Valuation of: Tri-Star Example Co
Prepared for: Dolly P. Starr
Date: 6/1/2025

Executive Summary

Average EBITDA	**$1,739,210**
Base Case Valuation	**$6,435,076**
High Valuation:	**$7,826,443**
Low Valuation:	**$2,956,656**

The base case valuation for Tri-Star Example Co. is **$6,435,076**, based on an average adjusted EBITDA of **$1,739,210** and a multiple of **3.7x**. This multiple was selected from a set of comparable transactions with EBITDA multiples ranging from **1.7x to 4.5x**. Given Tri-Star's high revenue and strong margins, it can likely command a price on the higher end of the range. However, without better systems for sales and growth, it may not sell at the highest end of the range.

Valuations Summary
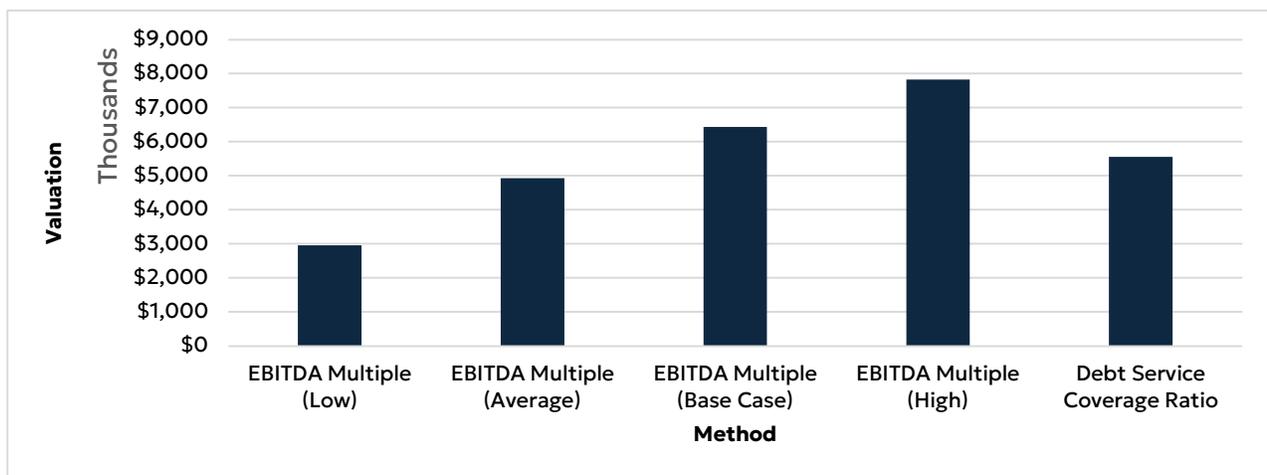
Areas of Opportunity

To increase the business' valuation, consider focusing on:

•**Sales and Marketing Systems:** Tri-Star's revenue has grown organically, with limited investment in proactive business development. Implementing structured sales processes, a CRM system, and targeted marketing campaigns could drive top-line growth and demonstrate scalability to buyers—supporting a higher multiple.

•**Management Team**. Currently reliant on owner oversight, the business would benefit from building a stronger second-tier leadership team. Hiring or promoting a general manager and documenting key processes can reduce transition risk and appeal to strategic buyers seeking turnkey operations.

Comparables

Summary

	Multiple	Notes
Recommended Multiple	3.7x	Recommend 3.7x. Tri-Star Example Co is closer in revenue size to comparible with a higher multiple, but current processes and systems need improvement.
High Multiple	4.5x	
Average Multiple	2.8x	
Low Multiple	1.7x	

Transactions

Description	Sale Date	State	Revenue	EBITDA	Sale Price	EBITDA Multiple
Example Comp 1	1/15/2024	TN	6,500,000	1,450,000	5,075,000	2.3x
Example Comp 2	6/10/2023	GA	7,200,000	1,600,000	5,440,000	4.5x
Example Comp 3	3/22/2022	NC	5,800,000	1,350,000	4,590,000	1.7x

LEGACY
ENTREPRENEURS

EBITDA Multiple Method

The EBITDA multiple method estimates a business's value by applying a market-based multiple to its average adjusted EBITDA. This approach is commonly used in small business valuations because it focuses on core operating performance while excluding non-cash and non-recurring items. It is especially appropriate for small businesses with steady earnings, clean financials, and limited debt, as it reflects what a buyer is likely to pay based on comparable transactions in the market. The method is straightforward, aligns with how lenders and buyers assess value, and helps account for both profitability and risk.

Base Case		Notes
Base Case Valuation	$6,435,076	
Average EBITDA	$1,739,210	
Recommended Multiple	3.7x	Recommend 3.7x. Tri-Star Example Co is closer in revenue size to comparible with a higher multiple, but current processes and systems need improvement.

Multiples from Comps	
High Multiple	4.5x
Average Multiple	2.8x
Low Multiple	1.7x

Valuation Range	
Implied High Valuation	$7,826,443
Implied Average Valuation	$4,927,761
Implied Low Valuation	$2,956,656

Financial Summary	2020	2021	2022	2023	2024
Revenue	5,900,000	6,250,000	6,800,000	7,400,000	8,200,000
Expenses	4,425,092	4,659,857	5,253,601	5,880,268	6,768,796
Net Income	1,474,908	1,590,143	1,546,399	1,519,732	1,431,204
Add Backs	237,498	262,727	276,324	166,023	191,090
EBITDA	$1,712,406	$1,852,870	$1,822,723	$1,685,755	$1,622,294

LEGACY
ENTREPRENEURS

Debt Service Coverage Ratio

The DSCR method estimates a business's value based on the maximum loan amount it can support, assuming standard lending terms. By using historical net income and applying a target DSCR—typically 1.5x—we calculate the size of a loan a lender would be comfortable underwriting. This loan amount is then used as a proxy for the maximum price a buyer using bank financing could reasonably pay.

For small businesses, where a buyer's use of a loan is likely, this is a practical valuation method. It reflects real-world deal structure and buyer constraints, grounding the valuation in what the business can afford to service through its cash flow.

Summary

Average Tax Return:	**$1,353,298**
Maximum Loan Amount:	**$4,994,959**
Valuation:	**$5,549,954**

Tax Returns

Year	Return	Notes
2020	1,310,401	
2021	1,460,616	
2022	1,414,634	
2023	1,357,962	
2024	1,222,875	
Average	**$1,353,298**	

DSCR Valuation

Net Income	$1,353,298
DSCR	1.5x
Lender Interest Rate	12.5%
Loan Terms (Years)	10
Buyer Equity % Down	10%
Max Annual Debt Service	$902,198
Loan Payment Factor	$0.18
Maximum Loan Amount	$4,994,959.03
Valuation (Max Price)	$5,549,954.47

Additional Notes and Comments

Assumptions, Disclaimer and Limitations

This valuation report is based on financial and operational information provided by the client and assumes its accuracy and completeness as of the valuation date. The conclusions reflect fair market value under current market conditions and are intended as a valuation estimate, not a definitive statement of worth. This report does not constitute legal, tax, or investment advice, and the client is encouraged to consult appropriate professionals for such matters.

Valuation Methods Used

For this valuation, we relied on three practical and widely accepted methods: EBITDA multiples, comparable company analysis (comps), and the debt service coverage ratio (DSCR). These methods are particularly well-suited to small businesses and reflect how real-world buyers, especially those using financing, evaluate a business.

EBITDA Multiple: EBITDA provides a clear picture of the business's core operating performance, excluding one-time, non-cash, or owner-specific expenses. Applying a market-based multiple to this figure helps estimate what a buyer would pay for the business based on its ability to generate consistent earnings.

Comparable Company Analysis (Comps): Reviewing recent transactions of similar-sized businesses in the same or adjacent industries provides valuable context. This ensures the selected EBITDA multiple reflects actual market behavior and aligns the valuation with buyer expectations.

DSCR Method: This approach estimates the maximum price a buyer could pay based on how much debt the business's cash flow can support under typical lending terms. It grounds the valuation in lender realities and is especially useful when buyer financing is a key part of the deal structure.

Together, these methods provide a balanced and market-driven valuation that reflects both profitability and practical deal considerations for small business buyers.

LEGACY
ENTREPRENEURS