THE BUYER'S BRIEF

Pre-Close Operational Analysis

SAMPLE REPORT — FOR ILLUSTRATIVE PURPOSES ONLY

All company names, financials, and deal details are fictional.

DEAL SUMMARY

Field	Detail
Target Company	Cornerstone Facility Services, LLC
Business Type	Commercial Janitorial & Facility Maintenance
Location	Indianapolis, IN Metro
Owner	David Tanner (Sole Owner, S-Corp)
Founded	2007 (18 years operating history)
FY2024 Revenue	$2,780,000
FY2024 EBITDA	$308,000
Stated SDE (FY2024)	$448,000
Adjusted SDE (Buyer)	$437,000
Asking Price	$1,750,000
Asking Price Multiple	4.00x Adjusted SDE
Active Contracts	32 contracts | 87% renewal rate
Report Type	Buyer's Brief — Pre-Close Analysis
Prepared By	Harris Holdco LLC — Brief Suite

EXECUTIVE DASHBOARD — ANALYST RECOMMENDATION

ANALYST RECOMMENDATION

✓ PROCEED WITH CONDITIONS

Acquisition Score	Recommended Negotiation Range
68 out of 100	**$1,575,000 – $1,625,000** 3.61x – 3.72x Adjusted SDE Discount justified by owner concentration risk and deferred fleet CapEx of ~$62,000.

Acquisition Score Breakdown

Category	Score	Weight	Commentary
Revenue Quality & Contracts	**72/100**	25%	87% renewal rate; top-3 concentration moderate
Financial Performance	**74/100**	25%	Strong 3-yr growth; margins stable
Owner Dependency Risk	**52/100**	20%	David handles all 3 top clients + all sales
Staff & Operations	**70/100**	15%	Strong ops mgr; low turnover vs. industry
Asset Condition	**55/100**	15%	Two vans at high risk; ~$62K deferred CapEx
WEIGHTED TOTAL	**68/100**	**100%**	**Proceed with conditions**

Top 5 Risks

#	Risk	Severity	Mitigation Approach
1	Owner concentration: David manages all 3 top clients ($1.02M, 36.8% of revenue)	**HIGH**	Require 12-month transition; earn-out tied to retention
2	Fleet deferred maintenance: 2017 and 2018 vans at 118K–134K miles	**HIGH**	Negotiate $62K price reduction or seller-funded escrow
3	Sales dependency: No salesperson; all new business through David	**MEDIUM**	Hire BD rep in 90 days post-close; transition referral pipeline
4	Contract mix: 8 of 32 are month-to-month with no notice period	**MEDIUM**	Audit M-T-M accounts; attempt conversion to annual pre-LOI
5	Add-back quality: $24K non-recurring legal settlement in FY2024	**LOW**	Verify fully resolved; obtain legal confirmation before LOI

SECTION 1 — FINANCIAL ANALYSIS

Three-year financial performance for Cornerstone Facility Services. Revenue grew at ~14% CAGR (FY2022–2024). Gross margins held at 28.0% all three years. EBITDA expanded from $181K to $308K (+70%), reflecting strong operating leverage as fixed SG&A grew slower than revenue.

Three-Year Income Statement Summary

Line Item	FY2022	FY2023	FY2024
Revenue	$2,140,000	$2,460,000	$2,780,000
Direct Costs	$1,541,000	$1,771,000	$2,002,000
Gross Profit	**$599,000**	**$689,000**	**$778,000**
Gross Margin %	28.0%	28.0%	28.0%
Owner Compensation	$168,000	$168,000	$168,000
Other SG&A	$250,000	$278,000	$302,000
EBITDA	**$181,000**	**$243,000**	**$308,000**
EBITDA Margin %	8.5%	9.9%	11.1%
D&A	$48,000	$50,000	$52,000
Net Income	**$133,000**	**$193,000**	**$256,000**
Seller SDE	**$321,000**	**$383,000**	**$448,000**

Key Financial Ratios & Margins

Metric	FY2022	FY2023	FY2024
Revenue Growth YoY	—	+14.9%	+13.0%
Gross Margin	28.0%	28.0%	28.0%
EBITDA Margin	8.5%	9.9%	11.1%
SDE / Revenue	15.0%	15.6%	16.1%
Owner Comp / Revenue	7.9%	6.8%	6.0%

FY2024 SG&A Breakdown

Other SG&A of $302,000 (10.9% of revenue) breaks down as: Fleet & Fuel $84K, Insurance (GL+WC) $88K, Admin & Office $52K, Equipment Maintenance $32K, Miscellaneous $24K, Software $14K, Marketing $8K. Insurance and fleet together represent 57% of other SG&A — both reasonable for a service business of this type.

SECTION 2 — EARNINGS VERIFICATION & ADD-BACK REVIEW

This section verifies whether the reported SDE is genuinely repeatable and sustainable. Stated SDE of $448,000 is adjusted to $437,000 after reducing vehicle and meals add-backs to reflect operational reality.

FY2024 Add-Back Schedule

Add-Back Item	Stated	Buyer Adj.	Allowance	Status
Owner Salary Above Market Rate	$55,000	$0	$55,000	ACCEPTED — market rate ~$110–115K
Owner Benefits (Health, Dental)	$28,000	$0	$28,000	ACCEPTED — not required for buyer-owner
Personal Vehicle Allowance	$16,000	($7,000)	$9,000	PARTIAL — $7K retained as business use
Personal Travel & Meals	$9,000	($4,000)	$5,000	PARTIAL — $4K retained as client entertainment
Owner Life Insurance	$8,000	$0	$8,000	ACCEPTED — personal policy only
Non-Recurring Legal Settlement	$24,000	$0	$24,000	ACCEPTED PENDING — obtain legal confirmation
TOTAL ADD-BACKS	**$140,000**	**($11,000)**	**$129,000**	

SDE Reconciliation	Amount
FY2024 Net Income	$256,000
Add: D&A	$52,000
Add: Total Owner Add-Backs (Stated)	$140,000
Stated Seller SDE	**$448,000**
Less: Buyer Adjustments (vehicle + meals)	($11,000)
BUYER-ADJUSTED SDE	**$437,000**

Add-Back Quality Assessment

Add-back schedule is clean overall. Key flags: (1) The $24K legal settlement must be verified as fully closed before LOI — obtain written legal confirmation. (2) Vehicle and meals add-backs conservatively reduced by $11K combined to reflect operational costs any owner would incur. (3) Owner salary add-back is well-supported — market rate for a GM at this revenue level is $110K–$115K, making the $55K excess reasonable. Owner spends ~52 hrs/week in the business, with 32 hrs in client relationships and sales — significant transition risk.

SECTION 3 — INDUSTRY & MARKET CONTEXT

The commercial janitorial and facility maintenance industry is a stable, fragmented, recession-resistant sector with consistent demand driven by corporate leases, healthcare facility requirements, and industrial compliance standards.

Industry Overview

Industry Metric	Data Point
US Commercial Cleaning Market Size (2024)	~$117 billion
Projected Annual Growth Rate (2024–2029)	4.5–5.2% CAGR
Industry Fragmentation	Highly fragmented; 80%+ operated by independent SMBs
Average Employee Turnover Rate	65–80% annually
Cornerstone Turnover (Comparison)	28% — significantly below average
Typical EBITDA Margins (SMB)	8–14%
Cornerstone EBITDA Margin	11.1% — solid middle-to-upper range

Indianapolis Metro Market

The Indianapolis metro (~2.1M) has seen consistent commercial real estate growth driven by healthcare expansion, logistics, and a diversifying corporate base. Cornerstone's client mix — medical offices, logistics warehouses, and outpatient clinics — aligns with the fastest-growing segments. Healthcare-adjacent maintenance is a high-value niche: medical facilities require OSHA/HIPAA-informed cleaning standards, creating natural barriers to entry and pricing power.

Competitive Position

- **18-year operating history; strong brand recognition with institutional clients**
- Medical-grade cleaning capabilities differentiate from residential-focused competitors
- 28% annual staff turnover vs. 75% industry average — superior HR practices
- 87% contract renewal rate above the 75–80% industry norm for independent operators
- No customer acquisition cost structure — all growth through referrals and owner relationships

Buyer Opportunity Assessment

A buyer with operational management capability could add value by: (1) implementing a CRM and sales process to reduce owner dependency; (2) investing in fleet refresh; (3) pursuing medical facility certifications (ISSA, GBAC) to expand the healthcare niche; and (4) leveraging the strong ops team (Sarah Chen, Marcus Webb, James Okafor) to scale without proportional overhead increase.

SECTION 4 — OPERATIONAL RISK ASSESSMENT

Client Concentration Analysis

Client	Annual Revenue	% of Total	Contract Type	Risk Level
Meridian Office Holdings	$416,000	15.0%	Annual	HIGH
Parkview Logistics	$342,000	12.3%	Annual	HIGH
IndyMed Properties	$264,000	9.5%	Multi-Year	MEDIUM
Top 3 Combined	**$1,022,000**	**36.8%**	**Various**	**HIGH**
Remaining 29 Clients	$1,758,000	63.2%	Mixed	LOW-MED

Top-3 concentration at 36.8% is the single most significant risk. David manages all three personally — loss of all three would reduce FY2024 revenue from $2.78M to $1.76M. A structured earn-out tied to retention and a 12-month transition period are critical deal protections.

Key Personnel Assessment

Person	Role	Tenure	Owner-Dep.	Flight Risk
David Tanner	Owner (exiting)	18 yrs	CRITICAL	Seller — transition plan required
Sarah Chen	Operations Manager	8 yrs	HIGH	LOW — key retention priority
Angela Ross	Admin/Billing	4 yrs	MEDIUM	LOW — administrative role
Marcus Webb	Field Supervisor	6 yrs	LOW	LOW — strong tenure
James Okafor	Field Supervisor	3 yrs	LOW	MEDIUM — newer, growth-oriented

Fleet Assessment

Vehicle	Year	Mileage	Condition	Replacement Est.
Transit Van #1	2017	134,000	HIGH RISK	~$32,000
Transit Van #2	2018	118,000	HIGH RISK	~$30,000
Transit Van #3	2019	98,000	WATCH	Monitor 12 months
Transit Van #4	2020	76,000	GOOD	No action needed
Transit Van #5	2021	55,000	GOOD	No action needed
Transit Van #6	2022	34,000	GOOD	No action needed
DEFERRED CAPEX				**~$62,000 total**

SECTION 5 — VALUATION CONTEXT

Commercial janitorial businesses with $2M–$5M revenue typically trade at 2.5x–4.5x SDE. Cornerstone's asking price of $1,750,000 (4.00x adjusted SDE of $437,000) sits at the upper end. Our analysis supports fair value in the 3.6x–3.8x range, reflecting the premium for 18-year history, stable margins, and healthcare niche, partially offset by owner concentration.

Comparable Transaction Analysis

Transaction Type	Revenue Range	Typical Multiple	Notes
Owner-heavy, no systems	$1M–$3M	2.0x–2.8x SDE	Significant discount for dependency
Moderate systems, good retention	$2M–$5M	2.8x–3.5x SDE	Baseline range for this sector
Medical/specialized niche	$2M–$6M	3.5x–4.5x SDE	Premium for healthcare contracts
Cornerstone (Asking)	$2,780,000	4.00x Adj. SDE	Upper end; owner dep. a drag

Valuation Scenarios

Scenario	Multiple	SDE Basis	Implied Value
Conservative (full owner-dep. discount)	3.25x	$437,000	$1,420,000
Buyer Target (recommended)	**3.65x**	**$437,000**	**$1,595,000**
Walk-Away Point	3.72x	$437,000	$1,625,000
Seller Ask	**4.00x**	**$437,000**	**$1,750,000**

Deal Structure Recommendations

- Target purchase price: $1,575,000 – $1,625,000 after negotiation
- Seller note: Request 10–15% ($160K–$240K) in seller financing to align post-close incentives
- Earn-out: Structure $50K–$100K earn-out tied to Meridian + Parkview retention through Month 18
- Escrow: $62,000 fleet replacement escrow, released 90 days post-close upon proof of replacement
- Transition: 12-month consulting agreement with David Tanner at $8,000/month

SECTION 6 — ADDITIONAL DUE DILIGENCE ITEMS

The following items should be completed prior to closing, prioritized by risk impact and time sensitivity.

Priority 1 — Pre-LOI Verification

Item	Owner	Deadline
Obtain confirmation from counsel that FY2024 legal settlement is fully resolved	Buyer attorney	Before LOI signing
Request copies of top-3 client contracts (Meridian, Parkview, IndyMed)	Seller	Before LOI signing
Confirm month-to-month client list and obtain any written service agreements	Seller	Before LOI signing

Priority 2 — Due Diligence Period (30–60 Days)

Item	Owner	Deadline
3 years of business tax returns (2022, 2023, 2024)	Seller + CPA	Day 1 of DD
Bank statements — 24 months	Seller	Day 1 of DD
Fleet maintenance records and mechanical assessments for all 6 vans	Seller	Day 5 of DD
Employee list with compensation, tenure, and roles	Seller	Day 5 of DD
Workers' comp and general liability insurance history (3 years)	Seller	Day 10 of DD
SBA loan pre-approval (if financed)	Buyer + lender	Day 20 of DD

Priority 3 — Pre-Close Requirements

- Obtain client consent letters from Meridian, Parkview, and IndyMed per assignment clauses
- Finalize Sarah Chen retention agreement — recommend $15,000 retention bonus at Month 6
- Confirm all business licenses, permits, and compliance certificates transfer cleanly
- Verify no pending litigation or regulatory actions beyond disclosed FY2024 settlement

SECTION 7 — MATERIALS REVIEWED

The following materials were reviewed in the preparation of this Buyer's Brief. Harris Holdco LLC has not independently verified all information and relies on seller representations. Buyers should conduct independent verification during formal due diligence.

Financial Documents

- FY2022 Federal Business Tax Return (Form 1120-S)
- FY2023 Federal Business Tax Return (Form 1120-S)
- FY2024 Federal Business Tax Return (Form 1120-S)
- FY2022–FY2024 Profit & Loss Statements (QuickBooks export)
- FY2024 Balance Sheet
- Owner Add-Back Schedule (seller-prepared)

Operational Documents

- Client list with revenue breakdown (32 accounts)
- Sample service contracts (Meridian, Parkview, IndyMed)
- Employee roster with titles and tenure
- Fleet inventory list with vehicle year and mileage
- Business overview memo prepared by seller

Market & Industry Sources

- IBISWorld Commercial Cleaning Services Industry Report (2024)
- BizBuySell Sold Business Transaction Data — Janitorial/Commercial Cleaning (2022–2024)
- IndyChamber Commercial Real Estate Market Report (Q3 2024)
- ISSA — The Worldwide Cleaning Industry Association: Industry Benchmarks 2024

Disclaimer

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Our Services

Report	Who It's For	What It Covers
Buyer's Brief	Prospective buyers (pre-close)	Operational risk assessment, earnings review, valuation context, key-person risk, due diligence checklist
Seller's Brief	Business owners (pre-listing)	Value drivers, buyer risk flags, add-back analysis, pricing positioning, pre-sale action plan
Owner's Brief	New owners (post-LOI)	People risk map, client retention plan, 90-day priorities, systems gaps, operational quick wins

Buyer's Brief: 48–72 hours. Seller's Brief & Owner's Brief: 5 business days. Turnaround times assume timely receipt of all requested documents from the client.

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