

Planning to Grow Through Acquisition.....

Profile a Target First!

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Many contractors understand that an excellent way to quickly grow their customer base is to buy an existing business. Successfully completing the purchase of an existing business will immediately enable your business to reach out to new customers and grow revenue.

So if you are ready to grow by acquisition how do you get started? Before doing anything, spend the time to build a Target Profile.

What is a Target Profile?

A Target Profile is a well thought out and documented list of the features and characteristics that you will look for in a good target business.

Why a Target Profile?

Prepare a Target Profile before beginning your search for businesses to buy, as it will reduce the amount of time required for the search. A tremendous amount of time can be spent searching for the right candidate, especially if you do not really know what you are looking for. Narrow your search by building a Target Profile.

What Should You Profile?

Some of the features and characteristic are obvious, but take the time to think it through and document them.

- Line of Business – Are you interested in buying an HVAC or plumbing business?
- Market – Where should the customers be located?
- Size – How much is too much? How much is too little?

Expand on the line of business. Are you going to purchase a service or new construction business? What about a combination of the two? Be honest with yourself. If you only want new construction work, make note of that!

What Else?

Don't stop there, there are many other features and characteristics that you should document and then look for. As an example:

- What are your expectations regarding the owner/manager – are you looking for a new partner or would you like to see the owner leave the business after the deal?
- What are your expectations regarding technicians – maybe you have enough technicians (does anyone?) and all you are looking for is more revenue. In that case, the number and quality of technicians will not be as important.
- Should the target business be profitable or are you looking to “bottom-fish”?

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Aim for the Bull's-Eye:

Go ahead, list as many expected features and characteristics as possible (there are many others). The better you know what you are looking for, the more likely you will find it. However, remember that the Target Profile is just that, a target. When you are at the rifle range, you aim for the bull's-eye, but sometimes have to settle with a hit in one of the outer rings.

Target Profile = Safety Net:

Aside from serving as a tool to help you save time in searching for a target business, a Target Profile will serve as a safety net during negotiations with the seller. Depending on how close the target business matches your Target Profile will help you determine how far you are willing to stretch to close the deal. Finally, emotions come into play when buying a business of any size. Going back to the Target Profile and comparing the features and characteristics to the business you are about to buy can serve as a reality check.

A Target Profile is the first step in successfully purchasing a business.

Brandon Jacob operates *Contractors Financial Opportunity* (www.Contractorscfo.com), a financial consulting business in which he calls upon his fifteen years as a CPA and an industry expertise gained as a valuation analyst and acquisition specialist in the HVAC, plumbing and electrical trades. A graduate of Texas A&M University, Mr. Jacob brings big business experience and expertise to small business owners who would otherwise never have access to such resources. To contact Mr. Jacob, call him at 713/426-4041 or email him at BGJacob@aol.com.

