



# Evolve Construction Summit Pensacola, FL

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April 25, 2024

Hosted By:



# Agenda

Time	Presentation Topic
1:00	Welcome & Check-In: <b>LeAnne Goode, Kami Minor, MaryGrace House</b>
1:15	Construction Owner Panel: <b>David Delancy, Kelvin Enfinger, &amp; Shawn Dominguez</b> Moderators: MaryGrace House & Ryan Campbell
2:15	Succession Planning: <b>Gary Anglin</b>
3:15	The Power of Meaningful Metrics: <b>Luke Kinzer &amp; LeAnne Goode</b>
4:15	Closing & Final Remarks: <b>Ryan Campbell, LeAnne Goode, MaryGrace House, &amp; Kami Minor</b>
4:30	Happy Hour, Hosted by Anglin Reichmann Armstrong

# Construction Owner Panel



David Delancy  
Founder, CEO,  
President  
One Day Came, Inc.  
*Panelist*



Shawn Dominguez  
President  
Dominguez Design-  
Build, Inc.  
*Panelist*



Ryan Campbell  
Partner-In-Charge, Pensacola  
Anglin Reichmann Armstrong,  
P.C.  
*Moderator*



Kelvin Enfinger  
Vice President  
Greenhut Construction  
Company, Inc.  
*Panelist*



MaryGrace House  
Membership Director  
ABC North Florida  
*Moderator*



## Transition and Succession Planning

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Gary Anglin, CPA

*Partner*

*Anglin Reichmann Armstrong, P.C.*



## About your Presenter:



Gary S. Anglin, CPA, CGMA  
*Partner, Anglin Reichmann Armstrong, P.C.*

### Areas of Responsibility:

- Firm Management & Administration
- Business Strategic Planning & Advisory Services
- Mergers & Acquisitions Advisory Services
- Business Succession and Transition Advisory Services
- Executive and Incentive Compensation
- Business and Individual Tax Planning
- Estate & Gift Tax Planning

### Certifications and Designations:

- Certified Public Accountant, State of Alabama, 1987
- Chartered Global Management Accountant

# Small Business Statistics

According to the US Chamber of Commerce

- Currently there are an estimated 33.3M small businesses currently in the US
- 99.9 % of businesses in the US are considered small business (500 employee or less)

# Success Rate

It is estimated:

- 20% will fail in the first year
- 30% will fail in the second year
- 50% fail after 5 years
- 65% fail by their 10<sup>th</sup> year in business

- Statistically, many business owners have little to no exit planning in place despite the fact that 80%-90% of their assets are in the business.



# Small Business Sales

According to bizbuysell

- 9,093 small businesses sold in 2023 with an enterprise value totaling \$6.5B
- 9,054 in 2022 valued at \$6.3B
- In the next 10 – 15 years over 12M businesses will be sold and that number is expected to rise

# Current Small Business Ownership

According to Guidant Financial

- Boomers - 40%
- Gen X - 47%
- Millennials - 13%

# Now What?



# There are Options!



# Exit Strategies

- Sell to a third party
    - Financial buyer
    - Strategic buyer
    - Partial buyout
  - Internal Sale
    - Family
    - Management
  - Employee Stock Ownership Plan (ESOP)
  - Liquidation
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# Sell



Financial buyer, such as Private Equity, is looking for ROI



Strategic buyer, such as a competitor, a customer or a supplier, has a strategic objective



Partial buy out, the existing owner maintains a minority ownership

- Provide working capital for growth
- Provide management and resources
- Strategic relationships
- Additional liquidity event(s)

# Sale Process

- Investment bank / Existing relationship
- Financial records
- Letter of Intent (LOI)
- Due diligence
- Sale structure / tax ramifications
- Legal considerations
- Purchase Agreements

# Internal Sale

- Preserve legacy
- Orderly transition over time
- Current owner can slow down but continue to work
- Less disruptive to customers and employees
- Strategies can be tailored for individual needs
  - Owner financing
  - Gifting strategies
  - Tax strategies



# Considerations

- Requires long-term planning to get the right team in place
- Many tools available to shift ownership
  - Stock options and grants
  - Restricted stock
  - Deferred compensation
- Leverage
- Management team and oversight
- Financial reporting and controls

# ESOP

- Business continues with legacy in place
- Existing owners can sell all or part
- Can use debt to fund the buyout
- Incentive that rewards current and future employees
- Attractive tax benefits
- Can have substantial administrative costs
- Trustee represents the interests of the ESOP

# Best Practice to Enhance Value

- Management and bench strength
- Financial controls and reporting
- Modernization and industry practices
- Customers
- Employees
- Market share and growth

# Services Available

- Strategic planning
- Retirement and financial planning
- Estate Planning
- Valuation services
- Quality of Earnings report
- Financial controls, policies and procedures
- Financial reporting
- Due diligence

# Thank You



Gary Anglin, CPA  
*Partner*

Anglin Reichmann Armstrong, P.C.  
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## The Power of Meaningful Metrics

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Luke Kinzer, CPA

*Partner, Anglin Reichmann Armstrong, P.C.*

LeAnne Goode, CPA

*Partner, Anglin Reichmann Armstrong, P.C.*



# About your Presenters



Luke Kinzer, CPA, CFE, MBA  
*Partner, Audit & Assurance*

## Areas of Responsibility:

- Agreed Upon Procedures (AUP)
- Audit & Assurance Services
- Audit of Employee Benefit Plans
- Audit of Not-for-Profit Organizations
- ESOP Planning & Advisory Services
- Non-qualified Deferred Compensation (SAR, SERP, Options)
- Prepared, Compiled & Reviewed Financial Statements

## Certifications and Designations:

- Certified Public Accountant, State of Alabama, 2011
- Certified Fraud Examiner
- Chartered Global Management Accountant
- Yellow Book CPE Qualified

# About your Presenters

LeAnne Goode, CPA, MBA  
*Partner, Audit & Assurance*

Areas of Responsibility:

- Agreed Upon Procedures (AUP)
- Audit & Assurance Services
- Audit of Employee Benefit Plans
- Audit of Not-for-Profit Organizations
- Prepared, Compiled & Reviewed Financial Statements

Certifications & Designations:

- Certified Public Accountant, State of Alabama, 2020
- Yellow Book CPE Qualified





# What is a meaningful metric?

- Not Limited to a Magic Ratio
- Dependent on Your Company's Goals
  - Safety
  - Retention
  - Production
  - Financial
- Timely and Accurate

# What is required to be meaningful?

- Timely
  - Relevant to the current situation
  - Not historical
  - Set a Monthly Closed Date and Stick to It
    - Make the Date Reasonable
    - Stress the Importance

# What is required to be meaningful?

- Accurate
  - Decide what items require monthly tie down
    - Cash, Accounts Receivable, Accounts Payable
    - Large Accruals and Notes Payable
    - Progress Schedule – Under/Overbillings Adjustment

# Progress Schedule

- Why is accuracy important?
  - Most Significant Estimate
    - Significant Differences between amounts Billed and amounts Earned
    - Estimated Cost to Complete – Update Monthly
      - Management communicates the importance to the PMs and Superintendents
        - Sets Timeline Expectation
        - Ensures vendor invoices or submitted and not held
    - Not Updating Creates Decisions with Limited or Inaccurate Information
      - Purchase of Equipment
      - Bonuses
      - Hiring
      - Bidding

# Gain/Fade Contract Analysis

- Comparison of Estimates to Actuals
  - Helps to Identify
    - What factors contributed to wins?
    - What factors contributed to losses?
    - Are there common factors for wins/loss:
      - Project Manager
      - Customer
      - Type of work

# Gain/Fade Contract Analysis

Job No.	Final at 12/31/23				Projected at 12/31/22				Change from 2022 to 2023			
	Contract Price	Total Est. Costs	Total Est. Profit	Profit %	Contract Price	Total Est. Costs	Total Est. Profit	Profit %	Contract Price	Total Est. Costs	Total Est. Profit	Profit %
20-07	4,500,000	3,650,000	850,000	18.9%	4,500,000	4,200,000	300,000	6.67%	-	(550,000)	550,000	12%
20-08	1,525,000	1,150,000	375,000	24.6%	1,500,000	1,400,000	100,000	6.67%	25,000	(250,000)	275,000	18%
20-09	650,000	450,000	200,000	30.8%	650,000	600,000	50,000	7.69%	-	(150,000)	150,000	23%
21-01	500,000	435,000	65,000	13.0%	450,000	420,000	30,000	6.67%	50,000	15,000	35,000	6%
21-02	1,775,000	1,525,000	250,000	14.1%	1,750,000	1,700,000	50,000	2.86%	25,000	(175,000)	200,000	11%
21-03	5,500,000	4,875,000	625,000	11.4%	5,500,000	4,900,000	600,000	10.91%	-	(25,000)	25,000	0%
21-04	3,300,000	2,850,000	450,000	13.6%	3,000,000	2,700,000	300,000	10.00%	300,000	150,000	150,000	4%
21-05	2,500,000	2,205,000	295,000	11.8%	2,500,000	2,200,000	300,000	12.00%	-	5,000	(5,000)	0%
21-06	900,000	810,000	90,000	10.0%	900,000	800,000	100,000	11.11%	-	10,000	(10,000)	-1%
21-07	825,000	585,000	240,000	29.1%	700,000	560,000	140,000	20.00%	125,000	25,000	100,000	9%
21-08	1,900,000	1,450,000	450,000	23.7%	1,900,000	1,700,000	200,000	10.53%	-	(250,000)	250,000	13%
21-09	500,000	427,000	73,000	14.6%	500,000	425,000	75,000	15.00%	-	2,000	(2,000)	0%
21-10	73,000	54,000	19,000	26.0%	45,000	40,000	5,000	11.11%	28,000	14,000	14,000	15%
21-11	64,000	53,200	10,800	16.9%	64,000	51,200	12,800	20.00%	-	2,000	(2,000)	-3%
21-13	85,000	80,000	5,000	5.9%	85,000	75,000	10,000	11.76%	-	5,000	(5,000)	-6%
21-14	15,000	4,500	10,500	70.0%	15,000	12,000	3,000	20.00%	-	(7,500)	7,500	50%
21-15	80,000	65,000	15,000	18.8%	25,000	20,000	5,000	20.00%	55,000	45,000	10,000	-1%
21-18	450,000	403,500	46,500	10.3%	450,000	400,000	50,000	11.11%	-	3,500	(3,500)	-1%
21-19	300,000	240,000	60,000	20.0%	250,000	220,000	30,000	12.00%	50,000	20,000	30,000	8%
21-20	1,350,000	1,025,000	325,000	24.1%	1,200,000	1,000,000	200,000	16.67%	150,000	25,000	125,000	7%
	26,792,000	22,337,200	4,454,800	16.6%	25,984,000	23,423,200	2,560,800	9.86%	808,000	-1,086,000	1,894,000	6.77%

# Gain/Fade Contract Analysis

Job No.	Final at 12/31/23				Projected at 12/31/22				Change from 2022 to 2023			
	Contract Price	Total Est. Costs	Total Est. Profit	Profit %	Contract Price	Total Est. Costs	Total Est. Profit	Profit %	Contract Price	Total Est. Costs	Total Est. Profit	Profit %
20-07	4,500,000	3,950,000	550,000	12.2%	4,500,000	3,600,000	900,000	20.00%	-	350,000	(350,000)	-8%
20-08	1,525,000	1,400,000	125,000	8.2%	1,500,000	1,200,000	300,000	20.00%	25,000	200,000	(175,000)	-12%
20-09	650,000	670,000	(20,000)	-3.1%	650,000	520,000	130,000	20.00%	-	150,000	(150,000)	-23%
21-01	450,000	385,000	65,000	14.4%	450,000	360,000	90,000	20.00%	-	25,000	(25,000)	-6%
21-02	1,775,000	1,600,000	175,000	9.9%	1,750,000	1,400,000	350,000	20.00%	25,000	200,000	(175,000)	-10%
21-03	5,500,000	4,850,000	650,000	11.8%	5,500,000	4,400,000	1,100,000	20.00%	-	450,000	(450,000)	-8%
21-04	3,050,000	2,425,000	625,000	20.5%	3,000,000	2,400,000	600,000	20.00%	50,000	25,000	25,000	0%
21-05	2,500,000	2,125,000	375,000	15.0%	2,500,000	2,000,000	500,000	20.00%	-	125,000	(125,000)	-5%
21-06	900,000	780,000	120,000	13.3%	900,000	720,000	180,000	20.00%	-	60,000	(60,000)	-7%
21-07	735,000	635,000	100,000	13.6%	700,000	560,000	140,000	20.00%	35,000	75,000	(40,000)	-6%
21-08	1,900,000	1,670,000	230,000	12.1%	1,900,000	1,520,000	380,000	20.00%	-	150,000	(150,000)	-8%
21-09	500,000	402,000	98,000	19.6%	500,000	400,000	100,000	20.00%	-	2,000	(2,000)	0%
21-10	73,000	50,000	23,000	31.5%	45,000	36,000	9,000	20.00%	28,000	14,000	14,000	12%
21-14	15,000	4,500	10,500	70.0%	15,000	12,000	3,000	20.00%	-	(7,500)	7,500	50%
21-15	50,000	65,000	(15,000)	-30.0%	25,000	20,000	5,000	20.00%	25,000	45,000	(20,000)	-50%
21-19	300,000	220,000	80,000	26.7%	250,000	200,000	50,000	20.00%	50,000	20,000	30,000	7%
21-20	1,250,000	1,035,000	215,000	17.2%	1,200,000	960,000	240,000	20.00%	50,000	75,000	(25,000)	-3%
	25,673,000	22,266,500	3,406,500	13.3%	25,385,000	20,308,000	5,077,000	20.00%	288,000	1,958,500	-1,670,500	-6.73%

# Commonly used KPIs in Construction

Ratio	Formula	What it tells you
Return on Equity	Net Income before taxes	Profit generated by net assets employed. Ratio reflects how much owners are seeing as return. A very high ratio may indicate being undercapitalized.
	Total Net Worth	
Days in Accts Receivable (Excluding Retainage)	(Accounts Receivable (exclude retainage) - Allowance for Doubtful Accts)*360	Indicates the number of days to collect accounts receivable. A lower ratio indicates a faster collection of receivables, thus more liquidity. Higher days in accounts receivable ratio may indicate a drain on cash flow.
	Revenue	
Current Ratio	Current Assets	Indicates the extent to which current assets are available to satisfy current liabilities. Generally, a minimum current ratio is 1.0, which indicates that current assets at least equal current liabilities.
	Current Liabilities	



# Commonly used KPIs in Construction

Ratio	Formula	What it tells you
Quick Ratio	$\frac{\text{Cash/Cash Equiv} + \text{Short Term Inv} + \text{Net Receivables}}{\text{Current Liabilities}}$	Indicates the extent to which the more liquid assets are available to satisfy current liabilities. A quick ratio of 1.0 is generally considered a liquid position.
Cash Ratio	$\frac{\text{Cash/Cash Equiv}}{\text{Current Liabilities}}$	Indicates the extent to which cash is available to satisfy current liabilities. A high cash ratio may indicate you are not properly utilizing your cash.
Gross Margin	$\frac{\text{Revenue} - \text{Contract Costs}}{\text{Revenue}}$	The gross profit margin tells you what your business made after paying for the direct cost of doing business, which can include labor, materials, and other direct costs.
Net Margin	$\frac{\text{Net Income}}{\text{Revenue}}$	Indicates the amount of sales revenue a company keeps after covering all costs including interest and taxes.

# Dashboard

- Created to show most meaningful metrics to your company
  - Can be done monthly
  - Intent is to highlight potential issues or trends
  - Personalize based on the users
  - Often accompanied by an income statement comparison (prior period to current period or budget)

# Dashboard – Balance Sheet

<b><u>Balance Sheet Related Items</u></b>			
Assets	\$ 8,525,000	Liabilities	\$ 5,218,000
Current Assets	\$ 7,600,000	Curent Liabilities	\$ 5,014,000
Percent Current	89.15%	Percent Current	96.09%
Accounts Receivable	\$ 3,750,000	Accounts Payable	\$ 3,200,000
<i>% 1 - 60 days</i>	<i>98.3%</i>	<i>% 1 - 60 days</i>	<i>79.7%</i>
<i>% Past 60 days</i>	<i>1.7%</i>	<i>% Past 60 days</i>	<i>4.69%</i>
		<i>Retention</i>	<i>15.63%</i>
Current Ratio	1.52	Return on Equity	46.91%
Cash Ratio	0.60	Days in Accts Receivable	43.20

# Dashboard – Contracts

<b><u>Firm Fixed Price Contracts</u></b>			
Contract Value	\$ 50,000,000	Total Estimated Costs	\$ 43,425,000
<i>Contract Value Backlog</i>	\$ 15,962,500	<i>Estimated Cost to Complete</i>	\$ 13,996,875
Estimated Profit	\$ 6,575,000	Estimated Profit to be Earned	\$ 1,965,625
Estimated Profit Margin	13.15%	Remaining Profit Margin	12.31%

# Dashboard – Cash Flows

<b><u>Cash Flow Statement Related Items</u></b>					
Cash Balance	\$	3,000,000	Cash Flow from Operations	\$	1,665,000
Change from 2022 to 2023	\$	1,300,000	Cash Flow from Investing	\$	(360,000)
			Cash Flow from Financing	\$	(5,000)

# Dashboard – Income Statement

<u>Income Statement Related Items</u>	Current Year		Prior Year	Change
Revenue	\$ 25,000,000		\$ 20,000,000	5,000,000
Contract Costs	\$ 21,500,000		\$ 17,500,000	4,000,000
Gross Margin	\$ 3,500,000		\$ 2,500,000	1,000,000
Gross Margin %	14.00%		12.50%	40.00%
Operating Expenses	2,000,000		1,750,000	250,000
Other Income (Expenses)	25,000		30,000	(5,000)
Net Income before taxes	1,525,000		780,000	745,000
Provision for Taxes	469,000		234,000	235,000
Net Income	\$ 1,056,000		\$ 546,000	510,000
Net Margin	4.2%		2.7%	

# Overview

- Metrics have power
  - Wonderful tools to use as an owner or member of management
  - Accurate information is key
  - Identify the most important metrics for your company
  - Make sure you have a team of trusted advisors to help your business succeed

## Questions?



Luke Kinzer  
*Partner, Audit & Assurance*  
Anglin Reichmann Armstrong



LeAnne Goode  
*Partner, Audit & Assurance*  
Anglin Reichmann Armstrong





## Closing & Wrap Up



Ryan Campbell  
*Partner-in-Charge, Pensacola*  
Anglin Reichmann Armstrong



MaryGrace House  
*Membership Director*  
ABC North Florida



LeAnne Goode  
*Partner*  
Anglin Reichmann Armstrong



Kami Minor  
*Director of Marketing & Communications*  
Anglin Reichmann Armstrong

# Join us for Happy Hour!

