,609
Cost of Sales	\$ 1,268,273	\$ 3,084,067	\$ 4,783,961
Gross Profit	\$ 178,546	\$ 1,593,290	\$ 3,917,380
Gross Profit %	12.34%	34.06%	45.02%

General and Administrative Expenses

	2020	2021	2022
Advertising	\$ 7,956	\$ 43,623	\$ 4,744
Auto and Truck	\$ 6,693	\$ 17,750	\$ 14,811
Compensation of Officers	\$ -	\$ 145,384	\$ 145,384
Insurance	\$ 11,974	\$ 8,535	\$ -
Legal and Professional	\$ 1,700	\$ 968	\$ 52,912
Meals and Entertainment	\$ 2,029	\$ 3,326	\$ 17,877
Merchandise	\$ -	\$ -	\$ 57,395
Miscellaneous Expenses	\$ 1,704	\$ 1,494	\$ 135
Office Expense	\$ 19,138	\$ 39,962	\$ 49,982
Repairs and Maintenance	\$ -	\$ -	\$ 35,333
Rent	\$ 26,400	\$ 44,040	\$ 61,994
Salaries and Wages	\$ 58,024	\$ 409,272	\$ 1,196,756
Supplies	\$ -	\$ -	\$ 341,636
Taxes and Licenses	\$ 4,439	\$ 42,295	\$ -
Telephone and Communications	\$ 3,148	\$ 5,941	\$ -
Travel	\$ 4,097	\$ 3,676	\$ 7,638
Utilities	\$ -	\$ 2,063	\$ 15,775
Total General and Administrative Expense:	\$ 147,302	\$ 768,329	\$ 2,002,372
Net Operating Income (Loss)	\$ 31,244	\$ 824,961	\$ 1,915,008
PPP Loan Forgiveness		\$ 12,347	
Net Income	\$ 31,244	\$ 837,308	\$ 1,915,008
Net Income %	2.16%	17.90%	22.01%

Adjustments to EBITDA

Owners' Compensation	\$ -	\$ 145,384	\$ 145,384
Cost of Sales	\$ -	\$ 40,000	\$ 219,000
Cost of Labor	\$ 600,000	\$ 400,000	
Personal Auto	\$ 6,693	\$ 17,750	\$ 14,811
Additional Meal Expenses (Non-Deductible)	\$ (2,038)	\$ -	\$ -
PPP Loan Forgiveness	\$ -	\$ (12,347)	\$ -
Salaries and Wages	\$ (150,000)	\$ (150,000)	\$ (150,000)
Total Adjustments to EBITDA	\$ 454,655	\$ 440,787	\$ 229,195

Adjusted EBITDA	\$ 485,899	\$ 1,278,095	\$ 2,144,203
Adjusted EBITDA Margin	33.58%	27.33%	24.64%

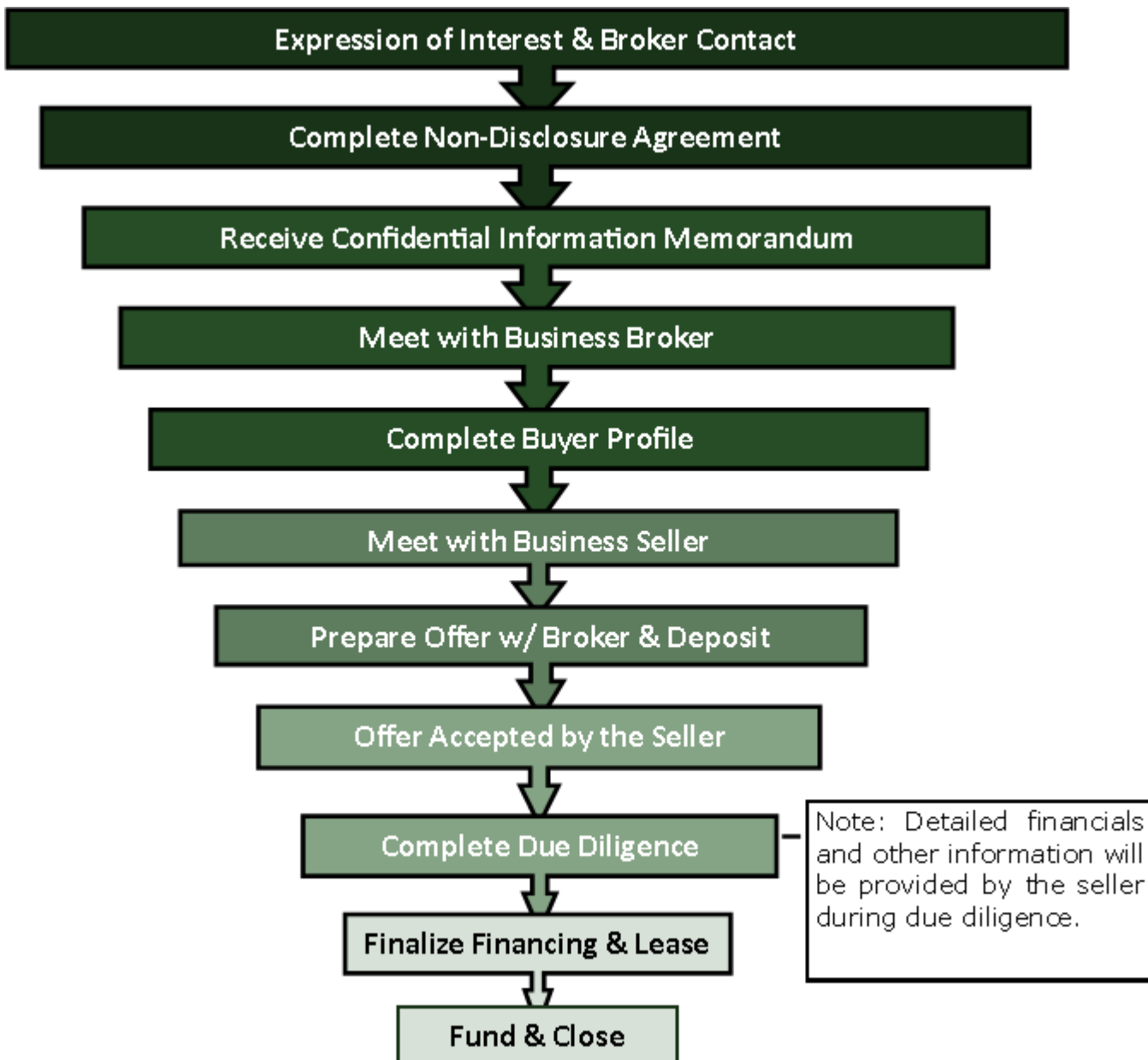
Notes

The seller provides all data and financial information on this business for informational purposes only. The broker does not warrant the above information and advises the buyer to seek professional advice when purchasing a business. This offering by the seller is subject to change or withdrawal without notice. This information sheet has been prepared on a confidential basis exclusively.

Owner's Compensation
Cost Related to Remodeling of Owners' Personal Assets
1099's Paid to Owners in 2020 & 2021
Personal Expense for Owners
Nondeductible Item from Tax Returns
Non-Recurring Income
FMV of Employee Filling Owners' Roles

THE BUYER PROCESS

The following are sequential steps that each buyer will be asked to follow in the Transworld business buying process. The broker responsible for this listing will lead you through each step in the order noted below. The objective is to provide you with adequate information to make an informed decision on the purchase of this business. The steps are sequenced to respect the initial privacy needs of the seller while providing prospective buyers with an increasing amount of information through the process.



ABOUT TRANSWORLD

TRANSWORLD BUSINESS ADVISORS OF SOUTH AND WEST TEXAS

Transworld Business Advisors is the #1 Business Brokerage firm in Houston and the #1 Business Brokerage firm in the USA. Our Houston team is composed of twenty diverse members with a combined 350+ years of business experience. Our team includes former CEOs, Presidents, Chief Financial Officers, CPAs, Business Owners, Multi-Unit Franchisees, and Attorneys.

We are experienced in the business sales process, business valuations, and deal structure. Our team includes Certified Business Intermediaries, Certified M&A Professionals, Master M&A Intermediaries, and a Certified Business Appraiser.

We speak 6 languages including Spanish, Mandarin, Vietnamese, Arabic, and German. We are based in Houston, and we leverage being part of the world's largest business brokerage organization with over 250 offices and 750 business brokers globally. Transworld specializes in providing the vital services needed to conclude successful company sales and purchases by assisting owners and buyers throughout every step of the business sales process.

We have achieved value for both sellers and buyers of companies operating in various industries. Transworld has facilitated the sale of over 15,000 businesses over the past 40 years.

Bo Hudson

Bo is a Senior Business Advisor with over 20 years of Executive Corporate Management experience. While serving as CEO for building product manufacturers DECRA Roofing Systems and Royal Manufacturing, Bo fostered business growth by creating value, making transformational business process changes, and providing exceptional leadership. As an “entrepreneurial” executive, he thrived on daily involvement with business operations and sales while spearheading product development initiatives, including obtaining six different patents. Bo’s extensive experience allows him to deftly guide sellers by providing valuable insight into the daily workings of organizations both large and small.

Business Brokerage provides Bo with an opportunity to continue being a successful team builder while delivering a win-win situation for all parties involved. He has personally counseled numerous clients on the “ins and outs” of retirement to make sure their approach to selling their business has sound reasoning. As an advisor, Bo can leverage his experience with business owners, investing the time to completely understand the situation, and then providing prompt attention to the details.

He received a BS Degree in Psychology from Spring Hill College in Mobile, Alabama and an MBA from the University of Dallas. His spare time is usually spent with family and travel, but he is always up for the challenge of a woodworking project.



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