HARRIS HOLDCO LLC
M&A Advisory | Brief Suite Services

THE SELLER'S BRIEF

Pre-Listing Value & Positioning 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
Owner / Seller	David Tanner (Sole Owner, S-Corp)
Business Type	Commercial Janitorial & Facility Maintenance
Location	Indianapolis, IN Metro
FY2024 Revenue	$2,780,000
FY2024 EBITDA	$308,000
Stated Seller SDE	$448,000
Asking Price	$1,750,000
Asking Multiple	4.00x Buyer-Adjusted SDE ($437,000)
Report Type	Seller's Brief — Pre-Listing Analysis
Prepared By	Harris Holdco LLC — Brief Suite

EXECUTIVE SUMMARY — SELLER'S ASSESSMENT

LISTING READINESS RATING

MARKET READY — WITH PREPARATION

Seller Readiness Score	Achievable Price	Time to List Readiness
72 out of 100	$1,600,000 – $1,750,000 Full asking price achievable with targeted pre-sale preparation.	90 – 120 Days Complete action plan items before engaging broker.

Cornerstone Facility Services is a fundamentally strong business with 18 years of operating history, consistent revenue growth, and an unusually stable workforce. David Tanner has built a real enterprise — one that generates meaningful cash flow and has genuine client relationships.

The business has significant owner concentration risk that sophisticated buyers will identify and use to negotiate price downward. Most of these risks are addressable in 60–90 days with intentional preparation.

Summary Assessment

Category	Current Status	Opportunity
Revenue Quality	Strong — 87% renewal rate	Document client satisfaction; get written multi-year renewals
Financial Documentation	Good — 3 years on file	Prepare clean QoE memo; CPA-certified add-backs
Owner Dependency	HIGH RISK — all top clients	Begin client introductions; empower Sarah Chen
Staff Stability	Strong — 28% turnover vs. 75% avg	Consider retention agreements for Sarah Chen
Fleet & Assets	Deferred CapEx ~$62,000	Replace 2017/2018 vans pre-sale or adjust price

SECTION 1 — VALUE DRIVERS

These are the elements that will command a premium with well-qualified buyers. David should proactively document and emphasize each in any buyer package or broker presentation.

Driver 1: Exceptional Employee Retention

Cornerstone's 28% annual employee turnover rate is dramatically below the commercial cleaning industry average of 65–80%. This is a meaningful competitive advantage: lower recruiting costs, better service continuity, and a more stable platform for a new owner. This statistic should be prominently featured in any CIM.

Driver 2: Medical-Grade Facility Expertise

Approximately 25.5% of revenue comes from healthcare and medical facility contracts requiring HIPAA protocol compliance and EPA cleaning standards. This expertise creates barriers to entry and justifies premium pricing. If Cornerstone holds any professional certifications (ISSA, GBAC STAR), document them prominently.

Driver 3: 18-Year Operating History & Brand Equity

A business with 18 years of uninterrupted operations in a single metro market has built real brand equity and word-of-mouth reputation. The 87% contract renewal rate is partly a function of this history — long-term clients trust the Cornerstone name.

Driver 4: Revenue Growth Trend

Year	Revenue	EBITDA	SDE
FY2022	$2,140,000	$181,000	$321,000
FY2023	$2,460,000 (+14.9%)	$243,000 (+34.3%)	$383,000 (+19.3%)
FY2024	$2,780,000 (+13.0%)	$308,000 (+26.7%)	$448,000 (+16.9%)
3-Yr CAGR	**+14.0% (Revenue)**	**+30.4% (EBITDA)**	**+18.1% (SDE)**

A 14% revenue CAGR significantly exceeds the industry average of 4–6% and signals to buyers that the business is actively growing. This trajectory supports the 4.0x SDE asking multiple.

Driver 5: Diversified Contract Base

32 active contracts across commercial offices, medical facilities, and logistics warehouses represent meaningful diversification. While top-3 concentration is a risk, the remaining 29 accounts (63.2% of revenue) are well-distributed across multiple sectors with no single segment dominating.

SECTION 2 — BUYER RISK FLAGS (WHAT BUYERS WILL FIND)

Every experienced buyer and their advisor will identify these issues during due diligence. Sellers who address these proactively retain price leverage. Sellers who allow buyers to uncover them cede negotiating power.

Risk Flag	How Buyers Will Use It	Seller Response Strategy
Owner manages all 3 top clients ($1.02M, 36.8%)	Request $150K–$200K price reduction or large earn-out	Begin warm introductions before LOI; position Sarah Chen as relationship co-owner
No formal sales function; all growth from David	Flag as single point of failure; argue growth not sustainable post-close	Document referral pipeline; introduce buyer to 2–3 referral sources
2 vans at 118K–134K miles ($62K deferred CapEx)	Demand $62K price reduction or seller-funded escrow	Replace vans pre-sale OR explicitly offer $50K buyer credit in negotiations
8 month-to-month contracts (no notice required)	Argue these are at-risk; reduce revenue quality assessment	Convert 3–5 to annual before listing; document client satisfaction
Non-recurring $24K legal settlement in FY2024	Question add-back validity; request full documentation	Obtain written legal confirmation of full resolution before listing

The single most important preparation step is beginning the client relationship transition for Meridian, Parkview, and IndyMed before any buyer conversation. Even informal introductions — "I'd like you to meet Sarah, your day-to-day contact going forward" — materially reduce concentration risk.

SECTION 3 — FINANCIAL POSITIONING

This section provides guidance on how to present Cornerstone's financial story to maximize buyer confidence and minimize price pressure during negotiations.

Three-Year Financial Summary

Metric	FY2022	FY2023	FY2024
Revenue	$2,140,000	$2,460,000	$2,780,000
Gross Margin	28.0%	28.0%	28.0%
EBITDA	$181,000	$243,000	$308,000
EBITDA Margin	8.5%	9.9%	11.1%
Seller SDE	**$321,000**	**$383,000**	**$448,000**

Narrative Positioning Points

- **Lead with the growth story: "Revenue up 30% over 3 years, EBITDA up 70% over the same period"**
- Emphasize margin consistency: "28.0% gross margins held constant — disciplined pricing and cost management"
- Highlight SDE growth: "Seller Discretionary Earnings grew 39.6% FY2022–FY2024, outpacing revenue growth"
- Frame EBITDA margin: "11.1% EBITDA margin is at the top of the 8–14% range typical for this sector"
- Address seasonality proactively: provide quarterly revenue breakdown to demonstrate stability

SDE Documentation Checklist

Add-Back Item	Amount	Required Documentation
Owner Salary Above Market	$55,000	W-2 showing total comp; market comp comparison
Owner Benefits	$28,000	Insurance premium statements or K-1 benefit schedule
Personal Vehicle	$16,000	Vehicle expense ledger; personal vs. business use log
Personal Travel & Meals	$9,000	Expense categorization from QuickBooks; receipts if requested
Owner Life Insurance	$8,000	Policy statement showing business as payor/beneficiary
Non-Recurring Legal Settlement	$24,000	Attorney letter confirming full resolution; settlement agreement
TOTAL	**$140,000**	**Organize in a single PDF package**

SECTION 4 — ADD-BACK ANALYSIS & DEFENSIBILITY

The quality of Cornerstone's SDE add-backs is central to defending the $1,750,000 asking price. This section analyzes each add-back from a buyer's perspective and provides coaching on how David should present each item.

Add-Back	Amount	Defensibility	Coaching Notes
Owner Salary Above Market	$55,000	STRONG	Market rate for GM in Indianapolis commercial cleaning is $110–115K. David's $168K is on W-2. Cite local job postings as comparables.
Owner Benefits	$28,000	STRONG	Family health, dental, and vision premiums run through the business are standard. Organize premium statements by month.
Personal Vehicle	$16,000	MODERATE	Expect $7–10K to be argued as legitimate business expense. Concede gracefully — it signals good faith without meaningful impact.
Personal Travel & Meals	$9,000	MODERATE	Expect $4–5K retained as normal entertainment. Prepare a breakdown separating personal vs. client-related expenses.
Owner Life Insurance	$8,000	STRONG	Whole or universal life with David as insured and business as payor is a standard add-back. Provide policy documentation.
Non-Recurring Legal Settlement	$24,000	CONDITIONAL	CRITICAL: Obtain a signed attorney letter confirming complete resolution. Without this, buyers will discount the full $24K.

Buyer-Adjusted SDE Scenario

Sophisticated buyers will negotiate some add-backs down. Here is a realistic negotiated outcome David should be prepared for:

Scenario	Add-Back Total	Adjusted SDE
Seller's Position (Full Add-Backs)	$140,000	$448,000
Realistic Buyer Negotiated Position	$129,000	$437,000
Dollar Difference	**$11,000**	**$44,000 price impact at 4.0x**

At a 4.0x multiple, an $11,000 SDE difference is a $44,000 price impact — within normal negotiating range. Do not make this a deal-breaker.

SECTION 5 — PRICING ASSESSMENT

This section provides a frank assessment of the $1,750,000 asking price relative to market comparables and transaction data for similar businesses.

Market Multiple Analysis

Buyer Type	Typical Range	Likelihood for Cornerstone
Individual SBA Buyer (first-time)	2.8x–3.5x SDE	Most common buyer; may struggle with 4x; needs strong story
Experienced Operator/Acquirer	3.5x–4.2x SDE	Best target buyer; understands owner-dep. as solvable
Janitorial/Facility PE Roll-Up	3.0x–4.5x EBITDA	Possible; values systems and contracts over SDE
Asking Price	**4.00x Adj. SDE**	**Achievable with right buyer — requires preparation**

Price Defense Strategies

- Anchor to 3-year SDE CAGR of 18.1% — growing businesses command growing multiples
- Emphasize healthcare niche premium: medical-grade cleaning trades at 15–20% above standard commercial
- Use staff retention data (28% vs. 75% industry norm) as a concrete differentiator
- Offer seller financing (10–15% seller note) to reduce buyer cash-at-close while maintaining price
- Negotiate transition length — 15–18 months vs. 12 months can be worth $25–50K in perceived value

Walk-Away Analysis

Scenario	Price	Net to Seller (est.)
Full Ask — All Conditions Met	$1,750,000	~$1,400,000 after tax/fees (estimate)
Negotiated — Realistic Close	$1,600,000	~$1,275,000 after tax/fees (estimate)
Distressed — No Preparation	$1,400,000	~$1,100,000 after tax/fees (estimate)
Value of Preparation	**+$350,000**	**~$300,000 net benefit**

The pre-sale preparation recommended in this report — if executed — is estimated to be worth $200,000–$350,000 in additional net proceeds.

SECTION 6 — PRE-SALE ACTION PLAN

The following 90-day action plan is sequenced by priority and dependency to maximize sale price, reduce deal risk, and compress time-to-close.

Phase 1 — Weeks 1–4: Documentation & Legal Clean-Up

Action Item	Owner	Impact
Obtain attorney letter confirming FY2024 legal settlement fully resolved	David + Attorney	HIGH — removes $24K add-back risk
Organize 3-year tax returns and P&Ls in clean PDF package	CPA/David	HIGH — speeds buyer DD
Create vehicle expense log separating personal from business use	David	MEDIUM — strengthens add-back
Compile complete contract list with client, start/renewal date, and amount	Angela Ross	HIGH — buyers require immediately

Phase 2 — Weeks 3–8: Client Relationship Transition

Action Item	Owner	Impact
Begin joint client calls with Sarah Chen for Meridian, Parkview, IndyMed	David + Sarah	CRITICAL — reduces concentration risk
Attempt conversion of 3–5 month-to-month clients to annual contracts	David + Sarah	MEDIUM — improves contract quality score
Collect 3–5 written client satisfaction letters or NPS testimonials	Sarah Chen	MEDIUM — supports price defense

Phase 3 — Weeks 6–12: Asset & Operations

Action Item	Owner	Impact
Obtain replacement quotes for 2017 and 2018 Ford Transit vans	David	HIGH — enables price negotiation clarity
Decision: Replace vans pre-sale OR offer explicit $50K buyer credit in listing	David	HIGH — eliminates ambiguity
Have Sarah Chen document key operational processes (scheduling, QC, onboarding)	Sarah Chen	MEDIUM — demonstrates operator independence

SECTION 7 — MATERIALS REVIEWED

The following materials were reviewed in preparation of this Seller's Brief. Harris Holdco LLC has not independently verified all information and relies on seller representations.

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, tenure, and compensation ranges
- Fleet inventory list with vehicle year and mileage
- Business overview memo prepared by seller

Market & Industry References

- IBISWorld Commercial Cleaning Services Industry Report (2024)
- BizBuySell Sold Business Transaction Data — Janitorial/Commercial Cleaning (2022–2024)
- ISSA — The Worldwide Cleaning Industry Association: Industry Benchmarks 2024
- Indianapolis Metro Commercial Real Estate Trends — Q4 2024

Disclaimer

ABOUT HARRIS HOLDCO — BRIEF SUITE

Harris Holdco LLC provides independent deal analysis services to small business buyers, sellers, and advisors through its Brief Suite product line. Our Seller's Brief gives business owners a frank, advisor-level assessment of their sale readiness, value positioning, and action plan — before engaging a broker or fielding buyer conversations.

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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