PRIVATE EQUITY

GET READY TO SELL, EVEN IF YOU NEVER DO

Buyers pay for what will still work after you leave.

START TWO OR THREE YEARS OUT

The best preparation can't be done in a few months. Clean financials, a stable team and recurring revenue all take time to show up in your history. Even if you never sell, this work makes the business easier to own.

WHAT BUYERS LOOK AT

Earnings they can believe. Buyers will usually look at EBITDA, then adjust it. Owner salaries, family on the payroll, personal vehicles and one-time expenses all get examined.

Recurring revenue. Contractor magazine cites an analysis by Ad Astra Equity finding that HVAC companies with recurring maintenance contracts making up 50% or more of revenue can earn a premium of roughly 1.0 to 2.5 times EBITDA. Few small shops reach that level, but the direction is clear: predictable revenue is worth more.

Customer data. A clean database with equipment ages, service history and plan status shows a buyer where future work will come from. A messy spreadsheet suggests that nobody knows.

Not depending on you. If customers ask for you by name, and if you're the only one who can price a job, then a buyer is purchasing a problem. See getting out of the truck.

Team depth. Is there a general manager? Will your top techs stay? How high is turnover?

Size and mix. Larger companies generally draw higher multiples. Raymond James notes a growing trend toward full-scope mechanical, electrical and plumbing

contractors, and says that diversifying is viewed as adding value.

Clean compliance. Wage and hour problems, licensing gaps and open permits can reduce your price or kill the deal. Use the compliance guides to find them first.

GET YOUR NUMBERS CHECKED

Larger buyers will commission a quality of earnings review, in which accountants test whether your reported profit is real. Consider paying for one yourself ahead of time. It's better to find a problem while you have time to fix it. Common issues include revenue recorded too early, unbilled warranty work, unrecorded liabilities on maintenance plans and inconsistent job costing.

UNDERSTAND HOW YOU GET PAID

A price of $10 million isn't a $10 million check.

Cash at closing. What actually reaches your account after debt, fees and taxes.

Earnout. Part of the price depends on future results. The National Center for Employee Ownership says earnouts are often required, frequently 10% to 20%. Define precisely how results get measured, and what control you'll have over them.

Rollover equity. You reinvest part of your proceeds in the buyer's company. NCEO says private equity firms often want 30% to 50% of proceeds reinvested for a time. This can pay well on a second sale, but it isn't cash, and you won't control when it turns into cash.

Escrow and adjustments. Part of the price may be held back for claims. The working capital target can also move the final number.

Seller note. You lend the buyer part of the price, and you're then a creditor of the business.

COSTS AND TIMING

NCEO estimates that broker success fees generally run between 4% and 9% of the sale price, with higher percentages for smaller companies. Legal, accounting and diligence costs come on top of that. Expect a long process: NCEO reports a median of about 10 months from formal offer to sale for small and mid-market companies. And not every

sale closes. It estimates that only about 25% of privately held businesses put up for sale actually sell.

NON-COMPETES

As a seller, expect to sign one. The FTC's broad ban on worker noncompetes isn't in effect, so state law generally controls. Even that ban had an exception for the sale of a business. Rules vary by state. Have your attorney negotiate the length, the territory and what counts as competing.

THINK ABOUT TAXES EARLY

Whether the deal is structured as a sale of assets or of stock can change what you keep. Buyers usually prefer assets. Bring in your CPA before you agree to a structure, not after.

BUILD A READINESS LIST

- Three years of clean, consistent financials
- Written procedures for key jobs
- Employment agreements where they make sense
- Contracts and plans that can transfer to a buyer
- Licenses held by more than one person
- A customer database you'd be proud to show
- A leader who can run the company without you

Do this list, and you'll have options. You may even decide you'd rather keep the company.

Sources: Contractor, recurring revenue; Raymond James, HVAC M&A market; NCEO, ESOP versus conventional sale; FTC Noncompete Rule status; JD Supra, noncompetes in 2026. General information, not legal, tax or financial advice.

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BEST PRACTICES: THE OWNER IS THE BOTTLENECK

MAKE IT A HABIT

What good looks like

> The business runs for 30 days without you.

> Each key job has a written process and a person who owns it.

> You spend more time on the business than in it.

The habits

1. Write down the jobs only you do today, and hand off one a month.
2. Put processes in writing: booking, dispatch, sales follow-up and billing.
3. Give people numbers to own, and review them weekly.
4. Hire or outsource the work that ties you to the phone.
5. Keep clean books and records a buyer or lender can trust.
6. Plan your exit years ahead, even if you never sell.

Signs it's time to get help

- You answer customer calls at night and on weekends.
- Nothing gets decided when you are away.
- Your best people wait for you to make every call.

How one shop did it: Rogers Heating, Cooling, Electrical (Lynchburg and South Boston, Virginia). Spent a year hiring, training and building processes, and put a trusted leader over the call center. The company's vice president took a July 4th weekend off in peak season and the calls were handled without her. She notes it took more than one false start with hiring to get there. Contracting Business, August 17, 2026

Where we fit: Service ProCall takes the phones and the follow-up calls off your plate, and ProCall Field puts the processes in one system.

More on the owner is the bottleneck