

# READINESS & POSITION ASSESSMENT

*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.

## **What this sample is meant to show:**

- How the work is structured and presented.
- The type of buyer-facing analysis included
- What a readiness-focused engagement is designed to clarify
- How transferability and preparation issues are translated into practical next steps

**READINESS & POSITION  
ASSESSMENT**

---

Prepared for: Horizon HVAC Services

Prepared by: Randy L. Browning

Date: April 2026

CONFIDENTIAL — FOR INTENDED RECIPIENT ONLY

---

## Table of Contents

<b>1.0</b>	<b>Executive Summary</b>
<b>2.0</b>	Buyer Perspective Overview
<b>3.0</b>	Earnings Quality & Financial Position
<b>4.0</b>	Transferability & Risk Assessment
<b>5.0</b>	Position Summary & Indicative Value Range
<b>6.0</b>	Recommended Next Steps
<b>7.0</b>	Appendix
	A — SDE Reconstruction Detail
	B — Transferability Scorecard
	C — Engagement Terms & Scope
	D — Glossary of Key Terms

# Executive Summary

## Company Overview

Horizon HVAC Services is a residential and light commercial heating, ventilation, and air conditioning company headquartered in Wichita, Kansas. Founded in 2009 by Mark and Julie Dawson, the company has grown steadily from a two-person startup into a well-established regional service provider generating approximately \$3.8 million in annual revenue. The company employs 22 people, including 14 field technicians, and serves customers within a 60-mile radius of the Wichita metropolitan area. The business operates across both residential replacement and repair markets as well as light commercial service, with a revenue mix of approximately 70% residential and 30% light commercial.

## Purpose of This Assessment

Randy L. Browning, Independent Advisor was engaged to conduct an independent Readiness and Position Assessment of Horizon HVAC Services. The purpose of this engagement is to evaluate the company's current readiness for a potential ownership transition — whether through a full sale, majority recapitalization, or strategic partnership — within the next 12 to 24 months. This assessment examines the business across eight critical dimensions that directly influence how a buyer evaluates and values an HVAC service company. The findings are intended to provide Mark and Julie Dawson with a clear, honest picture of where the business stands today, what areas present opportunity for improvement, and what steps would strengthen the company's market position in advance of any transaction process.

## High-Level Findings

The business demonstrates several qualities that are highly attractive to qualified buyers. Horizon has built a substantial maintenance agreement base of approximately 1,400 active agreements, which provides predictable, recurring revenue — the single most valued attribute in HVAC service company acquisitions. Gross margins of approximately 52% reflect disciplined pricing and efficient labor management, and the company's field workforce is experienced, with an average technician tenure of 4.2 years. Revenue has grown at a compound annual rate of approximately 5.5% over the trailing three-year period, and Seller's Discretionary Earnings have improved both in absolute terms and as a percentage of revenue, signaling genuine operational improvement rather than revenue growth alone.

At the same time, this assessment identified three to four correctable gaps that, if left unaddressed, would likely result in buyer discount, extended due diligence timelines, or reduced cash-at-close percentages in a transaction. These include meaningful owner dependency in both the estimating process and key commercial account relationships, minimal documentation of operational procedures, and two service vehicles that are due for replacement. None of these items represent fundamental weaknesses in the business — they are the normal, expected characteristics of a founder-operated company that has not yet been prepared for market. The distinction between a business that is fundamentally sound and one that is market-ready is precisely what this assessment is designed to clarify.

**Overall Readiness Rating: Conditionally Ready**

Horizon HVAC Services is a fundamentally sound, profitable business with strong recurring revenue and an experienced workforce. The company is **not yet market-ready** in its current state, but the gaps identified are correctable within a 6- to 9-month preparation window. Addressing these items before going to market would meaningfully improve the company's defensible value and strengthen the Dawsons' negotiating position with prospective buyers.

## Readiness Scorecard

Readiness Category	Rating	Summary
Financial Documentation	Strong	Tax returns and QuickBooks are consistent and professionally prepared.
Earnings Quality	Strong	SDE growing steadily; margins improving; clean add-backs.
Customer Concentration	Adequate	Top 2 commercial accounts at ~18% of revenue; residential base well-diversified.
Workforce Stability	Adequate	Above-average tenure; no formal retention agreements in place.
Owner Dependency	Needs Attention	Mark handles all estimates over \$5K; Julie manages all financial operations.
Operational Systems	Needs Attention	Strong dispatching platform; minimal process documentation and inventory tracking.

Readiness Category	Rating	Summary
Physical Assets	Adequate	6 of 8 vehicles in good condition; 2 require replacement.
Legal & Compliance	Strong	All licenses current; no litigation; insurance reviewed annually.

Confidential — Horizon HVAC Services — Readiness & Position Assessment — Randy L. Browning, Independent Advisor — April 2026

---

## SECTION 2.0

# Buyer Perspective Overview

## How Buyers Evaluate HVAC Businesses

Acquirers of residential and light commercial HVAC service companies — whether private equity-backed platforms, strategic consolidators, or individual owner-operators — evaluate businesses through a remarkably consistent lens. The most sophisticated buyers are not simply purchasing a revenue stream; they are evaluating the durability and transferability of cash flow, the quality and replaceability of the workforce, and the degree to which the business can operate and grow independently of its current owner. Understanding this buyer perspective is essential for a seller who wants to control the narrative and present the business from a position of strength.

In the HVAC service sector specifically, buyers assign premium value to five attributes above all others: a large and growing maintenance agreement base (which provides predictable, recurring revenue), strong technician retention (which ensures continuity of service quality), route density (which drives labor efficiency and profitability), well-maintained equipment and fleet (which reduces near-term capital expenditure requirements), and clean, transparent financial records (which accelerate due diligence and build buyer confidence). A business that demonstrates strength across these five dimensions will attract more qualified interest, command higher multiples, and negotiate more favorable deal structures than one that does not.

## What Buyers Would See at Horizon

From a buyer's vantage point, Horizon HVAC Services presents a compelling core profile. The maintenance agreement base of approximately 1,400 active agreements is, without question, the single most valuable asset in the business. This is not a company that depends on unpredictable, one-time installation revenue for its livelihood — it has built a substantial, recurring income foundation that provides baseline cash flow regardless of seasonal demand or economic conditions. Buyers who specialize in HVAC acquisitions understand the cost and difficulty of building a maintenance base of this size, and they will recognize the years of consistent execution it represents.

The revenue mix of 70% residential and 30% light commercial provides meaningful diversification. A business that is exclusively residential is more susceptible to seasonal swings and housing market cycles, while one that is exclusively commercial faces concentration risk and longer sales cycles. Horizon's blended model offers the stability of a broad residential customer base with the larger ticket sizes and contract potential of commercial work. Technician tenure averaging 4.2 years is above the industry median for companies of this size, and it signals a work environment where skilled tradespeople choose to stay — a factor that matters enormously to buyers who know how disruptive and expensive technician turnover can be in the months surrounding a transaction.

## **Likely Buyer Concerns**

A thorough buyer will also identify several areas that warrant closer examination, and it is better for the Dawsons to anticipate these questions than to encounter them for the first time during due diligence. First, Mark Dawson's direct involvement in all estimates exceeding \$5,000 represents a concentration of knowledge and customer-facing authority that a buyer will view as a transition risk. If the estimating function cannot be performed competently by someone other than the owner, a buyer will question whether the company's revenue and margins can be sustained post-close. This is among the most common — and most correctable — findings in owner-operated service businesses.

Second, two of the company's key commercial accounts — a regional property management company and a local school district — collectively represent approximately 18% of total revenue. While this concentration level is not extreme by industry standards, the concern is compounded by the fact that these relationships are informal, operating on handshake understandings rather than formalized service agreements. A buyer will want to know whether these accounts will survive an ownership transition, and without a written contract or an established relationship with a Horizon employee other than Mark, that question becomes difficult to answer with confidence.

Third, the company's Google review profile — which is strong at 4.6 stars with over 380 reviews — is currently tied to Mark Dawson's personal account rather than a transferable, business-owned profile. Online reputation is a tangible asset in residential HVAC, and a buyer will expect that asset to transfer with the business. Migrating the review profile to a business-owned account is a straightforward step, but it requires lead time and careful execution to avoid disruption to online visibility.

#### **Advisory Note**

Each of the concerns identified above is normal for a founder-operated business of this size and vintage. They are not deal-breakers, and they are not indicators of operational weakness. They are, however, the exact items that create leverage for a buyer during negotiations. A seller who addresses these items proactively — before going to market — converts potential buyer discount into seller advantage. The goal is not perfection; it is preparedness.

Confidential — Horizon HVAC Services — Readiness & Position Assessment — Randy L. Browning, Independent Advisor — April 2026

---

### **SECTION 3.0**

## **Earnings Quality & Financial Position**

### **Understanding Seller's Discretionary Earnings**

In the context of small business acquisitions — particularly for companies with revenue under \$10 million — the most widely used measure of economic earnings is Seller's Discretionary Earnings, commonly referred to as SDE. SDE represents the total financial benefit available to a single owner-operator of the business, calculated by adding back to net income all owner-related compensation, benefits, and discretionary or non-recurring expenses that would not continue under new ownership. SDE is the foundation upon which the vast majority of HVAC service company valuations are built, and it is the number that buyers, lenders, and business brokers will use to anchor their analysis of what Horizon is worth.

The importance of a transparent, defensible SDE calculation cannot be overstated. Buyers who encounter aggressive or poorly documented add-backs will either discount the claimed earnings or, in many cases, simply walk away from a transaction. Conversely, a seller who presents a clean, conservative SDE reconstruction — supported by tax returns, profit-and-loss statements, and clear narrative explanations — establishes immediate credibility and accelerates the path from initial interest to a signed letter of intent.

## SDE Reconstruction — Trailing Three Years

Line Item	2023	2024	2025
Revenue	\$3,420,000	\$3,610,000	\$3,820,000
Net Income (as reported)	\$285,000	\$310,000	\$338,000
<b>Add-Backs</b>			
Owner Compensation	\$165,000	\$170,000	\$175,000
Owner Vehicle Expense	\$12,000	\$12,000	\$14,000
Owner Health Insurance	\$18,000	\$18,000	\$22,000
One-Time Legal Expense	\$0	\$15,000	\$0
Discretionary Travel	\$8,000	\$6,000	\$4,000
<b>Adjusted SDE</b>	<b>\$488,000</b>	<b>\$531,000</b>	<b>\$553,000</b>
<i>SDE as % of Revenue</i>	<i>14.3%</i>	<i>14.7%</i>	<i>14.5%</i>

## Earnings Trend Commentary

Horizon's revenue has grown from \$3.42 million to \$3.82 million over the trailing three-year period, representing a compound annual growth rate of approximately 5.5%. This is a healthy, sustainable growth rate for a mature residential HVAC company in a mid-sized market — fast enough to signal continued demand and market confidence, but not so fast as to raise questions about whether growth has been purchased through unsustainable discounting or aggressive spending. The steadiness of this growth trajectory is itself a positive indicator; buyers are far more comfortable with consistent, organic growth than with volatile spikes and dips that suggest external dependency or seasonal overreliance.

More importantly, SDE has grown at a slightly faster rate than revenue, increasing from \$488,000 to \$553,000 over the same period. This improvement in SDE margin — from 14.3% to 14.5% — indicates that the company is becoming marginally more efficient as it grows, converting incremental revenue into incremental profit rather than absorbing it into overhead. While the margin improvement is modest, its directional consistency across all three years is the kind of signal that gives a buyer confidence in the sustainability of the earnings stream. It is worth noting that the 2024 one-time legal expense of \$15,000, once added back, reveals even stronger underlying economics in that year than the reported net income suggests.

## **Financial Documentation Quality**

Horizon's federal tax returns are professionally prepared by an external CPA firm and are consistent with the company's QuickBooks reporting. This is an important finding. One of the most common friction points in small business acquisitions is a disconnect between what the owner claims the business earns and what the tax returns reflect — a gap that immediately erodes buyer trust and can derail transactions. Horizon does not appear to have this problem. The books are clean, the returns are consistent, and the add-backs are straightforward and well-documented.

That said, we recommend that Horizon engage in a pre-market Quality of Earnings review — a limited-scope financial analysis conducted by an independent accounting firm — before entering the market. This is not a reflection of concern about the company's financials; rather, it is a strategic step that allows the seller to identify and address any potential buyer questions before they arise in the heat of due diligence. A completed Quality of Earnings report, provided to qualified buyers at the appropriate stage, signals professionalism and shortens the path to closing.

## **Working Capital Position**

HVAC service companies typically operate with modest working capital requirements relative to revenue, as the business model is characterized by short collection cycles, limited inventory needs, and prepayment on many installation jobs. Horizon maintains working capital levels that are consistent with industry norms for a company of its size. Accounts receivable are current, with no significant aging issues, and the company does not carry material inventory on its balance sheet. In a transaction, working capital will be subject to a customary peg-and-true-up mechanism, and the current levels should not present a point of negotiation or concern for either party.

## SECTION 4.0

# Transferability & Risk Assessment

The transferability of a business — that is, the degree to which it can continue to operate at its current performance level under new ownership — is the single most important factor in determining both the range of achievable value and the structure of a transaction. A business with high transferability commands higher multiples, attracts a wider range of buyers, and allows the seller to negotiate a larger percentage of cash at close. The following analysis evaluates Horizon across six critical transferability dimensions.

## 4.1 Owner Dependency

Mark Dawson is currently the sole estimator for all jobs exceeding \$5,000, which includes the majority of equipment replacement projects and all light commercial bids. This means that a significant portion of the company's revenue-generating activity — from initial customer consultation through proposal preparation and close — flows through a single individual who would, in most transaction structures, be transitioning out of the business within 12 to 24 months of closing. Buyers understand that owner involvement in sales is common in businesses of this size, but they will model the risk of revenue decline during the transition period and discount accordingly.

Julie Dawson manages all bookkeeping, payroll processing, accounts payable, and accounts receivable functions. While these are administrative rather than revenue-generating roles, the absence of any backup or documented process for these functions creates a vulnerability that a buyer will need to address through either a transition services agreement or a new hire during the post-close period. The cost and disruption associated with that transition will factor into the buyer's financial model.

### **Advisory Note — Owner Dependency**

The most impactful step the Dawsons can take before going to market is to begin training one or both of the company's lead technicians in the estimating process. Even a partial transfer of

estimating responsibility — say, for jobs under \$8,000 — would substantially reduce buyer-perceived risk and directly support a higher valuation. Similarly, documenting Julie's financial processes in a standard operating procedures manual would demonstrate that these functions are transferable, not personal.

## 4.2 Customer Concentration

Horizon's two largest commercial accounts — a regional property management company and a local school district — collectively represent approximately 18% of total revenue. While industry benchmarks generally flag customer concentration as a concern when any single customer exceeds 10% of revenue, the combined figure of 18% across two accounts is within a range that most buyers would characterize as manageable rather than disqualifying. The more pressing concern is the informal nature of these relationships. Both accounts operate on handshake understandings rather than executed service agreements, and both relationships are maintained primarily through Mark Dawson's personal rapport with the decision-makers at each organization.

The residential customer base, by contrast, is well-diversified. Horizon served approximately 1,200 unique residential customers over the trailing twelve-month period, with no individual residential customer representing a material percentage of revenue. The maintenance agreement base of 1,400 active agreements further distributes the residential revenue across a broad, stable foundation. The concentration risk at Horizon is not systemic — it is specific to two accounts, and it is addressable through formalization of contracts and introduction of backup relationship contacts.

## 4.3 Workforce Risk

Horizon employs 14 field technicians with an average tenure of 4.2 years, which is above the national median for HVAC service companies with fewer than \$5 million in revenue. Two of these technicians hold lead positions and are EPA Section 608 Universal-certified, positioning them as capable candidates to assume estimating responsibilities with structured training and mentorship. The workforce appears stable, and there are no indicators of imminent turnover risk based on the information provided.

The primary gap in this category is the absence of formal employment agreements, non-compete covenants, or retention incentives for key personnel. In the context of a transaction, a buyer will want assurance that the technician base — which is the primary delivery mechanism for the company's

revenue — will remain intact through the transition period. Without retention agreements, a buyer may require the seller to provide representations and indemnification related to employee retention, or may structure a portion of the purchase price as an earnout tied to workforce continuity. Implementing retention agreements before going to market eliminates this dynamic and puts the seller in a stronger position.

## 4.4 Operational Systems

Horizon utilizes ServiceTitan as its primary platform for dispatching, scheduling, and customer relationship management. This is a meaningful positive. ServiceTitan is the dominant operating platform in the residential HVAC service industry, and its presence signals to buyers that the company has invested in modern, scalable operational infrastructure. Buyer integration teams are typically familiar with ServiceTitan, which reduces post-close transition friction and accelerates the new owner's ability to understand and manage the business.

However, inventory management at Horizon remains informal. Parts are managed through physical bin systems without perpetual tracking, cycle counts, or integration with the ServiceTitan platform. While this is not uncommon for a company of this size, it represents a gap that a buyer will need to close — and a cost that will factor into their financial model. More significantly, the company's operational procedures — from service call protocols to warranty claim processing to new customer onboarding — exist primarily as institutional knowledge held by Mark and Julie Dawson. This lack of documentation is the second most significant transferability concern identified in this assessment, after owner dependency in estimating.

## 4.5 Physical Assets

The company operates a fleet of eight service vehicles, of which six are in good mechanical condition with acceptable mileage and remaining useful life. Two vehicles have been identified as due for replacement, with mileage and maintenance histories that suggest they will require capital expenditure within the next 12 months regardless of any transaction. Buyers will either discount the purchase price by the estimated replacement cost of these vehicles or request that the seller replace them prior to closing as a condition of the transaction. Proactively addressing the vehicle replacements before going to market removes this negotiating point and presents a cleaner asset profile.

The company's primary office and warehouse facility is leased, with approximately three years remaining on the current term and an option to renew. Tools, diagnostic equipment, and other physical

assets are in serviceable condition. No significant deferred maintenance or capital expenditure requirements were identified beyond the two vehicles noted above.

## 4.6 Legal & Compliance

All required business licenses, contractor licenses, and EPA certifications are current. There is no pending or threatened litigation against the company. Insurance coverage — including general liability, commercial auto, and workers' compensation — is reviewed annually and appears adequate for the company's scope of operations. This is a clean compliance profile, which is always a welcome finding in a pre-market assessment. The sole remaining step is to confirm the assignability of all material contracts, licenses, and the facility lease, as some agreements may contain change-of-control provisions that require landlord or counterparty consent in connection with a transaction.

## Transferability Risk Summary

Category	Score	Recommended Action
Owner Dependency	Needs Attention	Document estimating process; begin training lead techs; create SOP manual for financial/administrative functions.
Customer Concentration	Adequate	Formalize service agreements with top 2 commercial accounts; introduce backup relationship contacts.
Workforce Risk	Adequate	Implement retention agreements for key technicians prior to market entry.
Operational Systems	Needs Attention	Document core processes; implement basic inventory tracking within ServiceTitan.
Physical Assets	Adequate	Replace or refurbish the two aging service vehicles before going to market.
Legal & Compliance	Strong	Confirm assignability of contracts, licenses, and facility lease.

# Position Summary & Indicative Value Range

## Market Position

Horizon HVAC Services is a well-run, profitable small business with strong fundamentals, a loyal and diversified customer base, and a credible growth trajectory. The company has built, over 17 years of operation, the kind of recurring revenue foundation, workforce stability, and community reputation that takes years to develop and cannot be easily replicated by a new entrant. These are genuine, defensible assets — and they form the basis of the company's value in any transaction.

The business would be attractive to several categories of qualified buyer. Strategic acquirers — larger HVAC companies or regional consolidators seeking to expand their footprint into the Wichita market — would value the existing customer base, maintenance agreements, and trained technician workforce. Private equity-backed platform companies that are actively acquiring HVAC businesses as part of a roll-up strategy would view Horizon as a well-sized add-on with strong unit economics. Qualified individual owner-operators, including military veterans using SBA lending programs, would find the business approachable in size and scope, with a manageable transition complexity. The breadth of potential buyer interest is a positive indicator for the competitiveness of any future marketing process.

## Indicative Value Range

Valuation Component	Detail
Trailing SDE (2025)	\$553,000
Applicable SDE Multiple Range	2.5x – 3.2x
Indicative Enterprise Value Range	Approximately \$1.4M – \$1.8M

The applicable multiple range of 2.5x to 3.2x reflects the company's size, geographic market, industry vertical, recurring revenue characteristics, and the risk profile identified in this assessment. The lower end of the range represents the value a buyer would likely assign if the transferability gaps identified herein remain unaddressed at the time of marketing. The upper end of the range represents the value the business could reasonably command if the Dawsons complete the recommended preparation steps and present the business in a market-ready condition. The difference between these two figures —

approximately \$400,000 — represents the tangible economic return on the investment of time and effort required to prepare the business for sale.

### **Important Disclaimer**

The figures presented above represent a preliminary indicative range based on the information provided and general market conditions for HVAC service company acquisitions. This is **not** a formal business valuation or appraisal. The final supportable value will depend on the results of a buyer's due diligence, the specific deal structure negotiated, prevailing market conditions at the time of sale, and the degree to which the preparation steps recommended in this assessment have been completed.

## **Deal Structure Considerations**

In transactions involving HVAC service companies of Horizon's size, buyers typically propose deal structures that include a combination of cash at closing and deferred consideration. Based on current market norms, a seller in this segment can generally expect structures in the range of 60% to 75% cash at close, with the balance delivered through seller financing (a promissory note payable over 2 to 5 years), an earnout tied to post-close performance metrics, or a combination of both. The percentage of cash at close is directly influenced by the perceived risk of the transition — a business with high transferability, formalized processes, and documented customer relationships will command a higher cash-at-close percentage than one where the buyer bears meaningful transition risk.

This is another area where pre-market preparation pays tangible dividends. Every transferability gap that is closed before marketing begins shifts economic risk from the buyer back to the business itself — where it belongs — and reduces the buyer's justification for deferred or contingent payment structures. The goal is to present a business that a buyer can confidently underwrite, finance, and operate on Day One, with minimal dependency on the seller's ongoing involvement.

# Recommended Next Steps

The following action plan is organized into three phases, designed to move Horizon from its current state of conditional readiness to full market readiness over a 9-month preparation window. Each phase builds on the prior one, and the steps within each phase are prioritized by their expected impact on transferability and defensible value. These steps are designed to be manageable alongside daily operations — they do not require the business to slow down, and in many cases, they will improve operational efficiency regardless of whether a transaction ultimately occurs.

## Phase 1: Immediate Actions — Months 1–3

**Document all estimating and operational processes.** Begin by capturing Mark's estimating methodology in a written standard operating procedure — including how he evaluates job scope, selects equipment, calculates pricing, and presents proposals to customers. This does not need to be a formal textbook; a practical, step-by-step guide that a trained technician could follow is sufficient. Simultaneously, have Julie document her financial workflows for bookkeeping, payroll, vendor payments, and receivables management. These documents will serve as both training tools and transferable assets in a transaction.

**Formalize employment agreements with key technicians.** Work with legal counsel to prepare and execute employment agreements — including reasonable non-compete and non-solicitation provisions — for the two lead technicians and any other employees whose departure would materially impact operations. Consider including retention bonuses that vest upon completion of a specified post-transaction period. These agreements protect the value of the workforce asset and give buyers confidence in continuity.

**Transition the Google review profile to a business-owned account.** Initiate the process of migrating the company's Google Business Profile from Mark's personal Google account to a business-owned account that can be transferred to a new owner. This may require creating a new business email domain, reclaiming the business listing, and carefully managing the transition to preserve review history and search rankings. Begin this process early, as it can take several weeks to complete and verify.

## Phase 2: Near-Term Actions — Months 3–6

**Formalize commercial account contracts and introduce backup contacts.** Approach the property management company and the school district to formalize the existing service relationships into written service agreements with defined terms, scope, and renewal provisions. Concurrently, begin introducing

a senior technician or operations manager as a secondary point of contact for these accounts. The goal is to ensure that each relationship has continuity beyond Mark's personal involvement, and that a written agreement provides the buyer with contractual assurance of continued revenue.

**Address fleet deficiencies.** Replace or refurbish the two service vehicles that have been identified as due for capital expenditure. Presenting a buyer with a fleet that requires near-term capital investment creates an immediate negotiating point and signals deferred maintenance. Addressing this proactively — while the vehicles are still operational and the replacement can be managed on the company's timeline — is more cost-effective and strategically advantageous than allowing a buyer to use it as a purchase price reduction.

**Implement basic inventory tracking.** Activate the inventory management module within ServiceTitan (or implement a compatible tracking system) to establish perpetual inventory records for high-value and high-turnover parts. This does not need to be a fully automated warehouse management system — even a basic tracking framework that provides visibility into parts usage, reorder points, and inventory value will satisfy buyer expectations and reduce the operational knowledge gap.

### **Phase 3: Pre-Market Preparation — Months 6–9**

**Engage a Quality of Earnings review.** Retain an independent accounting firm to conduct a sell-side Quality of Earnings analysis covering the trailing three fiscal years. This review will validate the SDE reconstruction, identify any items that a buyer's due diligence team would flag, and produce a professional report that can be provided to qualified buyers at the appropriate stage of the marketing process. A completed sell-side QofE is one of the most effective tools for accelerating deal timelines and building buyer confidence.

**Assemble a Confidential Information Memorandum.** Prepare — or engage a qualified business broker to prepare — a comprehensive Confidential Information Memorandum (CIM) that presents the business to prospective buyers. The CIM should include the company's history, financial performance, customer and revenue analysis, workforce overview, asset summary, growth opportunities, and the investment thesis for acquisition. This document is the primary marketing tool in a confidential sale process and should be completed to a professional standard before outreach to potential buyers begins. The financial analysis and documentation assembled during Phases 1 and 2 of this engagement will serve as the foundation for a strong CIM.

**Confirm contract and lease assignability.** Review all material contracts, vendor agreements, the facility lease, and any licenses or permits to confirm that they are assignable in connection with a change of

ownership — or, where they are not, to identify the consent requirements and begin the process of securing them. This is a routine but essential step that prevents last-minute surprises during closing.

**Engage a qualified business broker and begin the confidential marketing process.** Upon completion of the above steps, retain a licensed, experienced business broker to initiate a structured, confidential marketing process targeting pre-qualified buyer candidates. The broker will manage all outreach, screening, and initial negotiations to protect the confidentiality of the process and ensure that the ownership group maintains full control over timing, disclosure, and buyer selection. The brokerage engagement is a separate relationship between the owner and the broker. Randy L. Browning does not provide brokerage services.

#### **Advisory Note**

The steps outlined above represent targeted actions designed to improve transferability, strengthen buyer confidence, and support a more favorable outcome in a future transaction.

Not every owner will choose to address all areas at once. Priorities will vary based on timing, objectives, and the level of preparation the owner wishes to undertake before going to market. The role of this assessment is to clarify where effort is most likely to have a meaningful impact, allowing decisions to be made deliberately rather than reactively.

We recognize that owners are operating a business while considering these decisions. Guidance throughout this process is focused on maintaining operational performance while addressing the areas that most directly influence value and deal structure.

When and if the business moves toward a transaction, the owner may choose to engage a qualified business broker to manage the confidential sale process. The purpose of this work is to ensure that decisions are made from a position of clarity and strength.

---

## SECTION 7.0

# Appendix

APPENDIX A

## SDE Reconstruction Detail

The following table presents the full Seller's Discretionary Earnings reconstruction for Horizon HVAC Services for fiscal years 2023, 2024, and 2025. All figures are derived from the company's federal tax returns and QuickBooks general ledger, as provided by management. Add-backs reflect expenses that are discretionary to the current owner or non-recurring in nature and would not be expected to continue under new ownership.

Line Item	FY 2023	FY 2024	FY 2025	3-Year Avg
<b>Gross Revenue</b>	\$3,420,000	\$3,610,000	\$3,820,000	\$3,616,667
Cost of Goods Sold	\$1,641,600	\$1,732,800	\$1,833,600	\$1,736,000
<b>Gross Profit</b>	\$1,778,400	\$1,877,200	\$1,986,400	\$1,880,667
<i>Gross Margin</i>	52.0%	52.0%	52.0%	52.0%
Operating Expenses	\$1,493,400	\$1,567,200	\$1,648,400	\$1,569,667
<b>Net Income (as reported)</b>	\$285,000	\$310,000	\$338,000	\$311,000
<b>Owner &amp; Discretionary Add-Backs</b>				
Owner's W-2 Compensation	\$165,000	\$170,000	\$175,000	\$170,000
Owner Vehicle (personal use portion)	\$12,000	\$12,000	\$14,000	\$12,667
Owner Health Insurance Premium	\$18,000	\$18,000	\$22,000	\$19,333
One-Time Legal Expense (non-recurring)	\$0	\$15,000	\$0	\$5,000
Discretionary Travel & Entertainment	\$8,000	\$6,000	\$4,000	\$6,000
<b>Total Add-Backs</b>	<b>\$203,000</b>	<b>\$221,000</b>	<b>\$215,000</b>	<b>\$213,000</b>
<b>Adjusted SDE</b>	<b>\$488,000</b>	<b>\$531,000</b>	<b>\$553,000</b>	<b>\$524,000</b>
<i>SDE as % of Revenue</i>	14.3%	14.7%	14.5%	14.5%

APPENDIX B

## Transferability Scorecard

The scorecard below summarizes the transferability assessment across all evaluated dimensions. Ratings are assigned based on the degree to which each category supports a successful ownership transition without material risk of performance degradation. "Strong" indicates no significant preparation is required. "Adequate" indicates the category is acceptable but would benefit from targeted improvement. "Needs Attention" indicates a gap that should be addressed before entering the market.

Category	Rating	Key Finding	Recommended Action
<b>Owner Dependency</b>	<b>Needs Attention</b>	Owner is sole estimator for jobs >\$5K. Co-owner manages all financial operations with no backup or documentation.	Create written SOPs for estimating and financial workflows. Begin cross-training lead technicians on estimating within 90 days.
<b>Customer Concentration</b>	<b>Adequate</b>	Top 2 commercial accounts = ~18% of revenue. Both relationships are informal and owner-dependent.	Execute formal service agreements. Introduce secondary relationship contacts at each account.
<b>Workforce Stability</b>	<b>Adequate</b>	14 technicians, avg. 4.2-year tenure. Two lead techs are EPA Universal-certified. No employment or retention agreements.	Execute employment agreements with non-compete provisions. Implement retention incentives for key employees.
<b>Operational Systems</b>	<b>Needs Attention</b>	ServiceTitan in use for dispatch/scheduling (strong). No perpetual inventory tracking. Minimal written process documentation.	Document core operating procedures. Activate inventory tracking module in ServiceTitan.
<b>Physical Assets</b>	<b>Adequate</b>	Fleet of 8 vehicles (6 good, 2 due for replacement). Facility lease has 3 years remaining with renewal option.	Replace or refurbish 2 aging vehicles. Confirm lease assignability.
<b>Legal &amp; Compliance</b>	<b>Strong</b>	All licenses current. No pending litigation. Insurance reviewed annually and coverage is adequate.	Confirm assignability of all contracts, licenses, and leases. No material action required.
<b>Financial Documentation</b>	<b>Strong</b>	Tax returns professionally prepared and consistent with QuickBooks. Add-backs are clean and well-documented.	Engage pre-market Quality of Earnings review to validate and strengthen buyer confidence.

Category	Rating	Key Finding	Recommended Action
Earnings Quality	Strong	SDE growing at ~5.5% CAGR. Margins stable and improving. Revenue trajectory is consistent and organic.	No material action required. Continue current trajectory through the pre-market period.

---

APPENDIX C

## Engagement Terms & Scope

This Readiness and Position Assessment was prepared by Randy L. Browning, Independent Advisor for the exclusive use of Mark and Julie Dawson, owners of Horizon HVAC Services, and their designated professional advisors (legal counsel and CPA). The assessment is based on information and documentation provided by the owners, including federal tax returns, profit-and-loss statements, balance sheets, customer data, employee records, and verbal representations made during advisory interviews. Randy L. Browning, Independent Advisor has not independently audited, verified, or appraised the information provided, and this report should not be construed as a formal business appraisal, certified valuation, or fairness opinion under any professional standard of value.

The indicative value range presented herein is intended for internal planning and preparation purposes only and does not represent a guarantee of achievable transaction value. Actual transaction value will be determined by market conditions, buyer interest, deal structure, due diligence findings, and numerous other factors that are outside the scope of this engagement. This document is confidential and proprietary and may not be shared with, distributed to, or relied upon by any third party without the prior written consent of Randy L. Browning, Independent Advisor.

---

APPENDIX D

## Glossary of Key Terms

Term	Definition
<b>SDE (Seller's Discretionary Earnings)</b>	The total economic benefit available to a single owner-operator of a business, calculated by adding owner compensation, discretionary expenses, and non-recurring items back to reported net income. SDE is the standard earnings metric used to value small businesses with revenue typically under \$10 million.
<b>EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)</b>	A measure of operating profitability that excludes the effects of capital structure, tax environment, and non-cash accounting charges. EBITDA is more commonly used as the valuation basis for larger businesses or those being acquired by institutional buyers.
<b>Quality of Earnings (QofE)</b>	A financial analysis, typically conducted by an independent accounting firm, that evaluates the accuracy, sustainability, and composition of a company's reported earnings. A sell-side QofE is prepared by the seller in advance of a transaction to proactively address buyer due diligence questions.
<b>Multiple</b>	A valuation factor applied to an earnings metric (such as SDE or EBITDA) to estimate enterprise value. For example, an SDE of \$500,000 at a 3.0x multiple would imply a value of \$1,500,000. Multiples are influenced by company size, industry, growth, risk, and market conditions.
<b>Earnout</b>	A contingent payment mechanism in which a portion of the purchase price is paid to the seller after closing, based on the business achieving specified financial or operational targets during a defined post-close period. Earnouts are used to bridge valuation gaps between buyer and seller expectations.
<b>Seller Financing</b>	A deal structure in which the seller agrees to finance a portion of the purchase price by accepting a promissory note from the buyer, payable over a specified term with interest. Seller financing is common in small business transactions and typically represents 10% to 30% of the total purchase price.
<b>Confidential Information Memorandum (CIM)</b>	A comprehensive document prepared by the seller's advisor that presents the business to prospective buyers. The CIM includes the company's history, financial performance, customer and market analysis, competitive positioning, growth opportunities, and the investment thesis for acquisition. It is shared only with pre-qualified, vetted buyers under a non-disclosure agreement.
<b>LOI (Letter of Intent)</b>	A written, typically non-binding document submitted by a prospective buyer that outlines the proposed terms of a transaction, including purchase price, deal structure, due diligence timeline, and key conditions. An executed LOI generally triggers an exclusivity period during which the buyer conducts confirmatory due diligence.

Confidential — Horizon HVAC Services — Readiness & Position Assessment — Randy L. Browning, Independent Advisor — April 2026

This document is the property of Randy L. Browning and is intended solely for the use of the intended recipient(s). Unauthorized distribution is prohibited.