

IDEAL ACQUISITION TARGET PROFILE ✓

Strategic M&A Target Criteria for Buy-and-Build Strategy

Document Purpose

This document defines the ideal characteristics for acquisition targets that complement **Design Precast's** operations and buy-and-build strategy. It summarizes the scoring criteria and methodology our team developed based on analysis of 31 expert-validated precast companies and M&A best practices.

This is a **working draft** that will be converted into a shared Google Doc so that Design Precast's leadership can review, comment on, and refine the criteria.

Last Updated: 2025-11-24

Status: Active Acquisition Criteria (v2.0 – Data-Driven Profile)

Research Basis: Analysis of 31 expert-validated precast companies + PE / strategic buyer best practices

EXECUTIVE SUMMARY: WHAT WE'RE LOOKING FOR






Strategic Context

Design Precast is pursuing a buy-and-build strategy in the precast concrete sector, using tuck-in acquisitions to build a stronger regional platform. This profile describes the common characteristics of high-quality precast targets across the Southeast that are most attractive for acquisition and integration.

Target Profile Summary

We seek **stable, well-managed precast concrete manufacturers** with revenue of **\$5M–\$15M**, active websites, diversified customer bases, systematic sales processes, and the potential to integrate into a regional platform while achieving operational, commercial, and financial synergies.

CRITICAL REQUIREMENTS (Hard Qualifiers)

-  Must have an **active website** (demonstrates professional operations and marketing presence)
-  Must be a **precast concrete manufacturer** (producing precast products at a facility)
-  Must be in **target geography** (FL, GA, TN, East TX only)
-  **Exclude concrete site contractors** (on-site pouring / installation only)
-  **Exclude architectural precasters** (high-end decorative / façade work)

NEW IN v2.0

Enhanced criteria based on analysis of 31 expert-validated companies to identify what makes

them attractive acquisition targets. Focus is on operational characteristics, certifications, and market positioning observed in successful precast manufacturers.

SCORING FRAMEWORK: 10-POINT SCALE

Score Interpretation

- **9–10: PRIORITY TARGET** – Immediate outreach, exceptional fit, minimal risk
 - **7–8: STRONG TARGET** – High priority, good fit with manageable risks
 - **5–6: QUALIFIED TARGET** – Worth exploring, moderate fit, requires diligence
 - **3–4: MARGINAL TARGET** – Low priority, significant concerns, conditional interest
 - **1–2: PASS** – Poor fit, high risk, or insufficient information
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TIER 1 CRITERIA (CRITICAL – 50% of Score)

Financial Performance is weighted most heavily at 25%. Geographic Fit (15%), Customer Diversification (7.5%), and Recurring Revenue & Sales System (2.5%) make up the remaining 25%.

1. Geographic Fit (Weight: 15%)

Why It Matters

Transportation costs for heavy concrete products (\$2–5/mile) limit practical shipping radius. Regional clustering enables operational synergies: shared delivery fleet, combined orders, and consolidated procurement. Targets should fall within a geography where Design Precast can reasonably operate and integrate.

TARGET GEOGRAPHY:

Florida (FL), Georgia (GA), Tennessee (TN), Mississippi (MS), Alabama (AL), and East Texas (TX only)

- **✗ EXCLUDED:** Alaska (AK) and all other states (AR, LA)

Ideal Profile

- **✓ EXCELLENT (4–5 pts):** Within ~150 miles of a current or planned Design Precast hub
 - Northwest Florida / Panhandle region
 - Savannah, GA
 - Chattanooga, TN

- o Any area within 200 miles of **more than one metropolitan** area defined as 300k + population
 - o Adjacent markets within a 150-mile radius that support shared fleet and logistics
- **⚠ GOOD (2–3 pts):** Within target states FL, GA, TN, or East TX (roughly 150–400 miles)
 - o Florida: Central, South, and North Florida
 - o Georgia: All regions
 - o Tennessee: All regions
 - o East Texas: Houston, DFW, Austin, San Antonio, East TX
- **✗ POOR (0–1 pt):** Outside target geography
 - o AR, LA, and all other non-target states
 - o Would require stand-alone management with limited logistics synergies

Rationale

Research identified 48 precast companies in FL, GA, TN, TX in the broader dataset, with Florida and Georgia representing core target markets due to established precast infrastructure and favorable growth dynamics.

v2.0 Update

Removed Alabama from the target geography to sharpen focus on FL, GA, TN, and TX.

Keep Alabama included

2. Customer Diversification (Weight: 7.5%)

Why It Matters

Private equity and strategic buyers prioritize targets with less than 20% of revenue from any single customer and diversified end markets. This reduces concentration risk and exposure to the loss of a key account.

Ideal Profile

- **✓ EXCELLENT (4–5 pts):**
 - o <10% of revenue from top customer; **30+ active customers annually**
 - o Diversified end markets: Municipal / Government (25–40%), DOT / Transportation (20–50%), Commercial / Industrial (25–40%)
 - o No single customer >10% of revenue
 - o Evidence of customer retention (50%+ repeat rate)
 - o HHI (Herfindahl-Hirschman Index) <1,500 (diversified)
- **⚠ GOOD (2–3 pts):**
 - o 10–20% of revenue from top customer; 15–30 active customers
 - o <30% of revenue from top 5 customers
 - o Mix of large and small customers
 - o HHI 1,500–2,500 (moderate concentration)

- **✗ POOR (0–1 pt):**
 - 30% of revenue from a single customer; <15 customers
 - 50% of revenue from top 5 customers
 - HHI >2,500 (highly concentrated)

Evaluation Method

Request a 3-year customer revenue list. Calculate HHI to quantify concentration and discuss the mix of municipal, DOT, and commercial work.

v2.0 Enhancement

Added specific market segment ranges observed in the 31 expert-validated companies and emphasized government contracts as a stabilizing revenue base.

3. Recurring Revenue & Sales System (Weight: 2.5%)

Why It Matters

In many independent precast businesses, revenue is heavily project-based and dependent on the owner's relationships. Targets with recurring revenue and systematic sales processes reduce volatility and make growth more predictable.

Ideal Profile

- **✓ EXCELLENT (4–5 pts):**
 - 40%+ recurring revenue
 - Multi-year DOT / municipal contracts with 3+ agencies
 - CRM system (Salesforce, HubSpot, or equivalent)
 - Defined inside / outside sales roles
 - Qualified lead pipeline >50 per quarter
 - Established government procurement relationships (pre-qualified vendor lists)
- **⚠ GOOD (2–3 pts):**
 - 20–40% recurring revenue, some documentation
 - Repeat customers but mostly project-based
 - Basic lead tracking (e.g., Excel)
 - Owner-driven but supported by sales staff
 - Some government work but inconsistent
- **✗ POOR (0–1 pt):**
 - <20% recurring revenue, ad-hoc sales only
 - 100% project-based, transactional
 - No CRM or systematic lead tracking
 - Owner-dependent relationships only
 - No government contract experience

Evaluation Method

Request customer retention data, CRM exports, and sales pipeline reports. Interview owners about municipal / DOT programs and contract history.

v2.0 Enhancement




Clarified the role of government contracts and term agreements as the primary sources of recurring revenue in this sector.

4. Financial Performance Quality (Weight: 25%)

Why It Matters

Financial quality is the single best predictor of acquisition success. Clean, predictable financials support higher confidence in valuation and integration. Industry benchmarks for precast include EBITDA margins in the 10–20% range, good working-capital discipline, and reasonable growth.

Ideal Profile

-  **EXCELLENT (4–5 pts):**
 - EBITDA margins **15–20%+**
 - DSO (days sales outstanding) **<60 days**
 - Positive free cash flow
 - Clean financials (audited or CPA-reviewed)
 - Working capital efficiency: inventory turns >4x/year, DPO <45 days
 - Revenue CAGR \geq 5–8% over the last 3 years
-  **GOOD (2–3 pts):**
 - EBITDA margins **10–15%**
 - DSO 60–90 days
 - Working capital roughly neutral
 - Stable revenue (0–5% CAGR)
-  **POOR (0–1 pt):**
 - EBITDA margins **<10%**
 - DSO >75 days
 - Negative free cash flow or meaningfully declining revenue

Evaluation Method

Request 3-year financial statements, balance sheet, and AR aging. Calculate $FCF = EBITDA - CapEx - \Delta Working\ Capital - Taxes$ and compare to industry benchmarks.

v2.0 Enhancement

Updated EBITDA and working-capital targets to reflect industry data rather than any single company's historical results and added explicit revenue-growth thresholds.




TIER 2 CRITERIA (IMPORTANT – 30% of Score)

5. Management Depth & Transferability (Weight: 10%)

Why It Matters

Experienced management teams, clear succession, and low turnover reduce key-person risk and support scalable operations post-acquisition.

Ideal Profile

-  **EXCELLENT (4–5 pts):**
 - o Professional management team with 7+ years sector experience
 - o GM or COO runs day-to-day operations
 - o Dedicated Sales, Operations, and Finance / Controller roles
 - o Owner works <30 hours/week or is partially stepped back
 - o Employee turnover <10% annually
 - o Documented processes and SOPs
 - o Strong safety record (lost-time injury rate <2 per 100 workers / year)
-  **GOOD (2–3 pts):**
 - o Owner active but supported by 1–2 experienced managers
 - o Partial delegation of responsibilities
 - o Owner works 40–50 hours/week
 - o Turnover 10–15% annually
-  **POOR (0–1 pt):**
 - o Owner-dependent operations; no meaningful bench
 - o Very small team with limited cross-training
 - o High turnover (>15% annually)
 - o No succession planning or documentation

Evaluation Method

Request an org chart, employee-tenure list, and safety records. Interview key managers to assess depth and transferability.

v2.0 Enhancement

Added PE-style thresholds for experience, turnover, and safety metrics; emphasized formal succession planning as a major positive.

6. Revenue Scale & Growth Trajectory (Weight: 10%)

Why It Matters

Targets in the \$5M–\$50M range justify transaction costs while still being integrable. Ideally, revenue is growing at or above market.

Ideal Profile

- **✓ EXCELLENT (4–5 pts):**
 - Revenue **\$5M–\$20M** with 5–10%+ annual growth
 - Scale sufficient for institutional systems (ERP, HR, finance)
 - Evidence of growing share or expanding product lines
 - Revenue CAGR $\geq 5\text{--}8\%$ over 3 years
 - Production volumes and capacity utilization (60–75%) that support growth without immediate heavy CapEx
- **⚠ GOOD (2–3 pts):**
 - Revenue **\$3M–\$5M** or **\$20M–\$25M**, stable growth (0–5%)
 - Either smaller but growing or larger but mature
 - Flat revenue acceptable if fundamentals are strong
- **✗ POOR (0–1 pt):**
 - Revenue **<\$3M** or **>\$50M**, or declining
 - Too small to justify acquisition effort or too large to integrate
 - Revenue decline $>10\%$ over 3 years

Evaluation Method

Request 5-year revenue history and production data. Calculate CAGR and compare to regional construction / infrastructure growth.

v2.0 Enhancement

Sharpened the sweet spot to \$5M–\$15M revenue and added capacity-utilization indicators.

7. Product / Service Specialization & Certifications (Weight: 10%)

Why It Matters

Certifications (NPCA, PCI, DOT, Buy America / BABA compliance) create barriers to entry and unlock government work. Specialized capabilities often support higher margins.

BUSINESS TYPE – HARD QUALIFIERS




- **✓ MUST BE a precast concrete manufacturer** (produces precast products at a facility)
- **✗ EXCLUDE concrete site contractors** (on-site pouring / installation only)
- **✗ EXCLUDE architectural precasters** (decorative / façade / high-end architectural focus)

Product Focus (Observed in Expert-Validated Companies)

- Utility Infrastructure (60–70% of targets): manholes, drainage, culverts, pressure pipe, utility vaults
- Structural Components (20–30%): beams, columns, wall panels, parking structures

- Specialized / Niche (10–20%): bridge components, septic tanks, burial vaults, custom solutions

Ideal Profile

-  **EXCELLENT (4–5 pts):**
 - Multiple certifications + specialized product lines
 - PCI plant certification (gold standard), ACPA (American Concrete Pipe Association) certification, NPCA membership, ISO 9001/14001
 - DOT / government qualifications (FDOT, state DOTs, AASHTO), BABA compliance
 - Strong utility / infrastructure focus
 - Margins 15–20%+
-  **GOOD (2–3 pts):**
 - Standard utility / infrastructure precast with some certifications
 - Basic DOT qualification or NPCA membership
 - Recognized quality and brand reputation
 - Margins 12–15% (industry standard)
-  **POOR (0–1 pt):**
 - Commoditized products only, no meaningful certifications
 - Competing primarily on price
 - Site contractor or architectural-only business (automatic disqualifier)
 - Margins <12%

Evaluation Method

Verify certifications, review product catalog and margin by product line, and confirm that manufacturing is done at the facility.

v2.0 Enhancement

Explicitly listed key certifications and emphasized infrastructure / utility focus aligned with the most attractive targets in the dataset.

TIER 3 CRITERIA (VALUABLE – 20% of Score)




8. Online Presence & Website (Weight: 5%)

Why It Matters

An active website is a baseline indicator of professional operations and marketing capability. It is also the easiest way to verify legitimacy, products, and certifications.

CRITICAL REQUIREMENT: Target **must** have an active, functional website.

Ideal Profile

-  **EXCELLENT (2–3 pts):**
 - Professional, modern site with product catalog, photos, and specs
 - Clear contact information and location
 - Recent updates or news (within last 6 months)
 - Mobile-responsive and search-friendly
 - Testimonials and case studies
 - Certifications (PCI, NPCA, DOT, ISO) clearly displayed
-  **GOOD (1–2 pts):**
 - Basic functional site with essential information
 - May be outdated but still usable
-  **POOR (0 pts):**
 - No website or non-functional / broken site (automatic disqualifier)

Evaluation Method

Google search by company name + location; review structure, content, and recency.

v2.0 Enhancement




Added emphasis on displaying certifications as a key credibility signal.

9. Operational Efficiency & Infrastructure (Weight: 6%)

Why It Matters

Modern equipment and adequate facilities reduce near-term CapEx needs and provide operating leverage. Good plant infrastructure and systems support scalable growth.

Ideal Profile

-  **EXCELLENT (3–4 pts):**
 - Well-maintained plant machinery with average age <5 years
 - Appropriate automation (batching, forms, curing, material handling)
 - Capacity utilization 60–75% (room to grow without major CapEx)
 - Owned facility with land for expansion and efficient logistics layout
 - ERP / MRP systems and digital QC / process documentation
 - Recent CapEx already deployed to support future growth
-  **GOOD (1–2 pts):**
 - Equipment 5–10 years old but functional
 - Some CapEx required in next 2–3 years (<\$250K)
 - Leased facility on favorable terms
 - Basic tracking systems (e.g., spreadsheets)
-  **POOR (0 pts):**
 - Equipment >10 years old with significant deferred maintenance
 - Immediate CapEx needs >\$500K
 - Facility constraints or lease risk
 - No meaningful digital tracking or documentation

Evaluation Method

Request equipment list with ages and appraisals, visit the facility, review CapEx plans, and assess existing systems.

v2.0 Enhancement




Incorporated ERP / MRP, automation capability, and capacity-utilization thresholds commonly used by PE and strategic buyers.

10. Market Position & Competitive Dynamics (Weight: 6%)

Why It Matters

Local market leaders with long operating histories and high barriers to entry (permits, land, relationships) typically have stronger pricing power and more durable cash flows.

Ideal Profile

-  **EXCELLENT (3–4 pts):**
 - #1 or #2 local market share
 - 15+ years in business
 - Meaningful barriers to entry: permits, land, relationships, DOT pre-qualification
 - Not a “low-price” competitor; distinguishes itself on quality, service, or capability
 - Strong logistics position relative to customers and major roadways
-  **GOOD (1–2 pts):**
 - One of several credible competitors
 - 5–15 years in business
 - Solid reputation but not dominant
-  **POOR (0 pts):**
 - Many competitors with lower prices
 - <5 years in business
 - No defensible position; competing primarily on price

Evaluation Method

Interview contractors, review references and online reviews, map competitors within ~50 miles, and confirm barriers to entry.

v2.0 Enhancement




Clarified specific barriers (permits, land, DOT pre-qualification) and highlighted logistics advantages as part of competitive position.

11. Owner Motivation & Deal Structure Fit (Weight: 3%)

Why It Matters

Motivated sellers with realistic valuation expectations and flexibility on structure are far more likely to transact successfully and support a smooth transition.

Ideal Profile

-  **EXCELLENT (2–3 pts):**
 - Clear motivation (retirement, health, succession)
 - Asking multiple in the **4.0x–5.5x EBITDA** range
 - Open to earn-outs, seller financing (20–30% seller note), and transitional employment
 - Willing to stay 12–24 months for handoff
 - Thoughtful plan to transition customer relationships
-  **GOOD (1 pt):**
 - Interested but not urgent; exploring options
 - Asking **5.5x–6.5x EBITDA**, potentially negotiable
 - Some flexibility on terms and transition
-  **POOR (0 pts):**
 - “Fishing” for offers with no urgency
 - Asking >7x EBITDA or insisting on unrealistic terms
 - Unwilling to support post-close transition

Evaluation Method





Discuss motivation, valuation expectations, structure preferences, and transition timeline in early conversations.

v2.0 Enhancement


Aligned valuation ranges and seller-note expectations with recent precast and construction-adjacent transactions.






RED FLAGS (AUTOMATIC DISQUALIFIERS OR HEAVY DISCOUNTS)

Business Type Red Flags (Critical)






-  No active website
-  Concrete site contractor (no manufacturing)
-  Architectural precaster (decorative / façade focus)
-  Outside the target geography (not in FL, GA, TN, or East TX)

Financial Red Flags




-  Negative EBITDA or >30% EBITDA decline over 2 years

-  EBITDA margin <10%
-  Negative operating cash flow for 2+ consecutive years
-  DSO >120 days
-  Debt / EBITDA >4x
-  Customer concentration >70% from a single customer




Operational Red Flags

-  Environmental violations or pending EPA / OSHA actions
-  Pending litigation >\$500K or class actions
-  Criminal activity involving owners or key managers
-  Highly contentious union environment with disruption risk
-  Lost-time injury rate >5 per 100 workers / year

Certification Red Flags (v2.0)

-  No PCI, ACPA, NPCA, or DOT certifications (valuation discount required)
-  Expired certifications
-  Quality-system violations (ISO, PCI, DOT audit failures)

Strategic Red Flags

-  Revenue < \$1M or > \$50M
-  Seller unwilling to provide financials
-  Business profile fundamentally misaligned with Design Precast’s platform strategy

IDEAL TARGET ARCHETYPES

*(All archetypes describe the **type** of business we’re seeking for Design Precast’s platform, not specific companies.)*

Archetype 1: “The Certified Utility Player” (NEW v2.0)

- 5–25-year-old business, DOT / ACPA and/or NPCA certified, utility-infrastructure focus, \$5M–\$20M revenue
- 40%+ revenue from government / municipal contracts
- 10–20% EBITDA margins, DSO <60 days
- Ideal as a bolt-on for regional coverage and cross-selling

Archetype 2: “The Regional Infrastructure Leader” (NEW v2.0)

- Market leader in its metro area, 20+ years, possibly multiple facilities, \$10M–\$25M revenue
- #1–2 share, strong brand, diversified customers
- Platform-quality asset that can anchor additional tuck-ins

Archetype 3: “The Stable Family Business” (REVISED v2.0)

- 20–30-year-old, second-generation family-owned business, \$5M–\$8M revenue
- Loyal workforce, clean financials, solid reputation
- Owner nearing retirement and seeking succession solution

Archetype 4: “The Underperformer with Strong Bones” (REVISED v2.0)

- Good asset base, certifications, and relationships but under-managed
- 10–15% EBITDA margins (with potential to reach 18%+) on \$4M–\$8M revenue
- Needs professional management, systems, and modest CapEx

SCORING METHODOLOGY

Weighted Scoring Formula

TOTAL SCORE (out of 10)

= (Geographic Fit × 0.15)

- (Customer Diversification × 0.075)
- (Recurring Revenue × 0.025)
- (Financial Performance × 0.25)
- (Management Depth × 0.10)
- (Revenue Scale × 0.10)
- (Product Specialization × 0.10)
- (Online Presence / Website × 0.05)
- (Operational Efficiency × 0.06)
- (Market Position × 0.06)
- (Owner Motivation × 0.03)

Total Weight = 100% (1.00)

Scoring Inputs

Each criterion is scored 0–5 (or 0–4 / 0–3 for lower-weight items):

- 5/5, 4/4, or 3/3: Exceptional, exceeds ideal profile
- 4/5, 3/4, or 2/3: Strong, meets ideal profile
- 3/5, 2/4, or 1/3: Good, acceptable with minor gaps

- 2/5 or 1/4: Fair, significant concerns but potentially workable
- 1/5: Poor, major concerns
- 0/5, 0/4, or 0/3: Disqualifying or deal-breaker

You can then interpret results using the 10-point bands above (Priority, Strong, Qualified, Marginal, Pass) and plan outreach and diligence sequencing accordingly.

STRATEGIC ACQUISITION THESIS

Why These Targets Complement Design Precast

Research Findings from 31 Expert-Validated Companies

- Concentration of attractive targets in FL, GA, LA, MS, AL, AR, and TX
- Common traits: utility / infrastructure product focus, DOT certifications, municipal contracts, and revenue under ~\$25M
- Highly fragmented market: many family-owned regional players with room for consolidation
- Growth driven by infrastructure renewal, municipal modernization, and steady DOT funding

Platform Objectives for Design Precast

Acquisitions that meet this profile will help Design Precast:

- Build a broader **regional footprint** while maintaining local relationships
- Increase exposure to **infrastructure and government work**
- Add **recurring revenue**, better working-capital discipline, and more diversified customer bases
- Inherit **experienced management teams** and institutional systems in select markets
- Achieve **procurement, logistics, and overhead synergies** across a multi-plant platform

Synergy Levers

- **Revenue Synergies:** cross-selling products, regional bidding across multiple plants, leveraging government certifications across the platform.
 - **Cost Synergies:** procurement consolidation, shared overhead (finance, HR, IT), shared delivery fleets and underutilized equipment.
 - **Operational Synergies:** transferring best practices, implementing common ERP / CRM and reporting, and professionalizing management.
 - **Financial Upside:** buying smaller businesses at 3.5x–5.0x EBITDA and growing / integrating them into a platform that can ultimately command 6.0x–7.0x+ at exit.
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VALUATION FRAMEWORK FOR TARGETS

Base Multiple Ranges (by Score Profile)

- **Premium Targets (Score 9–10):** 5.0x–6.0x EBITDA
- **Strong Targets (Score 7–8):** 4.5x–5.5x EBITDA
- **Qualified Targets (Score 5–6):** 4.0x–4.5x EBITDA
- **Marginal Targets (Score 3–4):** 3.0x–4.0x EBITDA

Positive Adjustments (+0.25x to +0.5x each)

- NPCA and/or ACPA plant certification
- DOT certification / government contract portfolio
- Exceptional geographic fit (within ~100 miles of a hub market)
- Recurring revenue >50% or municipal contracts >40% of revenue
- Professional management team in place
- Modern equipment and / or robust ERP / MRP systems

Negative Adjustments (-0.25x to -1.0x each)

- No certifications (PCI, NPCA, DOT)
- High customer concentration (>60% from top 5 customers)
- Declining revenue (>10% over 3 years)
- DSO >90 days or consistent cash-flow strain
- Owner-dependent business with no transition plan
- Significant deferred maintenance or near-term CapEx >\$500K

Preferred Deal Structures

- Majority acquisition (51–80%) with seller retaining minority stake and earn-out
- 100% acquisition with seller financing (20–30% seller note at 5–7% over 3–5 years)
- Asset purchase where liability risk or legacy issues warrant a “clean” structure

Typical Capital Stack

- Buyer equity: 40–50%
- Seller financing: 20–30%
- Bank debt (SBA or regional lender): 20–30%
- Earn-out: 10–20% tied to revenue, EBITDA, or other milestones