



**Business Opinion of Value for : Tri-Star Example Co**

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## Executive Summary

**Average Discretionary Earnings \$2,306,000**

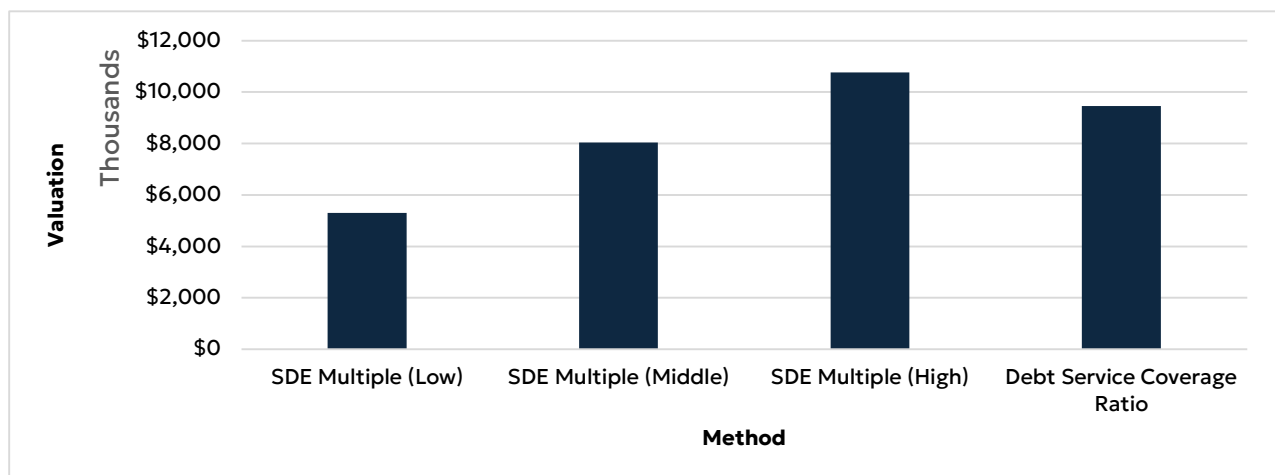
**High Value: \$10,769,020**

**Middle Value: \$8,036,410**

**Low Value: \$5,303,800**

A possible market price for Tri-Star Example Co is \$8,036,410 based on Seller's Discretionary Earnings of \$2,306,000 and a multiple of 3.5x. This price assumes that Tri-Star Example Co, is an average performer in the distribution and warehousing industry. Recent transactions of logistics businesses of a similar revenue size ranged from 2.3x to 4.7x of discretionary earnings.

## Value Range Summary



## Areas of Opportunity

To increase the business' value, consider focusing on:

**Owner Involvement Limits Scalability:** The owner currently manages day-to-day operations, client relationships, and key decisions. Transitioning some of these responsibilities to staff or a general manager could increase the business's appeal to buyers and improve long-term scalability.

**Financials Not Optimized for Sale:** While the business is profitable, financial records may include personal or discretionary expenses (e.g., vehicle use, travel, meals) that obscure true cash flow. Cleaning up the financials and preparing add-backs could significantly improve perceived value in the eyes of potential buyers.

# Additional Notes and Comments

## Assumptions, Disclaimer and Limitations

This business opinion of value 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

This valuation uses two practical methods suited to small business owners exploring a potential sale: a multiple of Seller's Discretionary Earnings (SDE) and the Debt Service Coverage Ratio (DSCR) method. These approaches are grounded in how real-world buyers—especially individual operators and those using SBA financing—evaluate small businesses.

### **Seller's Discretionary Earnings (SDE):**

SDE estimates the total financial benefit a full-time owner-operator receives from the business. It starts with net income and adds back owner compensation, benefits, and other discretionary or non-recurring expenses—based on details provided by the seller. This gives a clearer picture of the business's earning potential to a typical buyer.

### **SDE Multiple:**

The multiple applied to SDE is based on a common multiple range for small businesses. It reflects how similar businesses are priced and sold in today's market and helps set a fair and achievable valuation.

### **DSCR Method:**

The DSCR method estimates the maximum purchase price a buyer could support using typical financing terms. It calculates how much debt the business's cash flow can sustain, ensuring the valuation is grounded in lending realities. This method is especially relevant for SBA-funded buyers, where debt repayment capacity is a primary constraint.

Together, these methods provide a realistic and market-informed estimate of your business's value—designed to guide your planning, whether you're exploring next steps or preparing for a future sale.