

Design Precast + Next Chapter – Meeting Recap

October 21, 2025

Executive Brief & Deal Snapshot

Participants

- Buyer: Chris Fore — Owner/Operator, *Design Precast & Pipe, Inc.* (DP&P); multi-plant precast/pipe manufacturer with expanding product lines (incl. modular bridges) and a Lafayette plant; 160 employees; low leverage (~\$5.5M debt).
- Advisor: Ewing Gillaspay — Next Chapter (Pitch Black) buy-side advisor.
- Financial diligence partner: “Sherman” (Fraser & Deeter team), providing targeted QoE/tax analysis.

Purpose of Call

- Discuss DP&P’s potential acquisition of a Florida Panhandle precast/pipe company (~\$2M EBITDA) owned by three partners (contractor + brother duo; no dedicated sales team; business development largely relationship/phone-driven).
- Align on valuation approach, structure options, diligence plan, and commercial ramp post-close.
- Current State & Timing
- Sellers provided an initial info pack and answered ~25 first-pass questions with monthly breakdowns; no formal price agreed.
- Seller floated 6.5× EBITDA; buyer views as high given profile (customer concentration, relationship-driven lead flow, no sales org).
- Sherman’s team to deliver targeted QoE sufficient for lender/valuation needs (bank not requiring a full, costly QoE).
- Next step: issue LOI once buyer comfortable with adjusted EBITDA.
- Chris traveling Thu–Sun (Charleston); intends to re-engage next week after reviewing Sherman’s work.

Strategic Rationale (Buyer)

- Market quality: Florida Panhandle viewed as a strong, diversified demand zone with reach into AL/GA (Montgomery, Savannah, Jacksonville).
- Capacity & platform fit: DP&P can centralize estimating/quoting from HQ; intends to hire a local salesperson and stand up a project-sourcing “feeder” function to blanket 200-mile radius.
- Scale economics: Goal to push EBITDA into double digits to expand valuation multiple (e.g., from ~6–6.5× at \$6M EBITDA toward 8.5–9× at \$10M+ EBITDA).

Valuation & Structure — Options Discussed

- Headline multiples: Seller ask ~6.5×; market context: abundant PE dry powder compressing down-market can support 6×+ at scale, but risk/quality adjustments matter at ~\$2M EBITDA.
- Earn-out / split-consideration:

- Example construct: Pay ~3× up-front, additional ~3× tied to EBITDA step-ups (e.g., to \$3M) and/or commercial KPIs (win rate, booked margin, backlog growth).
- Alternative: 51% control now (majority), seller rolls 49% with ratcheted earn-out; protects buyer, preserves seller motivation.
- Control threshold: Buyer requires ≥51%; not interested in minority.
- Lead-flow risk mitigation: If 100% buyout, need contractual mechanisms that transfer lead sources (e.g., port seller phone number, CRM migration, referral covenants).

Commercial Risks Highlighted

- Lead-flow dependency: Sales funnel appears to live on principals' personal relationships/phones (little formal marketing/CRM).
- Customer concentration/project lumpiness: Large project mix can over-weight a few customers—buyers/lenders discount this risk.
- No sales team: Execution risk during transition; requires immediate field sales hire and project-sourcing ops.
- Data maturity: Tracking for bid volume, win rate, margin by segment, and backlog quality may be incomplete—QoE and narrative will need to normalize.

Diligence Plan, Capital Strategy, and Action Items

Diligence & Narrative Workplan

- Financial/QoE (Sherman & Ewing): Normalize EBITDA for owner add-backs, non-recurring items, related-party/side businesses; validate bid-to-win funnel (bids/year, win rates by deal size, recurring contractors, backlog conversion, gross margin by product); assess seasonality, cash conversion, freight sensitivity, input cost pass-through.
- Commercial (Buyer + Ewing): Map lead sources (top contractors/GCs, permitting signals, plan rooms, bid boards) and codify transfer at close; evaluate pricing power vs. local competitors; identify quick-hit share wins; stand up CRM & call-down motion (DP&P hub estimates + local AE; project researcher feeding daily targets).
- Legal/Operational: Ensure phone number/lead channels assignment (porting seller's inbound); non-solicit/non-compete/reputational protections in tight local markets; confirm permits, environmental, DOT approvals; validate plant capacity and capex needs.

Structure Blueprints (Illustrative)

- Control + Earn-Out (“3× now / up to 3–4× later”): Up-front ~3× verified EBITDA for ≥51% equity; back-end ladder of 3–4× tied to EBITDA targets (e.g., \$2.5M → \$3.0M) and KPI gates (backlog, win rate, gross margin); aligns incentives, limits overpay, buys time to institutionalize sales funnel.
- 51/49 with Ratchets: Buyer 51%; sellers 49% with performance ratchets; include lead-transfer covenants and post-close consulting duties to secure relationships.
- 100% Buyout with Lead-Flow Protections: If full buyout preferred, use escrows/holdbacks, phone/number transfer, customer intro milestones, and consulting agreements for key principals with measurable BD deliverables.

- Pricing guardrails: Use QoE outputs to anchor a 5.0–6.0× core multiple with escalators paid only on verified improvements. QoE adjustments (working capital, backlog quality, project concentration) should directly influence back-end consideration.

Capital & Balance Sheet Notes

- Debt capacity: Buyer estimates \$30–40M available if needed; lender asks are modest given profile.
- Upcoming liquidity: Anticipated \$8.5M proceeds from modular bridge division sale to Quikrete (target Jan 5), improving flexibility.
- Equity option (minority investor): Openness to a dividend-paying minority to accelerate roll-up (3–4 add-ons); would require independent valuation of DP&P platform.
- Tax posture: DP&P is a C-Corp with S-election filed in 2024; finalization ~2028. Implication: avoid sale of DP&P before S-status effective; minority growth equity for acquisitions is workable.

Advisor Economics (Ewing / Next Chapter)

- Buy-side fee: 2.5% of purchase price.
- Retainer: \$50,000, credited against success fee.
- If no close: Only retainer is owed.
- Recommended Immediate Actions (Owner/Advisor)
- Execute NDA (Ewing ↔ DP&P) to enable data sharing.
- Complete targeted QoE (Sherman) on EBITDA normalization, backlog quality, bid funnel analytics.
- Draft LOI frameworks: Control + Earn-out (3× now; 3–4× contingent ladder) and 51/49 ratchet (performance-based; lead-transfer covenants).
- Embed Lead-Flow Safeguards in LOI: Phone/CRM transfer, customer intro plan, transition services agreement with KPIs and time-boxed BD duties.
- Commercial Ramp Plan (attach to LOI): Day-1 hires (local AE; project researcher); centralized estimating; 200-mile project blanket; weekly KPI dashboard (bids, wins, GM, backlog).
- Banker check-in: Validate WC facility and acquisition debt terms aligned with structure.
- Timeline: This week/early next — Sherman delivers QoE takeaways → valuation huddle; next week — issue LOI (two structures); meet sellers to align on incentives and lead-transfer expectations.

Key Deal Theses

- De-risk the funnel: Institutionalize sales so value isn't trapped in seller cell phones.
- Multiple expansion via scale: Path from \$6M → \$10M+ EBITDA supports 8.5–9× exit.
- Operational leverage: Centralized estimating + local AE + project research = coverage & win-rate lift with limited SG&A growth.
- Seller alignment: Earn-out/rolled equity ties upside to EBITDA growth, margin quality, and backlog.

Parallel Initiative — Ole Miss Sales Lab (Ewing)

Real-calls, real-leads sales class; students paid \$15/hr; contact data at \$0.28 cost billed \$0.35; students generate qualified meetings with commission on closed-won; data/notes piped into client CRM without extra seats; candidate pilot for DP&P focused on bid follow-ups/territory coverage.