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The Value of an AEC Firm

What Your Firm Is Really Worth and How Sophisticated Buyers Decide

AEC M&A Advisory · Boardroom Series









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SECTION 01

Why Valuation Matters

Enterprise value is not a number you need only when you sell. It is the lens through which every major ownership decision should be made.

One Number Sits Behind Every Major Decision

Most owners think of valuation as a "when I sell" question. In reality, enterprise value quietly governs eight decisions you are already making.

1

Retirement

Your firm is likely your largest asset. Its value, not its revenue, funds the rest of your life.

2

Succession

The price the next generation can afford defines whether an internal transition is even possible.

3

ESOP Planning

Annual fair-market value sets share price, contribution limits, and repurchase liability.

4

Recruiting & Retention

Equity is only compelling if people believe the shares will be worth more tomorrow.

5

Ownership Transfers

Buy-ins, buy-outs, and partner disputes all hinge on a defensible value.

6

Acquisitions

You cannot pay smart for someone else until you know what your own currency is worth.

7

Banking & Bonding

Lenders and sureties price risk off enterprise value and earnings quality.

8

Strategic Planning

Managing to enterprise value aligns the whole firm behind the drivers buyer's reward.

Value, Price, and What You Actually Keep

Three numbers get confused constantly. Confusing them is the single most common cause of disappointment at closing.

ENTERPRISE VALUE

What the operating business is worth, independent of how it is financed. This is the headline "headline multiple × EBITDA" figure.

EQUITY VALUE

Enterprise value, minus debt, plus surplus cash, adjusted for a normal level of working capital. This is what the shares are worth.

NET PROCEEDS

Equity value, minus taxes, transaction fees, escrow / holdbacks, and any earnout still at risk. This is what reaches your account.

COMMON MISTAKE

Owners anchor to enterprise value and mentally spend it. A firm with meaningful debt, a working-capital true-up, and a 20% earnout can deliver net proceeds far below the headline number.

OWNER TAKEAWAY

Always ask an advisor to walk you from enterprise value all the way to after-tax proceeds before you fall in love with a multiple. The bridge is where deals are won or lost.

BUYER INSIGHT

Sophisticated buyers negotiate the bridge, net working capital pegs, debt-like items, escrows, as hard as they negotiate the headline multiple. That is where an unadvised seller quietly gives value back.

SECTION 02

The Current AEC M&A Market

A decade-long consolidation wave is reshaping who owns the built environment. Understanding it is the difference between reacting to an offer and running a process.

The Market in 2025–26: Consolidation at Scale

500+

AEC transactions announced in 2025 — M&A is now a primary growth and transition strategy across the sector.

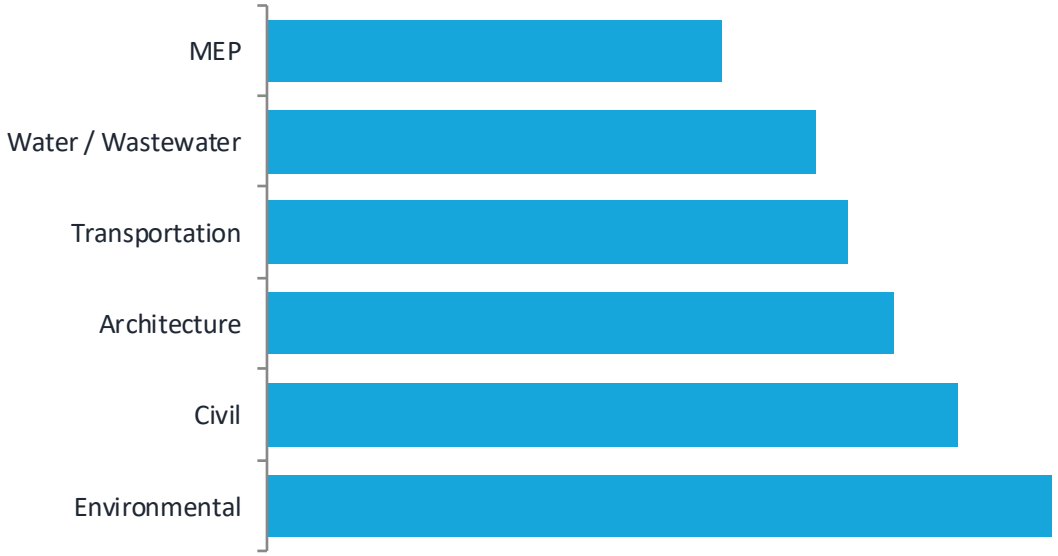
~20%

of ENR Top 250 design firms now carry some form of private-equity investment.

19.2%

median AEC EBITDA margin — nearly double a decade ago, fueling buyer appetite.

WHERE THE DEALS ARE — most active AEC segments, 2025 (indexed)



WHAT IS DRIVING IT

- Private-equity platforms rolling up regional firms — new platform formations grew ~33% in 2024 and stayed elevated.
- Public consolidators (Stantec, Tetra Tech, WSP, AECOM, Bowman, NV5) acquiring for scale, talent, and geography.
- Federal and infrastructure funding sustaining backlogs in transportation, water, and power.
- Durable margins and strong backlogs keeping demand intact despite input-cost inflation.

Two Buyer Types — Two Very Different Mindsets

PE Private Equity / Financial Buyers

- Buy a platform, then compound value through add-on acquisitions and operational improvement.
- Underwrite to a 3–7-year hold and a target return (typically 2.5–3.5× their money).
- Reward scale, recurring revenue, management depth, and a repeatable growth engine.
- Often retain and re-incentivize leadership — you may take a "second bite" at the next sale.

S Strategic / Corporate Buyers

- Buy capabilities, geographies, clients, and talent they would otherwise build slowly.
- Can pay a premium because synergies make your earnings worth more inside their firm.
- Value cultural and technical fit, cross-sell potential, and client relationships.
- Typically, a permanent home, less likely to offer a future equity upside event.

PLATFORM VS. ADD-ON

A platform is the anchor acquisition, large enough to build around, priced at a premium. An add-on (or tuck-in) is bolted onto an existing platform at a lower stand-alone multiple, but benefits from the platform's scale. Knowing which one you are determines your leverage.

OWNER TAKEAWAY

There is no single "market price." The right buyer for your firm depends on your size, your sub-sector, and your goals; liquidity today, a second bite later, or a legacy home for your people. A competitive process surfaces all three.

Capital Markets: The Weather Behind the Multiples

Valuations do not float free. They rise and fall with the cost and availability of capital, the "weather" over every transaction.

3.50–3.75%

U.S. federal funds target range, mid-2026, rate-cut expectations have flattened as inflation reaccelerated.

5.0–6.0×

Typical leverage on high-quality sponsored buyouts; debt priced around SOFR + 350–500 bps.

~$1.2T

Global PE deal value in 2025 across ~9,000 transactions, a cautious recovery in activity.

WHY IT MATTERS TO YOU

When debt is cheap and plentiful, financial buyers can pay more and compete harder. When rates rise, buyers protect returns by lowering the price or shifting risk to the seller through earnouts and holdbacks.

THE 2026 BACKDROP

Financing costs have stabilized rather than fallen. Buyers remain active but more selective; underwriting is disciplined, and quality firms are rewarded with a widening gap over average ones.

OWNER TAKEAWAY

You cannot control interest rates, but you can control readiness. Firms that are diligence-ready when a favorable window opens capture premium pricing; firms that scramble to prepare miss it. The best time to build value is always before you need to.

SECTION 03

How Buyers Actually Value Firms

Forget the formulas for a moment. Sophisticated buyers' triangulate value through three lenses, and then adjust for who they are and what they can do with your firm.

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Three Lenses Every Serious Buyer Uses

1 Income Approach

What are the future cash flows worth today?

Projects your normalized earnings forward and discounts them to a present value (a DCF). Rewards predictability, margin, and growth. The lens for how much cash the business will actually throw off.

2 Market Approach

What are similar firms actually selling for?

Applies multiples from comparable transactions and public companies to your earnings. The dominant lens in AEC M&A, it reflects real, observed buyer behavior right now.

MOST USED IN AEC

3 Cost / Asset Approach

What would it cost to rebuild this firm?

Values the tangible and replaceable pieces, rarely the driver for a healthy going concern, but a floor for asset-heavy or underperforming firms.

OWNER TAKEAWAY

A credible valuation does not pick one lens; it triangulates all three and explains the range. Be skeptical of any single number delivered without a method behind it. “What is my firm worth?” is really “to whom, under what method, and against what comparables?”

The Market Approach: Reading the Comparables

Buyers benchmark you against two comparable sets. Public companies set the ceiling and the tone; private transactions are the truest read for a firm your size.

SELECTED PUBLIC AEC CONSOLIDATORS — EV / EBITDA (illustrative, 2025)

Company	Focus	EV/EBITDA*
AtkinsRéalis	Global multidisciplinary	~14×
AECOM	Infrastructure / program mgmt	~12–13×
Bowman Consulting	Civil / engineering roll-up	~7–8×
Stantec / Tetra Tech / WSP	Environmental, water, infra	Scale premium

**Directional trading ranges, 2025 comparable-company data; public firms trade at a premium to private firms for scale and liquidity.*

PRIVATE FIRMS: THE REAL READ

- Most AEC firms trade at a discount to the public names — the public multiple is a ceiling, not your price.
- Private engineering / architecture firms broadly change hands around ~5–7× EBITDA, with quality platforms higher.
- The relevant comps are firms of your size, sub-sector, and profile — not the ENR giants.
- Recent deals (e.g., WSP–TRC at ~15.9×; Bowman's tuck-ins) show how scale and specialization stretch the range.

BUYER INSIGHT

A buyer's opening offer is anchored to the comps that favor the buyer. Your advisor's job is to reframe you against the comps that reflect your true quality — and to prove it with data buyers cannot dismiss.

The Income Approach & Normalized EBITDA

A discounted-cash-flow (DCF) analysis answers one question in plain English: how much cash will this firm generate, and what is that stream worth today?

HOW A DCF WORKS IN FOUR STEPS

1. **Project the cash flows**

   Forecast normalized earnings and free cash flow, usually five years out.

2. **Choose a discount rate**

   A rate reflecting risk; higher risk (owner-dependent, volatile) means a higher rate and a lower value.

3. **Discount to today**

   Future dollars are worth less than today's dollars; each year is discounted back to present value.

4. **Add a terminal value**

   Capture the value of all cash flows beyond the forecast, then sum it all.

WHY "NORMALIZED" EBITDA IS THE STARTING POINT

Buyers do not value your reported profit. They value the earnings a normal owner would keep after adding back items unique to you:

- ✓ Above-market owner salary and discretionary perks
- ✓ One-time, non-recurring expenses
- ✓ Personal or family costs run through the business
- ✓ Rent adjustments to a market rate

OWNER TAKEAWAY

Clean, well-documented add-backs can raise the earnings base a multiple is applied to, often the highest-return work you can do before going to market.

Beyond Intrinsic Value: Premiums & Synergies

Intrinsic value is what your firm is worth on its own. Buyers routinely pay above it, for control, and for what your firm becomes inside theirs.

Control Premium

The extra a buyer pays to own enough of the firm to direct strategy, capital, and leadership. Control is worth paying for.

Revenue Synergies

Cross-selling your services to their clients (and theirs to yours), entering new geographies, and winning larger pursuits together.

Cost Synergies

Shared overhead, purchasing power, back-office consolidation, and eliminated duplication, dropping straight to combined EBITDA.

Strategic Premium

When your firm fills a specific gap, a capability, a client, a market, scarce talent, a buyer will pay for the strategic fit, not just the math.

BUYER INSIGHT

Buyers keep most of the synergy they can create unless you make them compete for it. A single buyer pays intrinsic value; multiple motivated buyers bid the synergy back toward you. Competition is how premium moves from their side of the table to yours.

SECTION 04

What Actually Drives Valuation

The multiple is not handed down by the market, it is earned, factor by factor. This is the scorecard sophisticated buyers actually run.

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The Buyer's Scorecard: Six Questions First

Before a buyer settles on a multiple, they pressure-test six things. Each one either expands your multiple or compresses it.

1 Leadership Transferability

Does the firm run without the founder? Management depth is the first thing a buyer checks and the first reason multiples fall.

2 Client Concentration

How diversified is revenue? A single client above ~20–30% of revenue introduces a discount; above ~40% can end a deal.

3 Recurring vs. Project Revenue

How predictable is the top line? Repeat programs, MSAs, and on-call contracts are worth more than one-off project wins.

4 Margin Durability

Are EBITDA margins consistent and defensible? Firms above ~20% profitability are far more likely to command premium multiples.

5 Backlog Visibility

How much forward revenue is signed? 12+ months of profitable backlog is high-conviction; under 6 months caps the multiple.

6 Market Positioning

Is the firm differentiated in a sought-after end market? Specialization in water, transportation, or power draws competitive demand.

This six-factor lens is the backbone of Stonemill's readiness work; the drivers that follow expand on it.

Driver Deep-Dive I: The Quality of Revenue

Recurring & Program Revenue

MSAs, on-call contracts, and multi-year programs turn one-time wins into a predictable base. Predictability is what a buyer pays a premium for.

Backlog Visibility

Profitable, signed backlog of 12–18+ months can be worth a full turn of EBITDA. A backlog-to-revenue ratio around 1.2–1.8× is the buyer benchmark.

Client Diversification

No client above ~20–30% of revenue. Concentration above ~40% invites a one-to-two-turn discount or scares buyers off entirely.

End-Market Exposure

Water, transportation, environmental, and power/data-center work command competitive demand. Cyclical or discretionary end markets compress the multiple.

COMMON MISTAKE

Treating all revenue as equal. Two firms can report identical revenue while one is a portfolio of durable programs and the other is a handful of large, expiring projects. Buyers price the difference heavily.

ACTION ITEMS

Document backlog by client and margin. Convert one-off relationships into MSAs and on-call agreements. Cap and actively reduce your largest client's share of revenue. Track and report recurring revenue as a distinct line.

Driver Deep-Dive II: Earnings & the Owner

Margin Profile

Firms above ~20% profitability are roughly 3× more likely to command 5×+ EBITDA; firms below ~10% cluster near 3.5–4×. Margin signals pricing power and discipline.

Owner Dependence

If the founder is the top rainmaker, chief technical authority, and key client relationship, the buyer is buying a person who is leaving. This is the #1 value suppressor in AEC.

Leadership Bench

A capable second layer that already runs the business is worth real money. It converts “founder's firm” into “institutional firm.”

Cash Conversion

EBITDA that turns into cash, disciplined billing, collections, and working capital, is worth more than EBITDA trapped in receivables and WIP.

BUYER INSIGHT

Owner dependence is measured, not guessed. Buyers ask: who owns the top client relationships, who stamps the drawings, who wins the work? If every answer is “the founder,” the buyer prices in the risk that revenue walks out the door with you through a lower multiple, a larger earnout, or a longer required transition.

Driver Deep-Dive III: Growth, Technology & Trust

Organic Growth

Consistent, profitable organic growth is the clearest signal of a repeatable engine and the hardest thing for a buyer to fake with financial engineering.

Technology & AI Adoption

Modern project delivery, data, and disciplined AI adoption signal a firm building for the future, not coasting. Increasingly a differentiator in diligence.

Brand & Reputation

A recognized name in a sub-sector wins work at better margins and attracts talent. Reputation is an intangible buyers genuinely pay for.

Recruiting & Retention

In a people business, the ability to attract and keep talent is the ability to grow. High, unexplained turnover is a red flag on the future.

Forecast Quality

A credible, defensible forecast is not optional. It is the document a buyer underwrites. A weak or absent forecast caps your multiple before diligence even begins.

Geographic & Service Diversification

Multiple offices and service lines reduce the risk that any one market or discipline drags the whole firm down.

Together, these turn a good firm into an institutional one, the profile that attracts multiple buyers and premium multiples.

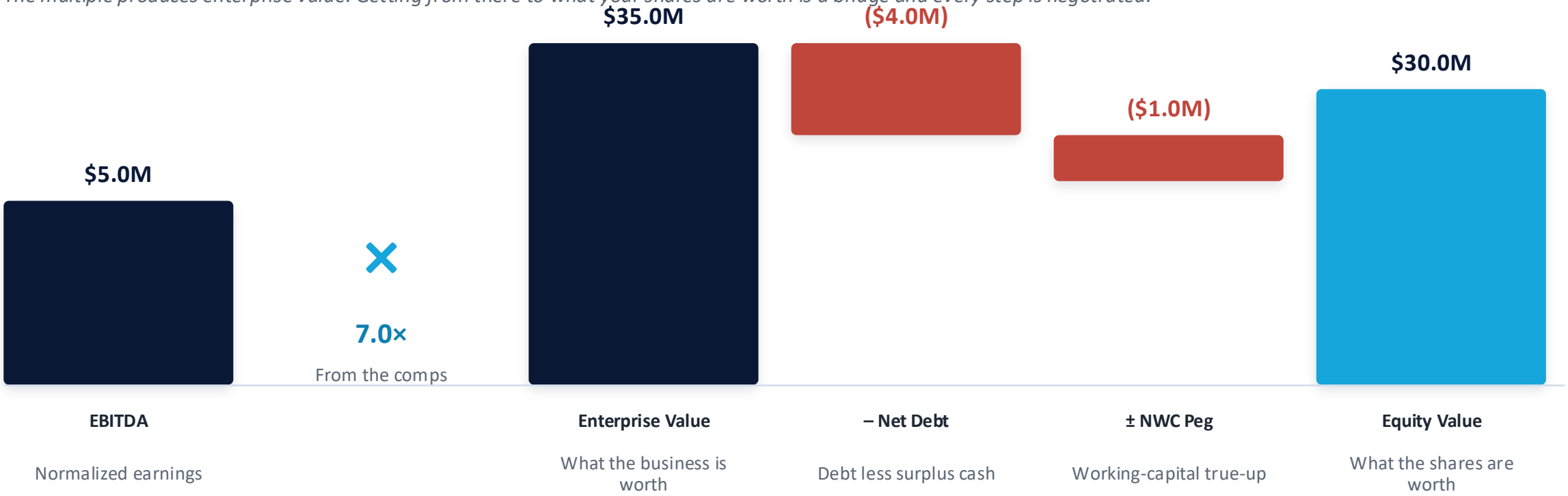
SECTION 05

Valuation Multiples Explained

A multiple is shorthand, not magic. Understanding what it multiplies, and why two identical numbers command different prices, is the heart of valuation literacy.

Enterprise Value vs. Equity Value

The multiple produces enterprise value. Getting from there to what your shares are worth is a bridge and every step is negotiated.



OWNER TAKEAWAY

The headline is enterprise value, but you are paid on equity value, after net debt and a normal working-capital level are settled. Two owners can hear the same enterprise value and take home very different amounts. Understand your bridge before you celebrate a multiple.

EBITDA vs. Revenue Multiples

WHY EBITDA IS THE DEFAULT

- ✓ EBITDA approximates the cash earnings a buyer actually acquires.
- ✓ It strips out financing and tax choices, making firms comparable.
- ✓ It rewards profitability and discipline, not just size.
- ✓ In AEC, the EBITDA multiple is the language buyers speak.

WHEN REVENUE MULTIPLES APPEAR

- For very high-growth or pre-profit firms where earnings understate potential.
- As a quick sanity check (EV / revenue or value / net service revenue).
- In sub-sectors where margins are tightly clustered across peers.
- Never as the primary basis for a healthy, profitable AEC firm.

COMMON MISTAKE

"Our revenue is $30 million, so we must be worth a big number." Revenue without margin is just activity. A $30M firm at a 6% margin and a $30M firm at a 20% margin are not remotely the same asset and buyers will not pretend they are.

OWNER TAKEAWAY

Revenue gets you noticed; EBITDA gets you paid. Manage the firm to grow profitable earnings and cash, the base that the multiple is applied to, not headline revenue.

Why Two Firms With Identical EBITDA Diverge

Same $4M of EBITDA. One firm earns a 5.0× multiple; the other earns 8.0×. The gap is not luck, it is the quality factors, priced.

5.0×	+0.7×	+0.6×	+0.9×	+0.8×	8.0×
Base firm Owner-run, concentrated	**+ Leadership bench** Runs without founder	**+ Diversified clients** No client >15%	**+ Recurring / backlog** 18+ mo signed	**+ Margin & growth** 22% margin, growing	**Premium firm** Institutional profile

THE DOLLARS

At $4M EBITDA, the move from 5.0× to 8.0× is the difference between a $20M and a $32M enterprise value; $12M created without adding a dollar of new revenue.

OWNER TAKEAWAY

You are not just running a firm; you are engineering a multiple. Every quality factor you strengthen is a permanent, compounding addition to enterprise value and most are free to build.

BUYER INSIGHT

Buyers do not pay for the potential you describe; they pay for quality you can prove. The bridge above is exactly the diligence they run. Bring the evidence, and the premium is yours to keep.

SECTION 06

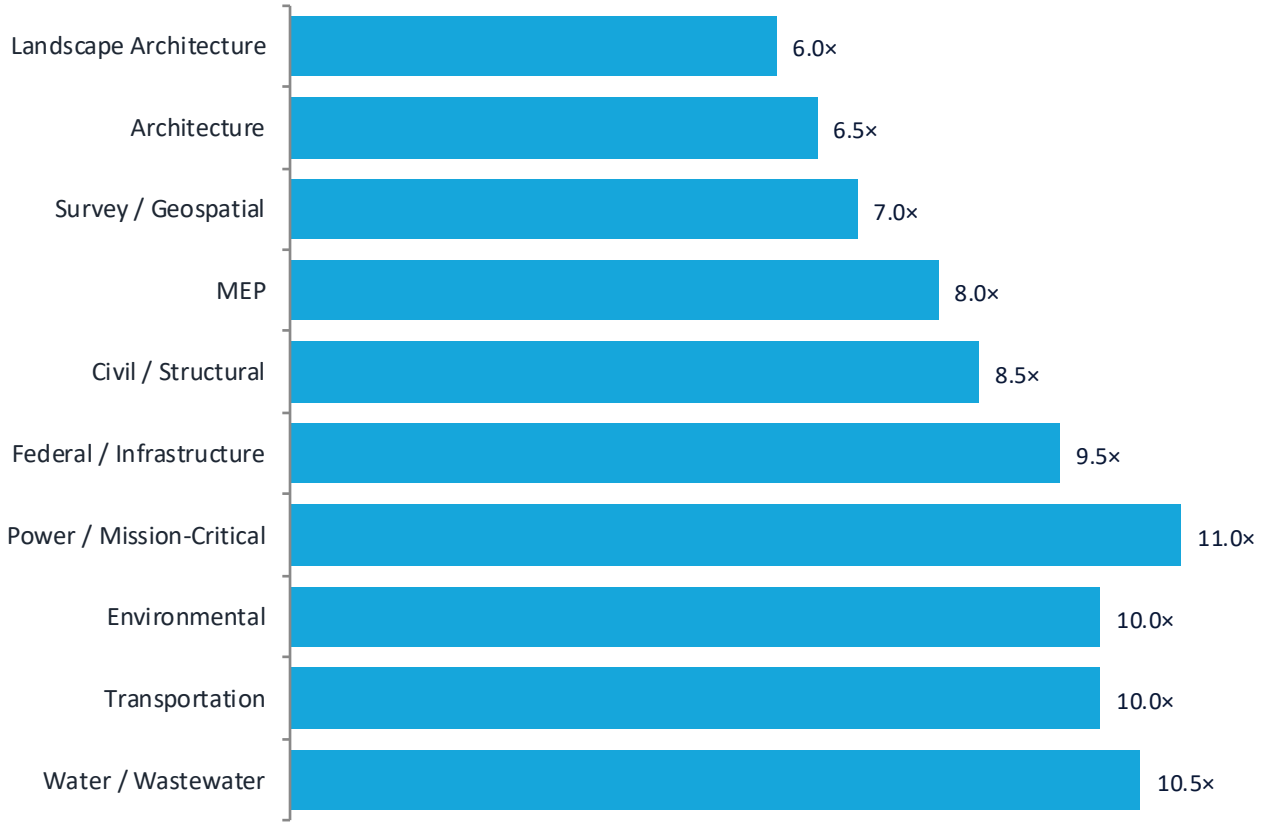
AEC Multiples by Sub-Sector

“The AEC multiple” does not exist. Environmental and water firms are priced worlds apart from pure design practices and for good reasons.

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The Sub-Sector Multiple Map

Directional EV / EBITDA ranges for private firms of similar scale (illustrative). Position, not precision, your firm's quality still moves you within and beyond these bands.



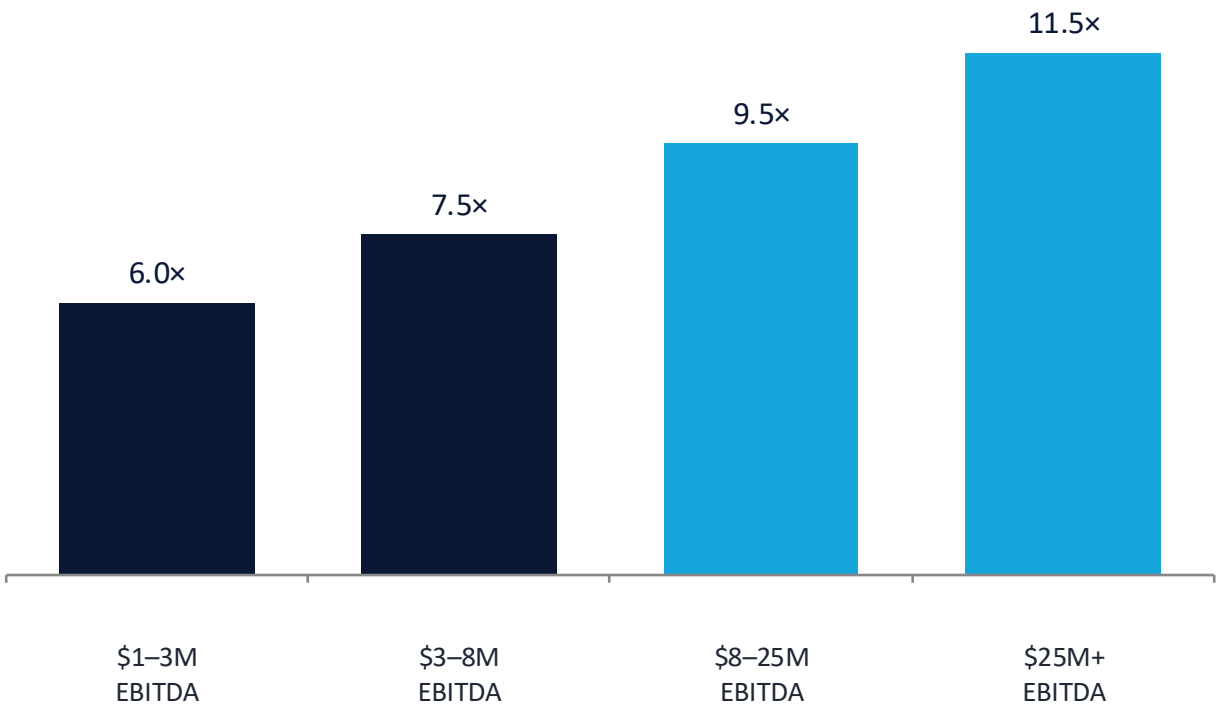
WHY MULTIPLES VARY

- Revenue durability. Water and transportation ride multi-year, funded programs; architecture is more project-cyclical.
- Funding tailwinds. Federal and infrastructure dollars underwrite demand in civil, water, and power.
- Recurring content. On-call and program work is worth more than episodic design fees.
- Margin structure. Specialized engineering typically sustains higher, steadier margins than commoditized services.
- Buyer competition. “Hot” end markets attract more bidders and competition lifts multiples.

Ranges are directional and vary with firm size, quality, and market conditions.

The Scale Premium: Size Moves the Multiple

Independent of sub-sector, larger and more institutional firms earn higher multiples because scale itself reduces risk and widens the buyer pool.



WHY BIGGER EARNS MORE

- Less single-point risk — no one client, office, or person can sink the firm.
- Platform-worthy — large firms can anchor a PE roll-up, unlocking premium platform pricing.
- Deeper management — institutional leadership already in place.
- Bigger buyer pool — more buyers can write the check, so competition rises.
- Diligence-tested — systems and reporting that survive scrutiny.

STRATEGIC IMPLICATION

This is the logic of the roll-up: combine sub-scale firms into a platform, and the whole trades at a higher multiple than the parts. It is also why “grow, then sell” can beat “sell now” if the growth is profitable and real.

SECTION 07

How Private Equity Thinks

Private equity is now the most active force in AEC M&A. To negotiate with a PE buyer, you first must understand the math they are solving.

Inside the Private-Equity Playbook

1 The Investment Thesis

A specific, written case for how they turn today's firm into a far more valuable one — usually: buy a platform, grow it organically and by acquisition, professionalize it, then sell it larger.

2 Platform vs. Add-On

The platform is the anchor, bought at a premium for its leadership and scale. Add-ons are bolted on at lower multiples, instantly worth the platform's higher multiple.

3 Hold Period

Typically, 3–7 years. Long enough to build, short enough to return capital to their own investors on schedule.

4 Return Targets

Most deals are underwritten to roughly 2.5–3.5× their money (MOIC) and mid-teens-plus IRR. Everything they ask of you serves that math.

5 The Exit

They are buying to sell. A sale to a larger PE firm, a strategic, or the public markets is planned from day one.

6 Management's Role

They usually need you, and your team, to stay, perform, and often reinvest. That is the “second bite” of the apple.

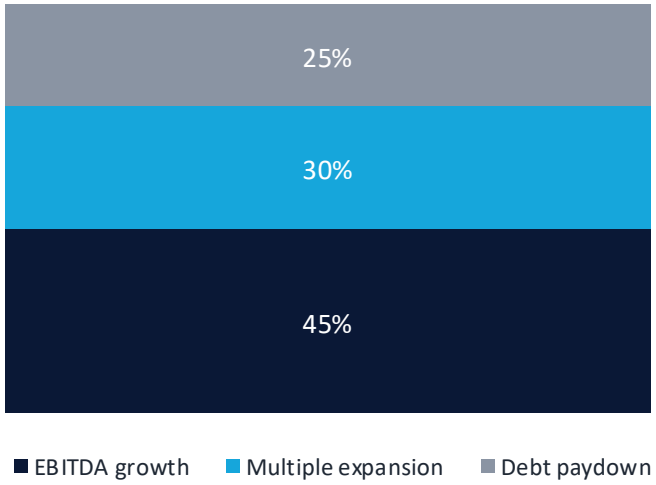
OWNER TAKEAWAY

A PE offer is not just a price; it is a partnership with a clock and a plan. Understand the thesis, the role they need you to play, and the second-bite economics before you judge whether the headline number is actually the best deal for you.

The PE Value-Creation Engine (and the AEC Roll-Up)

PE returns come from three levers. Understanding them explains both why PE pays what it pays and why it competes so hard for platforms.

Three levers of return (illustrative mix)



HOW THE ROLL-UP CREATES VALUE

- Multiple arbitrage. Buy add-ons at ~5–6×; they instantly count toward a platform worth ~9–11×. The gap is pure value.
- Compounded growth. Combine backlogs, cross-sell services, and win larger pursuits together.
- Deleveraging. Cash flow pays down acquisition debt, converting enterprise value into equity value.
- Professionalization. Better systems, reporting, and leadership raise the exit multiple.

AEC IN PRACTICE

Platforms such as Ardurra, Trilon (Alpine Investors), Verdantas (The Sterling Group), Salas O'Brien, and IMEG have consolidated dozens of regional firms. For an owner, joining as an early add-on can mean a lower headline multiple today, but a share in the platform's premium tomorrow.

SECTION 08

The Strategic Buyer

When a competitor or larger firm wants what you have built, the math changes. Strategics can pay for a future only they can create.

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Why Strategic Buyers Pay Premiums

Geographic Expansion

Instant presence in a market they would otherwise take years to enter organically.

Talent Acquisition

In a talent-starved industry, an intact, proven team is often the single most valuable asset acquired.

Service-Line Expansion

A capability they lack, added overnight, with clients and credentials attached.

Cross-Selling

Your services sold to their client base, and theirs to yours; revenue that neither could reach alone.

Client Acquisition

Marquee relationships and contract vehicles that open doors across the combined firm.

Market Share

Consolidating a competitor removes a rival and strengthens pricing and position.

STRATEGIC VS. FINANCIAL

A financial buyer pays for what your firm earns. A strategic pays for what your firm earns plus what it unlocks inside their firm. When the strategic fit is strong, they can, and will, outbid PE.

BUYER INSIGHT

Strategics only pay for synergies they are forced to share. Absent competition, they pocket the upside and pay you intrinsic value. A process that puts a strategic and a sponsor in the same room is how the premium surfaces.

SECTION 09

Internal Transition & ESOP

Not every transition is a sale to an outsider. Passing the firm to your people is a valuation problem too; with its own rules, limits, and traps.

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Internal Transition: Valuing the Sale to Your Team

Selling internally, to partners or the next generation, is often the right legacy choice. But it is priced and funded very differently from an external sale.

HOW IT DIFFERS FROM A SALE

- No competitive tension — no synergy premium; value is typically closer to intrinsic (often a lower multiple).
- Buyers are your own people, funded largely by the firm's future cash flow.
- Deals are structured over years — notes, earn-ins, and staged equity transfers.
- Fairness and defensibility matter as much as maximizing price.

THE HARD CONSTRAINT: AFFORDABILITY

- The next generation rarely has capital — the buy-out is paid from future profits and distributions.
- That caps the price the firm can realistically support without starving operations.
- Over-leveraging an internal deal can jeopardize the very firm being transferred.
- Bank financing and seller notes bridge the gap within prudent limits.

COMMON MISTAKES

Setting the internal price with no defensible valuation. Ignoring the tax and cash-flow drag on the buyers. Transferring equity faster than the successors can pay or slower than they can lead. Failing to align the exiting owner's retirement needs with what the firm can actually fund.

OWNER TAKEAWAY

An internal transition can be the most rewarding outcome, but only if it is modeled like the multi-year financial transaction it is. Start with a real valuation, then reverse-engineer a funding plan the firm can sustain. Begin five years early; the runway is the plan.

ESOP Valuation: What Owners Must Understand

An Employee Stock Ownership Plan can be a powerful, tax-advantaged transition, but it is a regulated valuation environment with rules that surprise many owners.

1 Fair Market Value Standard

An independent trustee sets price at FMV; a willing-buyer/willing-seller value under IRS and ERISA rules. It is not a negotiated strategic premium.

2 Annual Valuation

The stock must be revalued every year by an independent appraiser. Share price moves with earnings, risk, and the balance sheet, every year.

3 Repurchase Obligation

As employees retire or leave, the company must buy back vested shares. This is a real, growing cash liability that must be planned for.

4 Leverage

ESOPs are often debt-funded. Leverage enables the transaction but adds financial risk and constrains flexibility during repayment.

COMMON MISCONCEPTION

"An ESOP will pay me the same as a strategic buyer." It will not, an ESOP pays fair market value, not a competitive or synergy-driven premium. Its advantages are tax efficiency, liquidity without a third-party sale, and rewarding the people who built the firm. Choose it for those reasons, with eyes open on price.

SECTION 10

Increasing & Protecting Value

Most of a firm's value gap is self-inflicted and self-correctable. Here is the checklist that builds value, and the ledger of what quietly destroys it.

What Increases Value: The Owner's Checklist

Financial

- ✓ Clean, reviewed/audited financials
- ✓ Documented, defensible EBITDA add-backs
- ✓ Rising, durable margins
- ✓ Strong cash conversion & collections

Operational & People

- ✓ Deep leadership bench below the owner
- ✓ Diversified clients (none >15–20%)
- ✓ Recurring revenue & MSAs
- ✓ Disciplined recruiting and retention

Market & Growth

- ✓ Focus on sought-after end markets
- ✓ Consistent, profitable organic growth
- ✓ A credible acquisition or growth story
- ✓ Differentiated brand & reputation

Systems & Governance

- ✓ Modern technology & disciplined AI adoption
- ✓ Reliable KPIs and a real dashboard
- ✓ A defensible multi-year forecast
- ✓ Board-level governance & controls

OWNER TAKEAWAY

None of this requires a buyer, a banker, or a sale. Every item is management you can begin on Monday and each one compounds into a higher multiple whenever you choose to transact. The firms that command premiums simply started earlier.

What Destroys Value: The Discount Ledger

Buyers price risk. Each of these is a specific, recognizable risk that either lowers your multiple, shifts consideration into earnouts, or ends the deal.

Value Destroyer	What Buyers See	How It Gets Priced
Owner dependence	Revenue, relationships, and technical authority all run through the founder	Severe multiple compression; large earnout
Client concentration	One client >30–40% of revenue	0.5–2.0 turn discount or deal-killer
Weak management	No credible leadership below the owner	Lower multiple; longer required transition
Low / volatile margins	Sub-10% or erratic profitability	Multiple falls toward the 3.5–4× floor
Thin backlog	Under ~6 months of signed work	Bottom-quartile multiple; price risk
Poor accounting / no forecast	Messy books, no defensible projection	Erodes trust; caps value before diligence
Claims & project risk	Litigation, warranty, or delivery exposure	Escrows, holdbacks, indemnities, reprice
Poor collections / WIP	Cash trapped in receivables and work-in-progress	Working-capital drag reduces net proceeds

SECTION 11

The Value-Creation Timeline

Premium outcomes are not decided in the negotiation; they are decided in the years before it. Here is the runway.

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A Five-Year Runway to a Premium Outcome

VALUE-CREATION TIMELINE

5 YEARS OUT	3 YEARS OUT	2 YEARS OUT	1 YEAR OUT	6 MONTHS OUT	90 DAYS OUT
Build the institution	**Professionalize earnings**	**Strengthen the story**	**Prepare to be seen**	**Position and package**	**Run the process**
Develop the leadership bench. Diversify clients and end markets. Invest in systems, technology, and reporting. Begin managing to enterprise value.	Drive margin and organic growth. Formalize recurring revenue and backlog. Clean up the balance sheet and the cap table. Establish reliable KPIs.	Reduce owner dependence in fact and in optics. Lock in key talent. Build a credible multi-year forecast. Baseline your value and readiness.	Resolve claims and contingencies. Tighten collections and working capital. Assemble the data room. Align ownership on goals and timing.	Finalize the investment narrative. Complete pre-diligence and sell-side quality-of-earnings prep. Identify and prioritize the buyer universe.	Launch a competitive process. Create tension among qualified buyers. Manage diligence proactively. Negotiate the full bridge to net proceeds.

The earlier you start, the more of the value you keep. Most of these actions cost time and discipline; not money.

SECTION 12

Case Studies, Myths & the Questions You Ask

Anonymized composites and hard truths; the reasons two similar firms sell for very different prices, and the questions every owner eventually asks.

Two Firms, $20M Revenue — 5.5× vs. 8.8×

An illustrative composite. Both firms report ~$20M revenue and ~$3M EBITDA. One sold at 5.5×; the other drew competitive bids at 8.8×. Same headline; very different asset.

FIRM A 5.5× → ~$16.5M EV

- ✗ Founder is top seller, chief engineer, and key contact
- ✗ Top client = 38% of revenue
- ✗ Mostly one-off projects; ~4 months backlog
- ✗ 13% EBITDA margin, flat growth
- ✗ No forecast; financials compiled, not reviewed

FIRM B 8.8× → ~$26.4M EV

- ✓ Full leadership team runs delivery and sales
- ✓ Largest client = 14%; broad diversification
- ✓ MSAs & programs; 16 months signed backlog
- ✓ 21% EBITDA margin, steady organic growth
- ✓ Board-quality forecast; reviewed financials

THE $9.9M LESSON

Identical revenue and earnings; a ~$9.9M gap in enterprise value, roughly 60% more, driven entirely by quality and risk. Firm B did not get lucky. It spent the runway building the exact factors buyers reward, then ran a process that made buyers compete.

Illustrative composite for education; not an actual transaction. Figures rounded.

What Erodes Price in Diligence — and Why Deals Fail

WHAT REDUCES PRICE IN DILIGENCE

- Earnings that shrink under scrutiny — unsupported add-backs, aggressive revenue recognition.
- Client concentration or churn that surfaces only in the data.
- Undisclosed claims, change orders, or warranty exposure.
- Working-capital surprises that lower the final settlement.
- Key-person and retention risk that emerges in management meetings.
- Weak or contradicted forecast assumptions.
- Disorganized records that slow the process and erode buyer confidence.

WHY DEALS FALL APART

- A valuation gap that was never reality-tested before going to market.
- Surprises in diligence that break trust between the parties.
- A single-threaded process — one buyer, no leverage, no urgency.
- Owner ambivalence — not truly ready to transact.
- Deteriorating performance during a slow, poorly run process.
- Financing or market conditions shifting mid-deal.
- Misaligned expectations on structure, earnouts, and transition.

OWNER TAKEAWAY

Nearly every deal-killer above is preventable with preparation and a competitive process. Sell-side diligence done before buyers arrive turns surprises into non-events and protects the price you started with.

Six Valuation Myths That Cost Owners Money

"My revenue determines my value."

Revenue is activity. Buyers pay for profitable, durable, transferable earnings and the multiple is set by quality, not size alone.

"My accountant knows valuation."

A great CPA reports history. M&A valuation is a forward-looking, market-based discipline about how buyers price risk; a different skill entirely.

"I can estimate value from Google."

Online rules of thumb ignore sub-sector, backlog, concentration, and dozens of firm-specific factors. They mislead far more often than they help.

"I should wait until I'm ready to retire."

Value is built over years. Owners who wait until they want out forfeit the very runway in which premium value is created.

"All buyers pay about the same."

The same firm is worth different amounts to different buyers. A strategic with synergies can pay far more but only if made to compete.

"I don't need a real forecast."

The forecast is the document buyers underwrite. Without a credible one, you cap your multiple before diligence even starts.

Questions Owners Actually Ask

Q What is my firm really worth?

A range, not a point, set by your earnings, quality factors, sub-sector, and the buyers competing for you.

Q How do I maximize value before selling?

Reduce owner dependence, diversify clients, grow margin and backlog, and prepare early. Then run a competitive process.

Q Should I sell now or wait?

Depends on your readiness, the market window, and your goals. Waiting only pays if you use the time to build value.

Q Should I transition internally instead?

Sometimes the best legacy choice if the firm can fund it. It clears near intrinsic value, not a strategic premium.

Q What financial metrics matter most?

Normalized EBITDA, margin, growth, cash conversion, backlog, and client concentration.

Q What makes buyers compete?

Scarcity, quality, a clear growth story, and a well-run process that puts qualified buyers in the same window.

Q How long does a sale take?

A well-run process is typically several months to a year from launch to close, preparation is extra, and worth it.

Q What will reduce my price in diligence?

Unsupported add-backs, concentration, undisclosed claims, working-capital surprises, and a weak forecast.

Q How is an earnout different from cash?

Cash is certain; an earnout is contingent on future performance. Structure and definitions decide whether you ever see it.

How Sophisticated Advisors Create Value

A great advisor does not just "find a buyer." Each step below is engineered to protect and expand the price you actually take home.

1 — Benchmark

Establish a defensible, market-based value and a clear readiness baseline.

2 — Prepare

Normalize earnings, build the forecast, and complete sell-side diligence before buyers see anything.

3 — Improve

Close the gaps that suppress multiples — concentration, dependence, reporting.

4 — Position

Craft the investment narrative and identify the buyers who will value the firm most.

5 — Create Tension

Run a disciplined, competitive process so buyers compete and share their synergies.

6 — Manage Diligence

Control information and pace so surprises become non-events and trust holds.

7 — Negotiate & Close

Negotiate the entire bridge, multiple, structure, working capital, to maximize net proceeds.

THE COMPOUNDING POINT

Each step is worth money on its own; together they compound. Preparation protects the floor, positioning raises the ceiling, and competition captures the difference. This is why advised, competitive processes so consistently outperform a single unsolicited offer.

START WITH CLARITY

Understand your value.
Then decide, on your timeline.

No pressure. No obligation to transact. Just a clear, confidential, market-grounded view of where your firm stands and where the value is.

Confidential Valuation

A market-based enterprise value range for your firm, with the drivers behind it.

Value Benchmarking

See how your firm compares to recent AEC transactions and peers.

Owner Readiness Assessment

A candid scorecard of what is helping, and hurting, your value today.

Strategic Planning Discussion

Map the runway: what to build, in what order, over the years you have.

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Helping AEC owners understand value and what to do with it.

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