Cash Flow Strong Industrial Construction Company

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Stage: **Screening** ▷ Broker Eng. ▷ Ownership Eng. ▷ Books & Valuation

Table 1: High-Level Deal Snapshot

Gross Revenue (CF)	Cash Flow (CF)	Recommended Asking Price	Projected Growth (As-Is)	Recommended Acquisition multiple
$37,200,000	*$5,100,000*	*$16,290,000*	*5% YoY*	*2X–3.5X CF*
Location	**Year Established**	**Risk Rank(1-10)**		
PA	*1975*	*5*		

Summary: Listing references an external valuation of 3.3X EBITDA, sector growth(non-residential building ad infrastructure), $5.5M in Fixed Assets, and $2.75M in included working capital support the valuation. With valuation references for Construction GCs without specialty and fixed assets reference multiples between 2-3.5. 19,000 sqft facilty available for purchase is not included as well as 1.65M in debt CF. With increased devlopment activity in the North East, and sustained growth in infrastructure, if it can be demonstrated that the company has the personnel and tangibles to capitalize on this opportunity(state 5% to 15% growth opportunity in the listing) a 3-3.5 multiple is fair.

1 Market

Snapshot. Industrial building construction (NAICS 236210), is primarily responsible for the construction (including new work, additions, alterations, maintenance, and repairs) of industrial buildings (except warehouses). The construction of selected additional structures, whose production processes are similar to those for industrial buildings (e.g., incinerators, cement plants, blast furnaces, and similar nonbuilding structures), is included in this industry. Included in this industry are industrial building general contractors, industrial building for-sale builders, industrial building design-build firms, and industrial building construction management firms[23]. serving manufacturing, data centers, logistics, infrastructure, and process industries. 2020–2025 revenue gains are *mostly nominal (price-driven)* rather than real volume growth; output prices for new industrial buildings rose materially over this period. The 2025-2026 outlook is uneven: *manufacturing* cools from the mega-project surge, while *infrastructure* (water/sewer, power, civil) is steadier. Regional signals are constructive in the Northeast, with industrial starts rising 2024→2027. Backlog visibility of 6–12+ months is common, but owner sentiment has softened versus 2024.

Service Scope

- **Core offerings:** Prime GC/CM-at-Risk and Design–Build/EPC delivery; self-perform selected scopes; subcontract non-core specialties. Typical packages include site/civil and foundations; structural steel and concrete; equipment setting/rigging; process piping; electrical &controls; HVAC/mechanical; commissioning/turnover; shutdowns/turnarounds; small-capex plant expansions; data center/networking utilities & fit-outs.

Customers & Geography

Primary Segments	Private industrial owners (manufacturing—discrete/process; food & beverage; pharma/biotech; data centers & communications; warehousing/logistics) and public owners (water/wastewater & utilities; power/grid; transportation—highway/bridge/rail/air; municipal & education).[18, 17]
Regions	U.S. multi-region capability anchored by home-base hubs; typical service radius 150–300 miles per hub with travel crews for shutdowns/turnarounds; selective national mobilization for strategic clients and specialty scopes; licensing/bonding adaptable to state/local requirements. *Note: Growth is uneven by region—Northeast* industrial *starts are projected to rise through 2027, while faster momentum is generally seen across Sun Belt/Mountain West markets (data centers, power, and select manufacturing adjacencies), and slower nonresidential* buildings *growth persists in several Midwest/West Coast markets where infrastructure outperforms.*[17, 18]
Sales Channels	Negotiated/private RFPs and Design–Build/EPC awards; CM-at-Risk/GMP packages; prequalified bid lists & public lettings; MSAs/term service with repeat accounts and referrals; teaming with GC/CM partners; surety-backed capacity enabling larger/public work.[15, 10, 11]

1.0.1 Outlook by Horizon

Short term (0–12 mo)	Stabilization with select softness: FMI points to a slower top line in 2025 (*∼1%* growth) and an NRCI rebound to *49.8* (just below neutral).[18] *Infrastructure* (power, water/sewer, transportation) provides the firmer near-term floor, while *nonresidential buildings* are generally flat-to-soft.[18] Backlog/confidence eased overall, but data-center-exposed firms carry materially higher backlog; keep escalation/index clauses and early buys on long-lead electrical gear; track ABI for pipeline and manage WC tightly.[25, 26, 22, 27]
Medium term (12–36 mo)	*Infrastructure outperforms buildings*: FMI corporation expects nonbuilding (power, water/sewer, highways/streets) to lead growth, while *manufacturing buildings* plateau in 2025 and drift lower into 2026 before later recovery.[18] Data-center demand persists but is gated by power/interconnect and skilled labor; development cadence moderates from 2024's surge.[18] Execution focus: negotiated DB/EPC or phased GMP, supplier MOUs/early procurement, prefab, and targeted self-perform to hold schedule and margin; Northeast industrial starts continue to rise through 2027.[17]
Long term (3–7+ yr)	Sustained *infrastructure-led* expansion—grid/transmission and water/wastewater reinvestment—plus selective on/friend-shoring in advanced manufacturing; real growth improves as construction price inflation normalizes.[18] Policy narrative favors on-shoring, but broad-based reshoring evidence remains limited; recent spend has been heavily nominal (price-driven).[18, 22] Key risks: policy/tariff shifts, rates, interconnect scarcity for DCs, craft demographics.

Market Dynamics

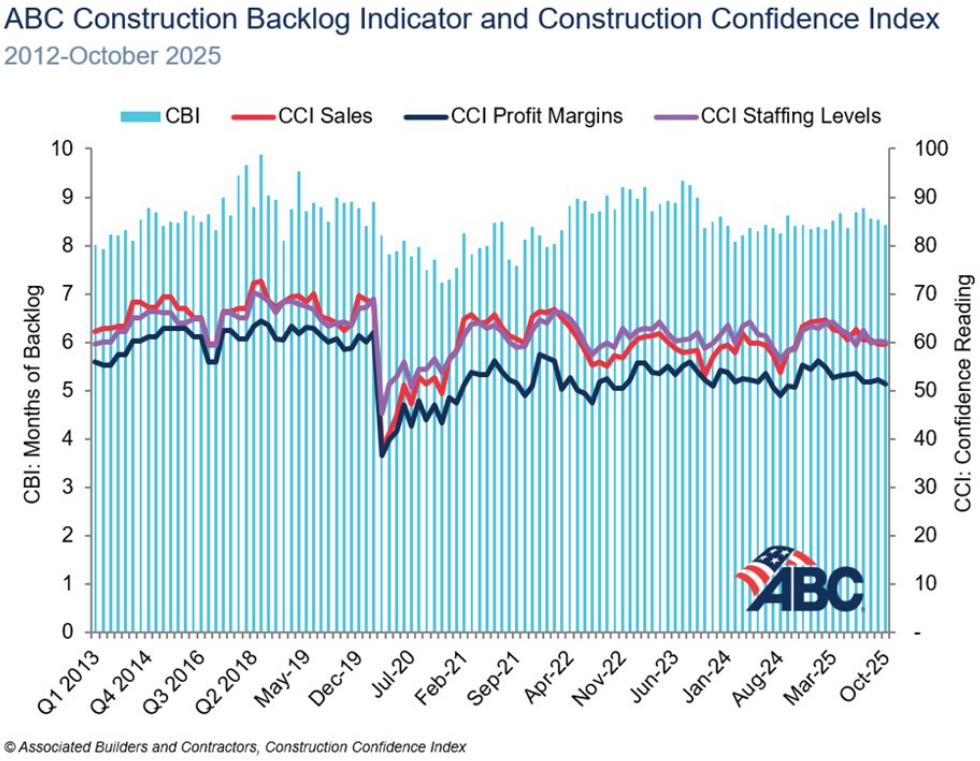


Figure 1: Construction Confidence Index (CCI) graph showing trends in contractor backlog and confidence for October 2025 [24].

- **Segments in focus:** Private owners across manufacturing (discrete/process), power/electrification, food & beverage, healthcare, semiconductor & data centers/communications, and warehouse/logistics; public industrial/utilities (water/wastewater, power), highway/street & transportation, sewage & waste disposal, conservation, and education.[18, 17]
- **Demand drivers:** Supply-chain resilience (near/friend/on-shoring in select sectors), advanced manufacturing fit-outs, data-center builds, logistics automation; lifecycle replacements; compliance/safety; steady public infrastructure (water/sewer, power).[18]
- **Constraints:** Skilled-labor availability; long-lead electrical gear (switchgear/transformers) and specialty HVAC; tariff/input-cost pressure on metals/machinery; higher carrying costs; power/interconnect constraints for DCs; permitting/utility timelines; bond capacity on public/civil packages.[18]
- **Trendline:** *2025–2026* flat-to-soft for nonresidential buildings with *manufacturing* off peak levels; *infrastructure* mid-single-digit growth (water/sewer, power, transportation). *Northeast industrial* starts trend upward through 2027. *2027–2030* baseline re-acceleration in low-to-mid single digits as inflation normalizes and late-cycle projects convert.[18, 17]
- **Forward indicators:**
  - **Design pipeline:** ABI sub-50 most of 2025 (soft overall); C/I specialization hovering near 50 with volatility (9–12 month lead).[20]
  - **Labor tightness:** JOLTS construction openings down YoY (cooling from 2024) but elevated historically.[21]
  - **Pricing:** Output price index for new industrial buildings remains elevated vs. 2019; favor

escalation/indexed early-buys.[22]

- **Regional starts:** Northeast industrial starts rising 2024→2027, increasing share of total activity.[17]
- **Backlog/sentiment:** Contractor backlog healthy but confidence moderating; DC-exposed firms report materially higher backlog than peers.[24, 18]

1.1 How Competition Works in This Market

Table 2: Porter's Five Forces — concise assessment

Force	Key rationale (listing & market cues)	Assessment
Threat of New Entrants	Prequalification, bonding capacity, safety culture, and industrial credentials create gating requirements; relationships with owners/CMs take years to build.	**Low**
Bargaining Power of Suppliers	Concentrated supply on long-lead equipment (switchgear/transformers) and structural metals; tariffs and logistics add volatility; mitigated by early buys, alternates, and multi-OEM strategies.	**High**
Bargaining Power of Buyers	Sophisticated owners/CMs leverage competitive bids; negotiated/GMP deals reward schedule reliability and safety; switching costs rise with warranty/service and installed base.	**Medium**
Threat of Substitutes	Limited true substitutes for qualified industrial contractors; owner crews cover maintenance but not complex capex or public/civil scope.	**Low**
Rivalry Among Competitors	Several capable regional specialists; rivalry tied to capacity utilization and backlog; differentiation via safety, DB/EPC capability, and response speed; pricing tension elevated where private funding is soft.	**Medium**

Implications. Short-term growth stagnated in the industrial construction sector in aggregate, but sub-sectors within are expected to outperform others i.e. infrastructure, Data-Centers, long-term performance expected to be relatively stable and outgrow inflation, backed primarily with infrastructure related spending and a bipartisan effort to incentivize reshoring manufacturing.

2 Company

2.1 Strengths, Challenges, Opportunities & Risks

Table 3: SWOT Overview

Strengths	**Weaknesses / Challenges**
• 50 + years operating history (est. 1975) with strong margins and documented profitability • Broad capabilities: commercial building construction, excavation, site work, highway/bridge • Modern equipment base; significant FF&E included in the transaction • Owned 19k sq. ft. facility on a large parcel with expansion potential (available under separate purchase) • Experienced management; highly qualified executive team expected to remain post-close • Seller financing available alongside bank debt to support acquisition structure	• Western Pennsylvania concentration; multi-state work introduces travel/logistics complexity • Heavy civil/project mix can be bid-driven and capex/working-capital intensive • EBITDA not publicly disclosed; requires diligence tie-out to SDE and valuation memo • Skilled-trades hiring/retention remains a structural constraint
Opportunities	**Threats**
• Targeted marketing spend ($250k–$400k/yr) projected to drive 5%–15% revenue growth • Expand service region and offering menu across private/public customers • Optional facility purchase to support capacity and equipment staging • Optimize cash-on-cash returns using seller + bank financing structure	• Competitive bidding pressure on public infrastructure work • Lead-time volatility for key materials/equipment • Interest-rate sensitivity on bank-financed structures • Safety/compliance exposure inherent to highway/bridge and site work

2.2 Customers & Revenue Quality

Diversified work across commercial building construction, excavation, site work, and infrastructure (highway/bridge) with projects completed or underway in multiple states; specific customer concentration and margin-by-segment are not disclosed in the listing.

Top Customer Concentration	Not disclosed.
Contract Mix	Project-based across private and public work; capabilities span building construction, excavation, site work, and highway/bridge scopes.
Payment Terms	Not disclosed in listing.

2.3 Operations

Operates from an owned 19,000 sq. ft. facility situated on a large parcel suitable for future expansion; equipment base supports commercial, site/civil, and highway/bridge scopes.

- Dispatch & scheduling for multi-crew, multi-state projects; fleet/equipment utilization tracking.

- QA/QC and safety: project checklists, pre-task plans, and closeout to DOT/owner standards.
- KPIs: backlog conversion, on-time completion, rework/callbacks, and field productivity.

2.4 Human Capital & Intangibles

Headcount of ˜40; experienced management and a highly qualified executive team expected to remain post-close; seller to provide a comfortable transition and consider mid-term consulting.

- Roles: field crews, foremen, PMs, estimators, equipment techs, executive leadership.
- Retention enablers: tenure, training pathway, and equipment quality/culture.

2.5 Long-Term Assets

Significant working assets included; facility available separately.

- Inventory: $2,750,000 (included in price).
- FF&E: $5,500,000 (included in price).
- Facility: 19k sq. ft. owned site with expansion capacity; available for purchase under separate agreement.

Deal Notes. $3.3m seller financing plus $9.8m bank financing (subject to qualification). Reason for sale: retirement. Support & training: transition provided; seller open to mid-term consulting; executive team to remain.

3 Financials

3.1 Pro-Forma (Years 1–5)To be determined.

	Year 0 (Base)	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Flow (SDE)	$5,100,000					
Gross Revenue	$37,200,000					
COGS						
Gross Profit						
OPEX						
EBITDA						
Depreciation/Amort.						
EBIT						
Interest						
EBT						
Taxes						
Net Income						

3.2 Leverage(To be Determined)

Metric	Est.	Note
Net Debt	000	
Interest Rate	0.0%	
DSCR	0.00x	
Net Leverage	0.0x	

3.3 Taxes

Entity & Local Business Taxes

- **PA Corporate Net Income Tax (CNI).** C-corps owe state CNI; rate for tax year 2025 is **7.99%**. Pass-throughs (LLC/partnership/S-corp) generally do not pay CNI at the entity level.
- **PA Personal Income Tax (PIT).** Owners of pass-throughs pay a flat **3.07%** PIT on distributive share.
- **Philadelphia (if applicable).** Doing business in Philadelphia triggers the **Business Income & Receipts Tax (BIRT)** — *gross receipts* (1.410 mills) & *net income* (5.71%) for TY2025.

Sales & Use Tax (Contractor Rules)

- **General rate.** State sales/use tax is **6%**; add **+1%** in Allegheny County and **+2%** in Philadelphia.
- **Improvements to real property.** HVAC contractors are usually treated as the *consumer* of materials incorporated into real estate — pay sales/use tax on materials, equipment, components, and supplies; *do not* charge sales tax to the customer for the construction/installation service.
- **Government & education jobs (Act 45 BME).** For contracts with exempt entities (e.g., school districts, government), certain *Building Machinery & Equipment* (BME) — e.g., *chillers, boilers, fans, humidifiers, controls* — can be purchased tax-exempt by the contractor using Form **REV-1220**, when transferred under the contract to the exempt owner. Non-BME construction inputs remain taxable to the contractor.
- **Use tax.** Owed on untaxed out-of-state purchases of taxable materials/equipment used in PA.

Appendix — Glossary & Notes

Key Deal Terms

Cash Flow (CF). Normalized operating cash; in SMB deals often equals SDE or EBITDA.[3, 2]
SDE. Net income + one owner's comp + typical add-backs.[3]
EBITDA. Earnings before interest, taxes, depreciation, and amortization.[2]
Acquisition Multiple. Price divided by SDE/EBITDA.[2]
Enterprise Value (EV). Equity value + net debt (± adjustments).[5]
Working Capital & NWC Peg. Current assets current liabilities; target at close with post-close true-up.[6]
Net Debt. Interest-bearing debt minus cash.[5]
DSCR. CF available ÷ (principal + interest).[4]

Inventory & FF&E. Operating stock and equipment conveyed; confirm inclusion, valuation, and liens.

Credit & Coverage

Net Debt. Total interest-bearing debt minus cash and cash equivalents.[5]
DSCR (Debt Service Coverage Ratio). Cash flow available to service debt divided by total principal+interest due over a period.[4]
Interest Coverage. EBITDA (or EBIT) divided by interest expense—cushion against rate or earnings volatility.
Fixed-Charge Coverage (FCCR). CF available divided by fixed charges (debt service + leases, etc.)—often used by senior lenders.
Leverage. Debt/EBITDA or Net Debt/EBITDA—key covenant/underwriting metrics.
Amortization Profile. Scheduled principal paydown and any balloon/maturity features (affects Year-1 cash-on-cash to the buyer).

Industrial Construction — Accounting, Contracting & Safety

WIP Schedule. Work-in-progress rollforward under percentage-of-completion revenue recognition (ASC 606); ties backlog, costs, and billings.[7, 8]
Over/Underbillings. Contract asset/liability arising when revenue recognized differs from billings; critical indicator of margin fade or cash timing.[8]
Retainage. Contractually withheld portion of progress billings released at milestones/closeout; a material working-capital item.[9]
Bonding Capacity. Single and aggregate surety limits driven by the "3 Cs" (character, capacity, capital); often required on public/large private jobs.[10, 11]
Surety Bonds. Bid, performance, and payment bonds that guarantee bid integrity, completion, and payment to subs/suppliers.[10]
Prevailing Wage (Davis–Bacon). Federal minimum wages/benefits on covered construction with certified payroll requirements; many states have analogs.[12]
EMR (Experience Modification Rate). Workers' compensation experience factor (1.0 is favorable) often used in prequalification and pricing.[13]
OSHA 300/300A/301. Injury/illness logs and annual summary—review for safety culture and trends.[14]
Delivery Methods. DBB (Design–Bid–Build), Design–Build, CMAR/CMGC, and EPC; risk allocation and margin profile vary by method.[15]
Backlog. Executed, uncompleted work (often expressed in months); central to capacity planning and revenue visibility.
Change Orders & Claims. Formal scope/price/time adjustments; strong documentation and schedule controls protect realized margins.

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