Project Cedar is a synthetic company constructed for demonstration. Every number below is fabricated; the method, section order, and depth are exactly what a real engagement delivers on your books.

DEMONSTRATION SAMPLE · SELL-SIDE REVIEW

Sell-Side Review: Project Cedar

What a seller learns before the buyer does. Fix list ordered by what each finding costs at the table.

Subject Project Cedar, a residential and commercial landscaping company with an attached online storefront (synthetic demonstration company)

Claimed by owner $412K SDE on $2.31M revenue, asking $1.15M (2.8x) **Commissioned by** The listing broker, pre-listing

Readiness verdict READY AFTER FIXES, estimated 5 to 8 weeks

The owner's number is $412K. The number a buyer's adviser will rebuild from these books is $329K. That $83K gap, left as it is, prices the business at roughly $920K at the same multiple, a $230K retrade waiting in the data room. Most of the gap is fixable before listing. This report is the fix list, ordered by what each item costs at the table.

The buyer's-eye rebuild

We rebuilt earnings from the raw P&L, payroll, and deposit records exactly as a buyer's adviser will. Claimed SDE $412K. Surviving SDE today: $329K [High].

- Owner salary add-back of $145K: survives. Documented, at market for a working owner in this trade. [High]
- "One-time" equipment repairs, $38K added back: drop it. The same line appears in all three years at $31K to $44K. A buyer's adviser will read it as recurring maintenance, because it is. [High]
- Personal vehicle, travel, and meals run through the business, $27K claimed: needs documentation. Roughly $9K is supportable from the records provided; the rest is currently an assertion. [Med]
- Family member on payroll at $18K with no defined role: needs documentation or a plan. If the role is real, document it; if it is not, remove it from payroll before listing rather than explaining it in escrow. [Med]

Fix list, ranked by retrade risk

1. The commercial contract that is 34% of revenue. One municipal maintenance contract produced $786K of the $2.31M. It renews each March, and the current agreement has no assignment clause. A buyer reads this as: the biggest revenue line may not survive the sale. Expect it used as a price lever or an earnout demand. The fix: obtain renewal with an assignment-on-sale clause, or written consent to assign, before the listing goes live. Effort: one conversation with the city's procurement office and a lawyer's afternoon. This single document protects more value than everything else in this report. [High]

2. The add-back schedule. As above, $83K of claimed SDE does not currently survive scrutiny. Fix: drop the repairs line, document the supportable portion of the personal expenses, resolve the family payroll line. Effort: 2 to 3 weeks with your bookkeeper. Every documented dollar returns roughly $2.80 at the asking multiple. [High]

3. Six field workers classified as contractors. They work set schedules with company equipment on company routes. A buyer's counsel will flag misclassification exposure within minutes, and the standard response is an escrow holdback sized to the liability. Fix: convert to W2 before listing, or obtain a written assessment from employment counsel and disclose it up front. Converting costs margin; discovery costs the deal. [Med]

4. The online storefront sits in a personal marketplace account. The e-commerce side ($214K revenue, growing) runs through a seller account registered to the owner personally. Marketplace policy does not guarantee transfer of personal accounts, which means the buyer may be purchasing revenue that cannot legally follow the business. Fix: migrate the storefront to a business-entity account now, so it transfers as an asset. Effort: 2 to 4 weeks including marketplace verification. [Med]

Disclose early, do not wait

Q3 cash deposits run consistently below reported Q3 cash sales in two of three years. There may be an innocent explanation; a buyer will not assume one. This cannot be fixed retroactively and should not be discovered. Disclose it with the explanation attached. A disclosed issue is priced once. A discovered one is priced twice and poisons every number that follows it. [Med]

Documentation gaps a data room will expose

- Customer revenue by client does not exist as an export. Build it now; finding #1 makes it the first thing asked for.
- The premises lease requires landlord consent to assign, with a 90-day notice window. Start it before listing, not after an offer.
- Equipment list exists without serials, titles, or lien status. One afternoon of work, and it pre-empts the UCC search the buyer will run anyway.

Listing-prep sequence

1. Municipal contract assignment (start immediately, longest external dependency)
2. Landlord consent process (90-day clock, start in parallel)
3. Add-back cleanup with bookkeeper (weeks 1 to 3)
4. Storefront account migration (weeks 1 to 4)
5. Worker classification decision with counsel (weeks 2 to 4)
6. Data-room folder: client revenue export, equipment schedule, cash explanation memo (week 4)

Done in sequence, this business lists in 5 to 8 weeks defending $412K instead of explaining $329K.

Sources and confidence notes

Rebuild based on: 3 years P&L and balance sheets, federal tax returns, payroll and contractor roster, deposit records, lease, owner's add-back schedule, marketplace analytics export. Confidence tags inline. Missing at time of writing: municipal contract original with amendments, employment counsel opinion, landlord's position on assignment. Single-source items are tagged where they occur.

~800 words

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A LUCID LABS PRODUCT

verdictdd.com
fabi@verdictdd.com
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