

## WHAT IS THE VALUE OF A 5% MARGIN INCREASE?

Below is a quick review of what a 5% margin increase can do to your bottom line or the valuation of your company. We have prepared this on a company who does \$10,000,000 in sales. We have used a 28% gross margin which we see as a typical margin for a Construction Supply Company.

### 5% MARGIN INCREASE

Sales \$10,000,000 28% margin = \$2,800,000 gross profit \$

Sales \$10,000,000 32% margin = \$3,200,000 gross profit \$

**Bottom line increase with sales remaining the same \$400,000**

### COMPANY VALUATION WITH A 5% MARGIN INCREASE

Now let's look at what a 5% increase does to the valuation of your company. Most Construction Supply companies are currently getting a valuation of 5 to 6 times their bottom line. We are going to use 8% of sales for the bottom line profit of the company. Then we will show what the addition 5% in margin increase can bring to the valuation of the company.

5X earnings at 8% bottom line for a \$10,000,000 company Valuation \$4,000,000

5X earnings at 13% bottom line for a \$10,000,000 company Valuation \$6,000,000

6X earnings at 8% bottom line for a \$10,000,000 company Valuation \$4,800,000

6X earnings at 13% bottom line for a \$10,000,000 company Valuation \$7,200,000

**The companies' valuation can increase by 55% with a 5% margin increase.**

### PROVEN PROCESS TO GAIN 5% MARGIN INCREASE

The numbers above represent what we have seen in the market place. There are companies out there consolidating the construction supply space and buying smaller profitable companies at the multiples we used in the examples. If you want to increase the value of your company or just bring more money to the bottom line we can help you implement a proven system to increase your margins by 5% or more in less than 6 months. Use our real live experiences to increase the value of your company. Don't leave millions on the table give us a call today.