EXIT-READY · FIELD GUIDE

What Your Business Is Worth

The eight things a buyer actually pays for, why owners guess two to three times too high, and whether you own an asset or a well-paid job that ends the day you stop, selling or not.

1.65× → 3.5×

WHAT INDEPENDENCE PAYS

The Main Street Operator

$24

HOW TO USE THIS

This is a field guide plus a qualitative value-driver scorecard you fill by hand, not a valuation you calculate.

- **Read your business the way a buyer does.** Work the eight drivers below, and on each one find where you sit between what a buyer marks down and what a buyer pays up for.
- **Fill the included value-driver scorecard by hand.** Mark each driver weak, building, or strong, and circle the weakest. There is no score to add and no multiple to apply.
- **The actual sale-price number is the free Keystone diagnostic.** This teaches the drivers and hands you the scorecard; it does not compute your number. The free Keystone diagnostic does that in about four minutes at app.trykeystone.io.

THE SHORT VERSION

On identical earnings, the market pays about 1.65 times when a business needs its owner and about 3.5 times when it does not, a published range and not your number. Eight drivers decide where you land, and the one that moves it most is the one owners most often miss.

Most owners price their business at two to three times what a buyer will actually pay. The gap is not greed: you count the last twenty years, and the buyer counts one thing, how much of this runs without you.

Underneath the number sits a quieter one: after twenty years, do you own an asset or a well-paid job that ends the day you stop. You can run a business a long time and never learn which one you built.

The gap costs more than a bruised ego. An owner who believes the business is worth $1,400,000 when the market will pay $600,000 plans a retirement that is not there, turns down a fair offer, or lists high and sells for less after eighteen months on the market.

The fix is not a better opinion of your business. It is learning to read it the way the person writing the check reads it.

8	2 to 3x	14	$555K
drivers a buyer actually pays for	what owners typically overguess	days away that test if it runs without you	illustrative swing on $300K SDE, published range

That is the weight this guide lifts: not knowing what you have actually built. It gives you the eight things a buyer pays for, how each one moves the price, and a plain self-read to see your business the way a buyer sees it.

It does not compute your number. It teaches you to read the number, then shows you where to get the real one free.

Why the guess comes in high

Owners overguess for four honest reasons, and none is vanity.

The first is effort. You price the twenty years and the late nights, and a buyer prices none of it, because they are buying the next ten years, not the last twenty.

The second is revenue. Owners anchor on the top line (we did $2,000,000) while the buyer anchors on transferable profit, which is often a small fraction of it.

The third is the salary you do not pay yourself on paper. If the business could not replace you without hiring a $110,000 manager, then $110,000 of what looks like profit is really your wage, and it comes out before any multiple applies.

The fourth is the headline comparison. You heard a competitor sold for a big number, but you did not see their systems, their manager bench, or their clean books.

Correcting these four is most of the distance between the guess and the offer.

What a buyer is actually buying

A buyer is not paying for your past. They are paying for the cash the business throws off next year and the year after, once you are gone.

Every dollar of that future cash carries one question: does it depend on the owner being in the building. A dollar that arrives whether or not you show up is worth far more than a dollar that needs your hands on it.

It is why two businesses with the same revenue can sell more than twice apart: near 1.65 times earnings against near 3.5, a published market spread and not your number.

Revenue is not the asset. Transferable profit is the asset, and transferability is the whole game.

Across all eight drivers below, the buyer is asking one thing: take the owner out, and how much of this survives.

SDE: the number under the number

Before you can read a multiple you have to read the number it multiplies. For most small businesses that number is SDE, Seller's Discretionary Earnings: the total financial benefit one full-time owner takes out of the business in a year.

It is a public, standard measure that every broker and buyer uses. It answers the real question, which is not what the tax return shows but how much money this business actually puts in one owner's pocket.

You build SDE from the bottom line up. Start with net profit on the tax return, then add back the parts that are really owner benefit or one-time noise: the owner's salary, the owner's perks (the truck, the phone, the health plan), non-cash items like depreciation, and one-time costs that will not repeat (last year's lawsuit, the new roof).

A business showing $90,000 of net profit can carry $260,000 of SDE once a $110,000 owner salary and $60,000 of add-backs go back in.

$90K	+ $110K	+ $60K	$260K
net profit on the tax return	owner salary added back	perks, depreciation, one-time costs	SDE, an illustrative build

Two cautions come with the add-backs, and a buyer will hold you to both. Every add-back has to be real and documented, because a buyer's accountant tests each one and throws out the ones you cannot prove.

An add-back a new owner will still have to spend (a manager's pay you cannot cut, equipment that wears out) is not a real add-back at all. Padding SDE with soft numbers is the fastest way to lose a buyer's trust and the deal.

Bigger businesses get measured on EBITDA instead, which leaves the owner's salary as a cost because those companies already run on hired managers. For an owner-operated business under a few million in revenue, SDE is the honest measure, because the owner's pay and perks are a real part of what the buyer is acquiring.

Know which number your business will be judged on. The smaller and more owner-run it is, the more SDE is the one that matters.

How the number gets made (and why the eight drivers move it so far)

Small businesses are generally priced as SDE times a multiple. The SDE is the earnings; the multiple is the market's read on how risky and how transferable those earnings are.

Safe, transferable earnings earn a higher multiple. Earnings that walk out the door when the owner does earn a low one, and the eight drivers below are what push that multiple up or down.

Here is the spread the public data reports. Across a decade of BizBuySell Insight Reports and IBBA Market Pulse, calibrated against roughly 1.6 million SBA 7(a) loan records, businesses that lean heavily on the owner commonly change hands near 1.65 times SDE, and businesses that run without the owner commonly trade near 3.5 times.

That is a published market range, not a valuation of your business. It is a confidence layer, a picture of where deals land in general, and it never sets one specific company's price on its own.

Put a dollar figure on that spread to see the stakes. Take a business with $300,000 of SDE, purely as a round illustration and not a claim about yours.

At 1.65 times that is about $495,000, and at 3.5 times it is about $1,050,000. The distance between those two numbers is roughly $555,000, and the eight drivers are how that gap gets closed.

Do not take those multiples to your own business and multiply. The multiple that fits a specific company is set by all eight drivers together, by its industry and size, and by details a single range cannot capture, which is exactly why a real number takes a real diagnostic and, at sale, a licensed broker.

Read the range as proof of how much the drivers move the price, then get your actual number where the math is done properly. The point here is direction, not arithmetic.

> *The work that takes you out of the business is the same work that raises what a buyer will pay for it. One effort, two payoffs.*

The eight things a buyer pays for

Eight drivers set the multiple, and they are not weighted equally. Owner dependence sits on top because it drives most of the spread between 1.65 and 3.5 times.

Read each one the way a buyer does, then note the move that raises it. None of these needs the owner replaced overnight, and each moves with a quarter of steady work.

1. Owner dependence (the biggest lever)

How a buyer reads it. They ask one question and watch your face: could you leave for fourteen days, phone off, and come back to a business that lost no money, no customer, and no momentum. Most owners cannot last two days, and a business that needs you gets priced as a job with your name on the door, near the bottom of the range.

How to move it. For one week, write one line every time the team needs you for a decision. Sort each into a standing rule (under $300, just approve), a process to document, or a real owner-only call, then hand off the rules and write the processes.

The owner-only pile is the only thing that should still reach you. Three handoffs a month is a different business in a year.

The owner-light tie-in. This driver is most of the distance between 1.65 and 3.5 times SDE. Every hour you take out of the business pays you twice, your Tuesday afternoon back now and a higher multiple later.

It is the one place where the freedom you want and the price you want are the exact same work.

> **DO THIS TONIGHT**
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> Start the one-week read. Put a sheet on your desk or a note on your phone, and for the next five business days write one line every time someone needs you to decide something. You are not fixing anything yet, you are finding the three interruptions that, handed off, take you off the bottom of the multiple.

2. Recurring, repeatable revenue

How a buyer reads it. A dollar that comes back next month without a new sale is worth more than a dollar you have to win again from scratch. A buyer looks hard at how much of your revenue is under contract, on a maintenance plan, or from customers who reliably return.

A shop with 30% of revenue on agreements reads as far safer than one starting every month at zero.

How to move it. Turn one-off jobs into service agreements, put plans on a card on file, and build the repeat into the paperwork instead of trusting it to goodwill. Even a modest base of agreements changes the story, because it is revenue a new owner can count on before the phone rings.

The tech who offers the maintenance plan on the next ten calls is doing value-building work, not just closing a sale.

The owner-light tie-in. Recurring revenue runs on a system and a renewal date, not on you remembering to chase the work. It is the kind of revenue that survives your absence, which is the kind a buyer pays up for.

3. Margin quality

How a buyer reads it. A buyer trusts margins that hold steady across jobs and across quarters. Gross margins that swing from 45% to 15% say the business does not price with discipline or does not control its costs, and a buyer discounts that uncertainty.

Steady, healthy margins say there is a real business under the revenue, not a run of lucky quotes.

How to move it. Know your gross margin per job, not just the yearly average, then cut or reprice the work that loses money. A 5% price increase on work already selling drops almost straight to the bottom line.

On a business doing $1,000,000 in sales, that 5% is about $50,000, and because the cost of the work does not change, close to all of it lands in SDE, the number a buyer starts from. Fix the estimate on the job type that keeps running over before you sell, not after.

The owner-light tie-in. Margins hold when pricing is a written rule, not the owner's gut on each quote. The pricing sheet a manager can run is the same asset that keeps margins steady after you are gone.

4. Customer concentration (the Switzerland structure)

How a buyer reads it. If one customer is more than about 30% of your revenue, the buyer sees a business that can lose a third of its income in a single phone call. The same fear applies to one key employee who holds all the relationships, or one supplier you cannot replace.

Brokers call the safe version the Switzerland structure: neutral and independent, where no single customer, employee, or supplier can hold the business hostage.

How to move it. Widen the base before you sell. The account that feels like your best customer is also your biggest risk in a buyer's eyes, so add customers, cross-train the person who is a single point of failure, and line up a second supplier.

Getting your largest customer from 40% down to 20% of revenue can move the price more than a good year of growth.

The owner-light tie-in. This is owner dependence pointed at the rest of the business: no single point of failure. And the most common single point of failure in a small business is still the owner.

5. Documented, transferable systems

How a buyer reads it. Systems that live only in your head transfer to no one, and a buyer knows it. They pay for procedures written down, because a written system is what lets a new owner run the place without calling you every week.

A shelf of clear procedures is one of the strongest signals that this is a business and not a very good tradesperson with a truck.

How to move it. Write the five core procedures that cover most of the daily work, and name a role as the owner of each one, not a person, so the system survives turnover. You do not need a hundred documents, you need the handful that carry the load.

The procedure that lets you hand a task off today is the exact document a buyer is paying for tomorrow.

The owner-light tie-in. Documentation is the bridge between what you know and what the business owns. Every process you move from your head to paper is both a task off your plate and a line on the asset.

6. Clean financials

How a buyer reads it. Books that arrive late, mix personal spending with business, or do not tie to the tax return make a buyer nervous, and a nervous buyer cuts the price or walks. Most buyers want three years of clean statements they can trust before they will believe your earnings.

Messy books do not just lower the number, they raise the odds the deal dies in due diligence.

How to move it. Separate personal from business completely, close the books every month, and get to statements a stranger could read without you narrating them. This is the driver most worth doing with a licensed accountant well before a sale, because clean books take time to build and cannot be faked in the final month.

Clean, provable financials are what turn your claimed SDE into SDE a buyer will actually pay for.

The owner-light tie-in. A monthly close that happens without you is a system like any other, and it is one a buyer inspects first. Books that run on a bookkeeper and a calendar, not on the owner's memory, read as a business that can change hands.

7. The growth trend

How a buyer reads it. Three years of steady, believable growth beats one big spike and two flat years, because a buyer is purchasing the future and the trend is the story they underwrite. A clean line of 8 to 10% a year reads as a healthy business with room ahead.

A single lucky year reads as a number that might not repeat, and a buyer discounts what might not repeat.

How to move it. Aim for steady over spectacular in the years before a sale, and be able to show where the growth came from so it looks repeatable rather than lucky. Growth that came from adding recurring agreements or raising prices is worth more in a buyer's eyes than growth from one large job you happened to land.

The trend line matters as much as the last number on it.

The owner-light tie-in. The best kind of growth for your price is growth that did not come from you working more hours. Growth a buyer trusts is growth the systems produced, not growth the owner personally carried on their back.

8. A real team

How a buyer reads it. A buyer wants to see people who run the work and at least one person who manages other people, so the business is not one owner and a rotating set of hands. A team with a manager layer is a business that can absorb the owner leaving.

One person doing everything is a business that leaves when they do.

How to move it. Name a manager, put their authority in writing so the team knows what they can decide, and hold a fifteen-minute weekly standup so the business runs on a cadence instead of on your interruptions. You are not building a corporation, you are building the one layer between you and the daily work.

That single manager is often the difference between the bottom and the top of the range.

The owner-light tie-in. The manager layer is the thing that lets you step back and the thing that lets a buyer step in, the same thing described from two sides. Build the layer that runs the day, and both your calendar and your multiple change.

What moves the number less than you think

Some things owners expect to raise the price barely register with a buyer, and knowing which is which saves you a year spent on the wrong work.

A brand-new $80,000 truck fleet or a renovated office is nice, but a buyer treats hard assets as roughly what they would fetch used, not as a premium on top of the business. Years in business feel like they should count, and they help a little as proof of durability, but a buyer pays for the trend and the transferability, not the anniversary.

The top-line revenue number is the biggest trap of all. A business doing $3,000,000 with the owner running every job can be worth less than one doing $1,500,000 that runs without its owner, because the buyer prices transferable profit, not revenue.

A long customer list looks like an asset until the buyer sees that one account is 45% of it, at which point the list becomes a concentration risk instead. Spend your ninety days on the eight drivers above, not on the things that photograph well.

Read your own business the way a buyer reads it

You now have the eight drivers. The last skill is looking at your own business honestly on each one, which is harder than it sounds, because the owner is the worst-placed person to see where the business leans on the owner.

Here is a plain self-read. For each driver, find where you sit between what a buyer marks down and what a buyer pays up for, with no score to add and no multiple to compute, because the pattern is the point.

Driver	What a buyer marks down	What a buyer pays up for
Owner dependence	The business stalls if you leave for a week	It ran fine while you were gone fourteen days
Recurring revenue	Every month starts back at zero	A real share is under agreements that renew
Margin quality	Margins swing job to job, thin or unknown	Steady, healthy gross margins you can prove
Customer concentration	One account is over 30% of revenue	No customer, employee, or supplier over ~20%
Documented systems	The process lives in your head	Five core procedures a new owner could run
Clean financials	Books are late and mixed with personal	Three years of clean, tie-out statements
Growth trend	One spike, or flat and unexplained	Three years of steady, explainable growth
A real team	You are the only decision-maker	A manager runs the day without you

Read down the left column. Every line where you sit on the mark-down side is two things at once: a place your price is capped and a place your freedom is capped.

That is the whole thesis of this guide in one table, because the drivers that trap the number are the same drivers that keep you in the truck. Most owners find three or four lines sitting firmly on the left, and those three or four are the entire project.

DO THIS TONIGHT

Open the value-driver scorecard in the assets folder and mark where you honestly sit on all eight drivers: weak, building, or strong. Circle the one weakest driver, because that circle is your next ninety days, and since it is almost always owner dependence, it is also the quickest way off the bottom of the range. No math, no valuation, just an honest read.

The number itself (get it free)

This guide deliberately does not hand you a valuation, because a real number cannot come from a book. It comes from running your actual answers through a model that weighs all eight drivers together, and a free one is built for exactly that.

Use the scores it returns as your baseline and the eight drivers as your work list. Re-run it in ninety days, after you have handed off three interruptions and named a manager, and watch the number move.

That movement, not today's figure, is the thing you are actually building.

Plain terms: this is general business and financial education, not accounting, tax, legal, or investment advice, and it is not a valuation of your business. Nothing here computes or promises a price, and the published 1.65 to 3.5 times range is a market statistic, not what your specific business will sell for. A real valuation weighs facts a guide cannot see, so before you sell or make any decision with tax or legal weight, work with a licensed business broker, a CPA, and an attorney who know your books and your market. For an estimated number to start from, use the free Keystone diagnostic below.

YOUR NEXT STEP

Get your three scores and an estimated sale price, free. Answer 18 questions in about four minutes at app.trykeystone.io and get three scores (business independence, systems maturity, acquisition attractiveness) plus an estimated sale price. It weighs all eight drivers at once and names the single constraint holding your number down. Next rung, when you are ready to raise the drivers instead of only reading them: the Sell-Ready Toolkit (D2, $149), the eight-driver scorecard as a working plan with a ninety-day owner-dependence reduction plan, the due-diligence and clean-books checklists, and an add-backs worksheet.