

Sale Memorandum

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WZY Cleaning Services

Proprietor's name(s)

Joseph Blygges and Lizzie Blygges

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Disclaimer

WZY Cleaning Services, and all the characters referred to in this document, are fictitious. Any resemblance to an actual business in New York State (or anywhere else in the US), or to real life persons, is purely coincidental.

Confidential

Document ID: 03/12/2016 16:43:23.242

Summary

Business main location

Albany

New York state

United States

Other locations

A second operations centre was opened in Kingston, NY in 2010. This was in response to the growing number of customer enquiries from the south of the State.

Company [website](#)

What the business does

Specialist fabric cleaners for both home and office markets, focussed on New York State. Carpet, furniture, curtain fabrics and more recently repair and polishing of wooden and parquet flooring.

Category

Carpet cleaning

Year established, ownership details

Established 1997

100% owned by Joseph and Lizzie Blygges (50% each)

Why the business is an attractive proposition to a buyer

Profitable, long-established specialist fabric and floor cleaners with a combined database of over 4,000 office and home customers. WZY has earned an enviable reputation as the experts in restoring fabrics to their former glory. Few tricky stains can resist the WZY treatment as long as the call-out is made promptly. Growth investments, funded mainly from re-invested profits, include the latest environmental-friendly cleaning equipment, and a new operations center in Kingston.

Reason for selling

Both now aged over 60, it's time to retire, sell-up and move to Florida to enjoy the sunshine and spend more time with the grandchildren.

Brief business highlights

Product or service

Specialist onsite fabric cleaners and wooden floor polishing and restoration. A combination of scheduled jobs and emergency call-outs to treat recent spillages and stains.

Main promotional methods

Strong word-of-mouth referrals from satisfied customers has been a major contributor to profitable growth over time, enabling promotional spend to remain at circa. \$50,000 p.a. Local brand awareness is the result of sustained local newspaper advertising and print/online classified ads. Social media activity is building an important following through weekly news and information blogs posted on the website, Facebook page, Twitter, Google Plus and Linked-in.

Customer profile

WZY has built a loyal, diversified customer base of home and business customers. In Albany, sales value is similar for both customer types, although there are fewer, higher value jobs in the business market. By contrast, Kingston branch sales revenue is heavily weighted towards domestic customers. An opportunity exists to develop the office market in Kingston, particularly for 30+ staff sites, although entrenched competition makes winning new business a challenge. Typical domestic customers have a household income exceeding \$100,000.

Main advantage(s) over nearest competitors

Competitors have yet to replicate WZY's expertise in the rapid assessment of job requirements, selection of the right cleaning materials, and effective application of chemicals using the most efficient equipment. A two-year guarantee offer on all stain-resistant treatments reflects a confidence gained from consistently high performance. The trend towards environmentally-conscious consumers aligns closely with company core values. WZY has always used top grade, environmentally-friendly chemicals and energy-efficient methods. A price premium of up to 20% over the competition is common.

Key market facts prioritizing market size, the trend direction, and market share

The carpet and upholstery cleaning market has grown by circa. 5% over the past five years. Tough economic times has restricted spending on new items, with homes and businesses choosing to clean rather than replace carpets and furniture/upholstery. Over the past five years WZY has surveyed future customer intentions, which consistently highlight a preference for wooden or parquet flooring when households decide to replace carpets. This research underpinned the decision to launch the wooden floor polishing and restoration service, in order to preserve WZY's long term market position.

Key financial facts and forecasts

	Y2015	Y2016	Y2017	Y2018	Y2019
Sales revenue	\$400,000				
Net profit	\$20,000				
Growth rate		3.0 %	3.0 %	3.0 %	3.0 %
Sales forecast		\$412,000	\$424,360	\$437,091	\$450,204
Profit forecast		\$20,600	\$21,218	\$21,855	\$22,510
Free cash flow to equity (FCFE)		\$20,000	\$39,600	\$66,218	\$49,855

Owner/Director discretionary expenditure has been added back to free cash flow to arrive at the final valuation. Forecast compound sales growth rate of 3% is consistent with historic market trends, and takes account of Kingston's potential to expand, and the shift towards wooden floor polishing and restoration.

Staffing

Albany: 3 full-time onsite cleaning specialists; 1 full-time & 1 part-time office administrator, 1 full-time & 1 part-time customer service coordinator

Kingston: 1 full-time & 2 part-time onsite cleaning specialists; 1 full-time administrator; 1 full-time customer service

Joseph Blygges full-time management and sales, Lizzie Blygges part-time book-keeper.

Number of employees, full time: 9

Number of employees, part time: 5

Sales channels used

The website is a key channel particularly now that it takes online bookings. Joseph Blygges fulfils sales appointments with local businesses, supported by office email campaigns and telephone follow-up. Partnering is stronger now with the new "Customer Care" initiative. WZY applies onsite stain-resistant treatments to newly fitted furnishings, with the retailer/wholesaler receiving a share of WZY's margin on the job.

Price and terms

Asking price: **\$310,000**

Minimum 50% of asking price required in cash on deal completion.

Type of business sale

Joseph and Lizzie Blygges seek 100% transfer of ownership through a share sale.

Required buyer qualifications

A buyer must have \$180,000 dollars in cash on deal completion, \$38,000 of which is to be deposited in an escrow deposit account on signature of a Letter of Intent. A suitable buyer will demonstrate solid managerial experience, ideally in cleaning-related services or relevant experience in applying chemicals. A background in sales and marketing would be helpful in realizing business growth potential.

Transition of business ownership

WZY's business proposition is built on proprietary knowledge of cleaning chemicals and their effectiveness on fabrics. The owners agree to transfer this knowledge through ten days of intensive training, chargeable at a consultancy rate of \$1,000 per day. To smooth transition to new ownership, Joseph Blygges is willing to provide the business with two days per week of consultancy services for up to six months following deal conclusion, at \$1,000 per day.

Future developments

The main business opportunities

The Kingston branch has potential to increase sales by 50% with investment in Marketing, particularly to businesses which are under-represented in the current customer mix, when compared with Albany. With consumer environmental-consciousness growing, there's a real emerging opportunity for WZY to further capitalize on its environmentally-friendly credentials in cleaning equipment, materials and methods.

The challenges and risk

The US recession causing a general "clean, mend and repair" mindset has benefitted WZY's business. By contrast, a recovering economy may impact adversely on traditional cleaning businesses. WZY's wooden floor repair and polishing service has potential to grow significantly to compensate for any loss of traditional business, but will require additional promotion to compete with more established players.

New or emerging competitors

WZY's premium pricing policy has naturally alerted existing competition. Without specialist chemical knowledge and skills it's been hard for competitors to match WZY's restoration prowess and price advantage. A new competitor, Enviroclean, has recently opened in Kingston. Run by a chemistry graduate, Enviroclean has invested in the latest equipment, and is trying to entice customers to switch with generous introductory discounts to win market share.

Improvement actions already taken

Continual improvement is key to WZY staying ahead of the game. This imperative is formalized in quarterly business reviews, involving all staff, which check performance against target and assess ways to improve the service. These reviews have seen several positive

changes agreed and implemented, including online customer booking, use of post-job customer satisfaction forms, and sharing lessons learned from particularly tricky assignments. The wood and parquet floor polish and repair service was first suggested here, enhancing the range of flooring services, and helping to prevent competitors from luring away existing customers.

Appendices

List of appendices

Appendix A: Graphs, 3 years sales and profits

Appendix B: Promotional literature (PDFs)