

AUTOMATED BUSINESS VALUE ESTIMATE

Three Rivers Landscape Co.

Landscaping / Lawn Care · 9 years in business · \$1,250,000 annual revenue

ESTIMATED VALUATION RANGE

\$511,000 – \$600,000

Midpoint of range: \$556,000

The information below represents the inputs used to calculate the range of value based on the figures provided. The computation of value could differ materially from a full valuation. No analyst has been engaged or exercised judgement on the informational inputs used to generate the automated computation.

INFORMATIONAL INPUTS USED	
Basis	Seller's Discretionary Earnings (SDE) multiple
Estimated SDE	\$261,000
Benchmark multiple range (based on SIC code for your industry)	1.4x – 2.4x
Multiple applied to your business	2.13x
Closed sales this benchmark is based on	541

Methodology & Business Quality Score

Businesses under \$5 million in annual sales are generally 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 Landscaping / Lawn Care businesses. Where your business lands in that range depends on the quality factors below.

EARNINGS RECONSTRUCTION	
Net income / pre-tax profit	\$95,000
+ Owner's compensation	\$110,000
+ Owner perks / personal expenses	\$18,000
+ Interest expense	\$6,000
+ Depreciation & amortization	\$22,000
+ One-time / non-recurring expenses	\$10,000
= Seller's Discretionary Earnings (SDE)	\$261,000

The following non-revenue factors also contribute to the overall valuation of your business.

BUSINESS QUALITY FACTORS	SCORE
Owner Dependence — partly transferable	12 / 22
Customer Concentration — low	20 / 20
Revenue Trend — growing	18 / 18
Recurring Revenue — medium	8 / 16
Time in Business — 9 years	9 / 12
Earnings per Employee — \$19,000 per employee	6 / 12
Total Quality Score	73 / 100

Value Strengths

- Growing revenue trend supports a higher multiple.
- Diversified customer base lowers risk of revenue loss after a sale.

Risk Factors

- No major red flags identified from the inputs provided — a full review may still surface items.

Balance Sheet Position

The value range on page 1 is a **debt-free** figure — the estimated value of the business before outstanding loans or other long-term debt. The figures below show the business's financial position and the potential impact of this value range on your personal financial position after long-term debt has been settled.

ASSETS & DEBTS ON THE BOOKS	
Current assets	\$180,000
Long-term / fixed assets	\$220,000
Total assets	\$400,000
Current liabilities	\$90,000
Long-term liabilities	\$140,000
Total liabilities	\$230,000
= What's left for the owner (book value)	\$170,000
LIQUIDITY	
Net working capital (current assets – current liabilities)	\$90,000
WHAT YOU'D LIKELY WALK AWAY WITH	
Estimated business value (debt-free)	\$556,000
Less: long-term debt to be repaid	–\$140,000
= Your estimated range	\$371,000 – \$460,000

What This Says

- Net working capital is positive, which supports the business carrying its own short-term obligations — an attractive feature for buyers and lenders.
- The earnings-based estimate exceeds the business's book value, which is typical for a healthy operating business — the value is in the earnings, not just the assets.
- Debt of \$140,000 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. With one to three years before a sale, you have enough time for both kinds of improvement: the operating changes that lift the multiple, and the preparation that stops a buyer chipping away at the price. The list below is ordered accordingly.

THE SIZE OF THE OPPORTUNITY

Your earnings of **\$261,000** currently support a multiple of **2.1x**. At the top of the benchmark range for Landscaping / Lawn Care businesses (**2.4x**), those same earnings would support roughly **\$629,000** — about **\$73,000** more than today's midpoint estimate, without earning an extra dollar of profit.

1 Increase Earnings to Multiply Business Value

Business value is typically calculated by multiplying earnings by a valuation multiple. That means every additional dollar of sustainable profit can increase your business's value by several dollars, not just one.

What to do: At your 2.1x valuation multiple, every additional \$10,000 in sustainable annual owner earnings could add approximately \$21,000 to your business's estimated value. Reviewing pricing and eliminating unprofitable work are often two of the quickest ways to improve profitability.

2 Reduce Long-Term Debt

Debt doesn't necessarily reduce your business's value, but it does reduce the amount you take home when you sell. The \$140,000 in long-term debt will generally need to be repaid as part of the transaction, reducing your net proceeds. Paying down debt before the sale can help you retain more of the value you've built.

What to do: Every dollar of debt you pay down before the sale can increase your net proceeds at closing. It's one of the simplest ways to improve your financial outcome without changing how the business operates.

3 Back Up Every Add-Back With Evidence

You've added back \$28,000 in personal and one-time expenses to calculate adjusted earnings—costs a new owner may not incur. To support those adjustments, you'll need documentation for every dollar. Any add-backs a buyer cannot verify may be excluded from adjusted earnings, potentially reducing the sale price.

What to do: Keep personal expenses separate from the business going forward. Maintain a file documenting each potential add-back, including receipts or invoices for personal expenses and a brief explanation of each one-time cost and why it is unlikely to recur. Building this documentation as you go is simple; reconstructing it years later during a sale can be difficult and costly.

4 Go from "can step away for a few weeks" to "runs without me"

You've already done the hardest part, but buyers see a clear difference between a business that can run while its owner is away and one with a manager who leads day-to-day operations. Making that shift positions your business as an investment rather than a job, opening the door to a broader pool of buyers.

What to do: Identify an important role you have not handed over, perhaps sales, pricing, or the management of a key customer relationship. After training, gradually hand the task or relationship to a named person with the authority to decide. Remain involved in the beginning before slowly extricating yourself from the role.

5 Reduce Key-Person Risk Through Cross-Training

Some hard-to-fill roles are normal and manageable. The risk to value arises when a buyer uncovers them during due diligence without a clear understanding of the impact or a plan to address it.

What to do: Identify the two or three roles that would be hardest to replace quickly, and train someone else to provide backup coverage for each. Document the key responsibilities and processes involved so critical knowledge stays within the business rather than resting with a single employee.

6 Increase Recurring Revenue Beyond 40%

With 10–40% of your revenue coming from repeat business, you already have a solid foundation. Growing that share beyond 40% can make recurring revenue a defining strength of your business, giving buyers greater confidence in future earnings and a stronger reason to pay a premium.

What to do: Identify the services customers repeatedly purchase and turn them into a packaged plan. Make the plan your standard offering, not an optional upgrade.

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 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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