

Automated Business Value Estimate

Keystone Heating & Air

HVAC / Plumbing / Electrical · 12 years in business · \$1,848,000 annual revenue

AUTOMATED ESTIMATE RANGE

\$916,000 – \$1,075,000

Midpoint of range: \$996,000

This is not a valuation, a calculation of value, or an opinion of value. It is an automated computation produced by software from figures you entered yourself. No analyst has been engaged, has reviewed your inputs, or has exercised judgement on the facts of your business, and there is no engagement. The procedures behind this number are far narrower than a valuation engagement requires; had one been performed the result could differ materially, in either direction, from the figure above. It must not be used for financing, legal, tax, litigation, estate, partner-buyout, or transaction purposes. See "Important Caveats" on the final page.

HOW THIS WAS CALCULATED

Basis	Seller's Discretionary Earnings (SDE) multiple
Estimated SDE	\$421,200
Benchmark multiple range	1.6x – 2.9x
Multiple applied to your business	2.36x
Closed sales behind this benchmark	676

Methodology & Business Quality Score

Small businesses are most commonly valued as a multiple of Seller's Discretionary Earnings (SDE). We estimated your SDE from the figures you provided. We then applied a multiple within the typical benchmark range for HVAC / Plumbing / Electrical businesses. Where your business lands in that range depends on the quality factors below.

EARNINGS RECONSTRUCTION	
Net income / pre-tax profit	\$213,400
+ Owner's compensation	\$118,000
+ Owner perks / personal expenses	\$26,500
+ Interest expense	\$9,200
+ Depreciation & amortization	\$41,800
+ One-time / non-recurring expenses	\$12,300
= Seller's Discretionary Earnings (SDE)	\$421,200

BUSINESS QUALITY FACTORS	SCORE
Owner Dependence — business depends on you	2 / 22
Customer Concentration — medium	11 / 20
Revenue Trend — growing	18 / 18
Recurring Revenue — medium	8 / 16
Time in Business — 12 years	12 / 12
Earnings per Employee — \$35,000 per employee	9 / 12
Total Quality Score	60 / 100

Value Strengths

- Long operating history (12+ years) reduces buyer risk.
- Growing revenue trend supports a higher multiple.

Risk Factors

- Heavy owner dependence typically reduces value and limits the buyer pool to owner-operators.

Balance Sheet Position

The value range on page 1 is a **debt-free** figure — what the business itself is worth before any loans against it. The figures below show your book position and what that range could mean for you personally once long-term debt is settled.

BOOK POSITION	
Current assets	\$268,400
Long-term / fixed assets	\$412,700
Total assets	\$681,100
Current liabilities	\$143,900
Long-term liabilities	\$227,500
Total liabilities	\$371,400
= Book owner's equity	\$309,700
LIQUIDITY	
Net working capital (current assets – current liabilities)	\$124,500
INDICATIVE PROCEEDS TO OWNER	
Estimated business value (midpoint, debt-free)	\$996,000
Less: long-term debt to be repaid	-\$227,500
= Indicative range to owner	\$689,000 – \$848,000

What This Says

- Net working capital is positive, which supports the business carrying its own short-term obligations — something buyers and lenders look for.
- The earnings-based estimate exceeds book equity, which is typical for a healthy operating business — the value is in the earnings, not just the assets.
- Debt of \$227,500 would typically be settled at closing, which is why the range to you differs from the business value on page 1.

How to Increase What Your Business Is Worth

Your estimate reflects the business as it is today. Most of what determines the multiple is within your control, and owners who work on these deliberately for a year or two before selling routinely land at a materially higher number.

THE SIZE OF THE OPPORTUNITY

Your earnings of **\$421,200** currently support a multiple of **2.4x**. At the top of the benchmark range for HVAC / Plumbing / Electrical businesses (**2.9x**), those same earnings would support roughly **\$1,213,000** — about **\$217,000** more than today's midpoint estimate, without earning an extra dollar of profit.

1 Make the business run without you

This is usually the single biggest driver of value in a small business. If the owner is the business, the buyer pool shrinks to owner-operators and lenders get nervous.

What to do: Write down how the work actually gets done, hand your top three recurring responsibilities to someone else, and build toward a manager who can run day-to-day operations.

2 Pay down long-term debt

Debt doesn't change what the business is worth — it changes what you keep. It comes off the top at closing.

What to do: Every dollar of the \$227,500 currently owed is roughly a dollar less in your pocket. Paying it down is one of the few levers that improves your proceeds without changing operations.

3 Clean up the books and document add-backs

Add-backs you can't prove get removed by a buyer, and every removed dollar comes straight off the price — multiplied.

What to do: Keep personal expenses out of the business going forward, and keep records for any legitimate one-time or owner-benefit costs so they survive scrutiny.

4 Make sure your contracts and lease transfer

A buyer is purchasing your customer relationships, your location, and your licenses. Anything that doesn't legally carry over is value that evaporates at closing.

What to do: Check whether your lease is assignable and on reasonable remaining terms, get key customer relationships onto written agreements, and confirm licenses and permits can transfer to a new owner.

5 Retain your key people

If one or two employees hold the relationships or technical knowledge, a buyer worries they'll leave right after the sale — and prices that risk in.

What to do: Identify who the business genuinely depends on and give them a reason to stay through a transition, whether that's a retention agreement, a stay bonus, or simply a clear conversation.

6 Tighten your financial reporting

Buyers and lenders move faster and negotiate less when the numbers are clean and arrive on time. Messy books create doubt about everything else.

What to do: Close the books monthly rather than scrambling at year end, keep business and personal accounts fully separate, and consider reviewed or compiled statements as you get closer to a sale.

7 Write down how the work gets done

Documented processes make the business transferable, which widens the buyer pool and shortens the handover the buyer has to plan for.

What to do: Start with the handful of processes that would cause the most damage if done wrong — pricing, quoting, key vendor relationships, and how a new customer is onboarded.

8 Grow earnings — every dollar is multiplied

Value here is a multiple of earnings, so improvements to profit don't add to value one-for-one — they add several times over.

What to do: At your current multiple of 2.4x, roughly every additional \$10,000 of annual owner earnings adds about \$24,000 to the estimated value. Price increases and dropping unprofitable work are usually the fastest routes.

This is a high-level starting point based only on the figures you entered. A full valuation engagement quantifies each of these for your specific business — what the change is worth in dollars, how long it takes, and the order to tackle them in.

Important Caveats

- **This is a self-reported, automated estimate** — not an appraisal, opinion of value, or certified business valuation. No analyst has reviewed your financials, industry, or deal-specific facts.
- **It relies entirely on the numbers you entered.** We have not verified your revenue, earnings, or add-backs against tax returns, financial statements, or other records.
- **It does not account for** real estate, deal structure, buyer type, financing availability, local market conditions, the capital spending needed to replace worn equipment, entity type or the tax position that follows from it, or industry-specific nuances. Depreciation is added back in full, which flatters capital-intensive businesses whose equipment genuinely has to be replaced.
- **The multiple ranges are drawn from BIZCOMPS closed-transaction data** and represent the middle 50% of recorded sales in each industry. They are national figures, not specific to your local market, your size band, or the current year, and they have not been matched to businesses genuinely comparable to yours. Half of all recorded sales fall outside the range used. Sample depth varies considerably by industry.
- **This estimate should not be used** for financing, tax planning, litigation, estate planning, partner or divorce buyouts, SBA lending, or any transaction. Those situations require a formal valuation or certified appraisal.
- **Actual sale price is ultimately set by the market** — a willing buyer and seller — and can differ meaningfully from any pre-market estimate.

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