

SAMPLE REPORT

VALUATION & DECISION ANALYSIS

Website Sample — Illustrative Client Deliverable

About This Sample Report

This report is a representative example of an actual client engagement.

Company name, certain details, and selected figures have been modified for confidentiality. The structure, level of analysis, and overall approach reflect the type of work provided in a real advisory engagement.

This sample is intended to show how the work is organized, the depth of analysis involved, and how conclusions are presented to support real decision-making.

Each engagement is tailored to the specific business, the information available, and the decision being evaluated. This document should be viewed as illustrative rather than standardized.

Confidential Valuation Summary

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1. Executive Summary

Horizon HVAC Services is a well-established residential and light commercial heating, ventilation, and air conditioning company headquartered in the Wichita, Kansas metropolitan area. Founded eighteen years ago under single ownership, the company has built a durable market presence through consistent service quality, strong customer relationships, and a reputation for reliability across the communities it serves.

The company generates approximately **\$2.4 million in annual revenue** and produces an adjusted owner benefit — expressed as Seller's Discretionary Earnings (SDE) — of approximately **\$485,000**. These figures reflect a healthy, well-run trade-services business with margins that compare favorably to industry benchmarks for HVAC operators of similar size and scope.

Based on the analysis performed using a market-based valuation methodology and supported by comparable transaction data, the **estimated market value range for Horizon HVAC Services is \$1.21 million to \$1.70 million**, with a most-likely value of approximately **\$1.46 million**. This range accounts for the company's earnings profile, operational strengths, identifiable risks, and the current appetite among buyers in the HVAC and home-services sectors.

The purpose of this engagement is to provide the owner with a clear, defensible understanding of market value to support informed decision-making — whether that means preparing for a future sale, evaluating growth investments, or simply understanding where value resides in the business. This document is designed to serve as both a reference and a planning tool, offering not only a value conclusion but also an assessment of the key factors that drive — or constrain — that value.

Note

This summary is intended as a strategic planning tool and does not constitute a formal appraisal or legal opinion of value.

2. Valuation Overview

The valuation of Horizon HVAC Services employs a **market-based approach**, which determines value by applying earnings multiples derived from actual sale transactions of comparable HVAC and trade-services businesses. This methodology is widely recognized in the small business transaction market and is the standard framework used by business intermediaries, SBA lenders, and acquisition professionals to assess fair market value for owner-operated companies.

The primary earnings metric used in this analysis is **Seller's Discretionary Earnings (SDE)**. SDE represents the total economic benefit available to a single owner-operator and is calculated by adding back to net income the owner's compensation, personal and discretionary expenses run through the business, non-recurring items, and other normalization adjustments. This provides the clearest picture of the true cash-generating capacity of the business from a buyer's perspective.

The applied multiple range of **2.5x to 3.5x SDE** reflects recent transaction data for HVAC businesses of similar size, geography, and operational profile. The midpoint multiple of 3.0x — producing a most-likely value of \$1,455,000 — accounts for Horizon's strong revenue history, solid margins, and favorable reputation, while also reflecting the moderate owner dependency and informal documentation practices that are common in businesses of this size. A detailed breakdown of the key financial metrics is provided below.

Key Financial Metrics

Metric	Value
Annual Revenue (Trailing 12 Months)	\$2,400,000
Gross Profit Margin	52%
Adjusted SDE	\$485,000
SDE Margin	20.2%
Applied Multiple Range	2.5x – 3.5x
Estimated Value Range	\$1,212,500 – \$1,697,500
Most-Likely Value (Midpoint)	\$1,455,000

3. What Drives Value

A business valuation is more than arithmetic — it reflects the qualitative factors that make a company attractive, transferable, and resilient. Buyers and lenders evaluate not just what a company earns, but *how* it earns, *who* it depends on, and *how likely* those earnings are to continue under new ownership. The following assessment examines the primary value drivers for Horizon HVAC Services, with each factor rated to indicate its current contribution to — or constraint on — overall enterprise value.

Value Driver Assessment

Value Driver	Rating	Commentary
Revenue Consistency	Strong	18-year track record with steady year-over-year growth averaging 4–6%. Minimal customer concentration — no single client exceeds 8% of revenue.
Recurring Revenue Base	Moderate–Strong	Maintenance agreements represent approximately 30% of total revenue, providing predictable cash flow and a stable base of repeat customers. Opportunity exists to expand this segment further.
Owner Dependency	Moderate	The owner remains actively involved in estimating, vendor relationships, and key account management. While the team is capable, transition planning and delegation would meaningfully strengthen transferability.
Workforce Stability	Strong	Core team of 12 technicians with an average tenure exceeding 5 years. The lead technician is capable of managing day-to-day field operations independently, reducing single-point-of-failure risk.
Brand and Reputation	Strong	4.8-star Google rating with 340+ reviews. The company benefits from a strong referral network among local general contractors, realtors, and property managers — a meaningful competitive advantage.
Facilities and Equipment	Moderate	The leased facility is in good condition with favorable terms. The fleet of 8 service vehicles is generally well-maintained, though 3 units are due for replacement within 18 months — a capital consideration for any buyer.
Systems and Documentation	Moderate	The company uses ServiceTitan for dispatch, scheduling, and invoicing — a best-in-class platform. However, standard operating procedures (SOPs) are largely informal. Formalizing these would improve buyer confidence and support a smoother ownership transition.

4. Deal Structure Considerations

In the small business transaction market, particularly for companies in the \$1 million to \$3 million value range, all-cash closings are the exception rather than the rule. The vast majority of transactions involve some form of structured consideration — a combination of cash at closing, seller-carried financing, and in some cases performance-based earnout provisions. Understanding deal structure is essential because it directly affects both the total price a seller receives and the risk profile each party carries.

For a business like Horizon HVAC Services, a typical structure might include **60–70% of the purchase price delivered at closing** in the form of cash, funded through buyer equity, conventional bank financing, or an SBA 7(a) loan. The remaining **30–40% is commonly carried as a seller note** — a promissory note from the buyer to the seller, typically structured over a 3- to 5-year term at a market interest rate. Seller notes serve a dual purpose: they bridge the gap between what a lender will finance and the agreed purchase price, and they signal the seller's confidence in the business's continued performance.

In situations where a buyer perceives meaningful transition risk — for example, concern about customer retention after ownership changes — an **earnout component** tied to specific performance benchmarks (such as revenue retention or customer contract renewals over a 12-month period) may be appropriate. While earnouts introduce complexity, they can also unlock a higher total purchase price by aligning both parties' interests during the critical post-closing transition period.

Advisory Note

Deal structure is where value meets reality. A strong structure protects both parties and often unlocks a higher total purchase price than an all-cash offer would yield. The right structure is the one that balances certainty for the seller with confidence for the buyer.

Illustrative Deal Structure — Most-Likely Value (\$1,455,000)

Component	Amount	% of Total	Terms
Cash at Closing (SBA / Conventional)	\$970,000	67%	Buyer-financed
Seller Note	\$340,000	23%	5-year term, 6% interest
Earnout / Performance Holdback	\$145,000	10%	Tied to 12-month revenue retention above 90%
Total Consideration	\$1,455,000	100%	—

5. Scenario Paths

Business value is not a fixed number — it is a reflection of the company's current state and, critically, the trajectory it is on. The actions an owner takes over the next 12 to 24 months can materially change what the business is worth and how attractive it is to prospective buyers. The following three scenarios illustrate how different strategic choices would likely affect the valuation of Horizon HVAC Services, along with the trade-offs inherent in each path.

Scenario A — Sell Now (As-Is)

Estimated Value: \$1.21M – \$1.46M

Advantages:

- Capitalize on currently favorable market conditions and strong buyer demand in the HVAC sector
- Avoid the risk of owner burnout or market shifts that could erode value
- Achieve liquidity and personal financial security on a known timeline

Considerations:

- Leaves potential value on the table — the business has identifiable levers that are not yet optimized
- A buyer may apply a discount for owner dependency, informal SOPs, and upcoming fleet replacement costs
- The seller note and earnout portions of the deal may be larger if buyer confidence in transferability is lower

Scenario B — Optimize and Sell (12–18 Month Horizon)

Estimated Value: \$1.46M – \$1.82M

Key Actions Required:

- Formalize standard operating procedures (SOPs) for estimating, dispatch, and customer communications
- Reduce owner involvement in day-to-day estimating by training or hiring a dedicated estimator
- Expand maintenance agreement base from 30% to 40% of total revenue
- Replace the three aging fleet vehicles to eliminate a near-term capital expenditure concern for buyers

Advantages:

- Commands a higher multiple due to improved transferability and reduced perceived risk
- Stronger buyer confidence leads to more favorable deal structure (higher cash at closing, smaller earnout)
- A cleaner transition process benefits both the seller and the buyer

Considerations:

- Requires meaningful investment of the owner's time, energy, and some capital
- Market conditions or buyer appetite could shift during the preparation window
- Execution risk — the improvements must be genuinely implemented, not merely planned

Scenario C — Hold and Grow (24+ Month Horizon)

Estimated Value: \$1.82M – \$2.25M+

Key Actions Required:

- Hire a dedicated operations manager to assume day-to-day leadership
- Expand capacity into the light commercial HVAC segment to diversify revenue
- Build a second service team to support geographic or volume expansion
- Invest in marketing infrastructure to support growth without proportional increases in owner effort

Advantages:

- Significantly higher enterprise value driven by scale, diversification, and reduced owner dependency
- Owner transitions into a strategic role, making the business attractive to a broader pool of buyers — including private equity groups and strategic acquirers
- Creates the potential for a legacy business that operates independently of any single individual

Considerations:

- Higher execution risk — growth plans require disciplined management and operational infrastructure
- Capital investment is required for new hires, equipment, and potentially a larger facility
- Market timing uncertainty — economic or industry conditions 24+ months out are inherently less predictable

Scenario Comparison Summary

Scenario	Timeline	Est. Value Range	Key Requirement
A — Sell Now	Immediate	\$1.21M – \$1.46M	Market-ready positioning
B — Optimize & Sell	12–18 months	\$1.46M – \$1.82M	SOP formalization, owner transition
C — Hold & Grow	24+ months	\$1.82M – \$2.25M+	Hire ops manager, expand services

6. Decision Summary

Horizon HVAC Services, at a most-likely market value of approximately **\$1.46 million**, is a well-positioned business with a strong foundation built over 18 years of consistent performance. The company's revenue stability, team depth, excellent reputation, and meaningful recurring revenue base are attributes that buyers actively seek — and are willing to pay a premium for. This is not a distressed situation or a business that needs to be sold. It is a business that *can* be sold, on favorable terms, when the owner is ready.

The owner is operating from a position of strength. There is no urgency to transact, and the business has clear, actionable levers for value enhancement — from formalizing operating procedures to expanding the maintenance agreement base to reducing day-to-day owner involvement. Whether the decision is to sell now, optimize over the next 12 to 18 months, or build toward a larger exit further in the future, each path is viable and each carries its own set of trade-offs. The right choice depends on the owner's personal goals, financial needs, risk tolerance, and energy level — not on market pressure.

This document is intended to serve as a living planning tool. I recommend revisiting this analysis annually, or whenever material changes occur in the business — such as significant revenue growth, key personnel changes, or shifts in market conditions. Value is not static, and neither is the opportunity in front of you.

"This is your business, your timeline, and your decision. My role is to make sure you have the clarity to choose confidently."

7. Appendix

A. Normalization Adjustments

The following table details the adjustments made to reported net income to arrive at Seller's Discretionary Earnings (SDE). These add-backs reflect expenses that are personal to the current owner, discretionary in nature, or non-recurring — and would not continue under new ownership.

Adjustment Category	Amount	Notes
Owner's Salary (Above Market)	+\$65,000	Adjusted to market-rate GM compensation
Personal Vehicle Expense	+\$12,000	Owner vehicle run through business
One-Time Equipment Purchase	+\$28,000	Non-recurring capital expenditure
Family Cell Phone Plans	+\$4,800	Personal plans expensed to business
Owner Health Insurance (Personal)	+\$18,200	Above standard employee benefit level
Total Add-Backs	+\$128,000	—
Reported Net Income	\$357,000	—
Adjusted SDE	\$485,000	—

B. Market Transaction Indicators (Derived from Comparable Sales)

The following summary reflects observed valuation patterns for HVAC businesses of similar size, operating profile, and market characteristics. These indicators are based on a combination of industry transaction benchmarks, market observations, and commonly reported valuation ranges within the small business transaction market.

Metric	Observed Range	Typical (Median)
Price / SDE	2.6x – 3.3x	~3.0x
Price / Revenue	0.45x – 0.70x	~0.55x

Transaction activity in this segment of the HVAC market tends to cluster within a relatively consistent valuation band, with most businesses transacting between approximately 2.5x and 3.25x Seller's Discretionary Earnings. Variation within this range is typically driven by differences in owner dependency, systemization, workforce stability, and the strength of recurring service revenue.

These indicators should be viewed as directional benchmarks rather than precise comparables, as individual transaction outcomes vary meaningfully based on company-specific factors and deal structure.

Based on Horizon HVAC Services' current operating profile, the business aligns near the midpoint of observed market ranges, supporting the valuation conclusions presented in this report.

C. Definitions and Terms

SDE (Seller's Discretionary Earnings): The total financial benefit available to a single owner-operator of a business. Calculated by adding back to net income the owner's total compensation, personal expenses run through the business, non-cash charges (depreciation, amortization), interest expense, and one-time or non-recurring items. SDE is the most widely used earnings metric for valuing small businesses with annual revenues under \$5 million.

Earnings Multiple: A factor applied to a company's earnings (typically SDE for small businesses) to determine market value. The multiple reflects the market's assessment of risk, growth potential, and transferability. Higher multiples indicate lower perceived risk and stronger buyer demand.

Seller Note: A form of seller-provided financing in which the seller agrees to receive a portion of the purchase price over time, typically structured as a promissory note with a fixed interest rate and defined repayment schedule. Seller notes are common in small business transactions and demonstrate the seller's confidence in the business's continued viability.

Earnout: A contingent payment mechanism in which a portion of the purchase price is tied to the business achieving specific post-closing performance targets — such as revenue retention, customer renewal rates, or profitability benchmarks — over a defined measurement period. Earnouts help bridge valuation gaps and align incentives during ownership transitions.

Normalization / Add-Backs: The process of adjusting a company's financial statements to reflect the true economic earnings of the business by removing expenses that are personal to the current owner,

discretionary, or non-recurring. Common add-backs include above-market owner compensation, personal expenses, one-time purchases, and non-cash charges.

SBA 7(a) Loan: A loan guaranteed by the U.S. Small Business Administration, commonly used to finance the acquisition of small businesses. SBA 7(a) loans typically offer favorable terms for qualified buyers, including lower down payments and longer repayment periods than conventional commercial loans. Most small business acquisitions in the \$500K–\$5M range involve some form of SBA financing.

LOI (Letter of Intent): A non-binding (in most cases) written document that outlines the principal terms of a proposed transaction between a buyer and a seller. The LOI typically specifies the purchase price, deal structure, due diligence timeline, and key contingencies. It serves as the framework for negotiation before a definitive purchase agreement is drafted.

Due Diligence: The comprehensive investigation and verification process undertaken by a buyer (and their advisors) after an LOI is signed and before closing. Due diligence typically covers financial records, tax returns, legal compliance, customer contracts, employee agreements, facility leases, equipment condition, and any other material aspects of the business.

D. Limitations and Disclaimers

This document is a strategic planning tool prepared by Randy L. Browning, Independent Advisor for the exclusive use of the owner(s) of Horizon HVAC Services. It does not constitute a certified business appraisal, a fairness opinion, or a legal opinion of value as defined by the Uniform Standards of Professional Appraisal Practice (USPAP) or any regulatory body.

The financial data and business information used in this analysis are based on information provided by the business owner and have not been independently audited or verified by Randy L. Browning, Independent Advisor. While reasonable care has been taken to ensure accuracy, Randy L. Browning, Independent Advisor makes no representations or warranties regarding the completeness or accuracy of the information provided.

Market multiples and comparable transaction data are derived from available private transaction databases and publicly reported industry data. These figures may not reflect all relevant market conditions, and actual transaction values may vary based on deal-specific factors including buyer motivation, financing availability, deal structure, and market timing.

Randy L. Browning, Independent Advisor strongly recommends that the owner engage qualified legal counsel, tax advisors, and financial professionals before executing any transaction or making material business decisions based on the information contained in this document.