Institutional Readiness Assessment

Demo HVAC — Gap Review (verification in progress)

Composite: Near Ready

Verification In Progress

Fingerprint demo-gap-review-fingerprint-0001 · ira-1.0.0

Readiness heat strip — 10 axes at a glance

Fin. Cons.	Reporting	KPIs	Op. Risk	Stress	Data Integrity	Gov.	Mgmt Resp.	Key Person	Cust. Conc.
Near Ready	Near Ready	Near Ready	Near Ready	Near Ready	Near Ready	Near Ready	Near Ready	Near Ready	Near Ready

Top blockers a sophisticated reviewer will surface

Important	Important	Worth knowing
Customer retention cannot be calculated from the customer file	Customer records partially deduplicated; aliases unmerged	Revenue not cleanly segmentable by service class (recurring vs install)

Composite verdict

Your business is almost ready for institutional review.

A few minor items would surface in diligence but wouldn't block a deal. With cleanup, you'd reach Ready within a quarter.

Foundation (gating) axes

- **Can you back up your numbers?:** Near Ready
- **Do your numbers tie out?:** Near Ready

Readiness consequence summary

What the surfaced findings will mean when a buyer or lender reads the artifact. Each line is generated deterministically from the sections below — no LLM interpretation, no narrative guesswork.

Customer Data Readiness: Partial.

By operator attestation, retention is only partially calculable, revenue is only partially segmentable, and customer records are only partially deduplicated. When the buyer reads this, expect additional data cleanup or a confidence discount until the customer file reconciles cleanly.

Gap Review tests these gaps against the documents.

Sector diligence — HVAC Services: Buyer-pressure preview.

A HVAC Services buyer will pressure-test 4 specific points across Financial Consistency, KPI Completeness, Operational Risk, and Stress Tolerance. Surface the answers before exposure; the buyer will not extend you that courtesy.

Quick reference: institutional terms

Plain-English definitions of the institutional terms that appear in the verdict above and across this assessment. Skim now or come back when a term is unfamiliar — every term used downstream is defined here.

DSCR (Debt Service Coverage Ratio) — Operating cash flow divided by debt payments. A 1.20x DSCR means cash flow covers debt service 1.2 times over. Lenders typically want at least 1.20x; below 1.0x means cash flow can't cover debt.

FCCR (Fixed Charge Coverage Ratio) — Like DSCR but also includes other fixed payments — rent, capital expenditures, sometimes tax distributions. Stricter than DSCR; lenders use it on businesses with meaningful lease obligations or recurring capital needs.

EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortization) — A rough proxy for cash flow from operations. Buyers and lenders adjust this number ("Adjusted EBITDA") to normalize for one-time costs and owner discretion. The adjustments themselves get scrutinized in diligence.

LTV (Loan-to-Value) — How much of an asset's value is financed by debt. 80% LTV means 80 cents of every dollar of the asset is borrowed. Lower is safer; lenders typically cap LTV at 65-80% depending on asset type.

QoE (Quality of Earnings) — A diligence service where an outside accounting firm validates the seller's reported numbers — confirming revenue is real, expenses are complete, and EBITDA add-backs are legitimate. Typical scope: $50-150K and 4-6 weeks.

IC (Investment Committee) — The group at a buy-side firm (PE, lender, family office) that approves or rejects deals. Sell-side preparation aims to make the IC's review smooth — answer their questions before they ask them.

AR aging (Accounts Receivable aging) — A schedule showing how long unpaid customer invoices have been outstanding — current, 30 days, 60 days, 90+ days. Heavy aging at 90+ signals collection trouble or customer problems.

AR concentration — How much of total receivables sit with a small number of customers. High concentration is a liquidity risk — if one big customer disputes an invoice or extends payment, your cash flow takes a real hit.

Covenant — A promise in a loan agreement. Financial covenants set thresholds the borrower has to maintain. Breaking one — a "covenant

breach" — gives the lender rights to renegotiate, charge a fee, or call the loan.

Leverage — How much debt the business carries relative to earnings. Usually expressed as a multiple (e.g., 4.5x leverage = debt equals 4.5 times annual EBITDA). High leverage means thin cushion if earnings drop.

Collateral — Assets the lender can seize if the borrower defaults — real estate, equipment, inventory, accounts receivable. Strong collateral lets a lender accept higher leverage.

Provenance — Where each number came from. Every promoted figure carries the source document, page or cell reference, and extraction method — so an outside reviewer can trace any number back to its primary source.

EBITDA add-back — An adjustment to EBITDA that excludes a cost the business won't have going forward — owner's discretionary salary, one-time legal fees, non-recurring rent. Add-backs increase reported EBITDA and require source documentation.

Axis grid

Ten readiness areas an institutional buyer or lender's review team would look at.

Axis	Grade	What a buyer sees
Do your numbers tie out? · FOUNDATION	**Near Ready**	If a buyer's IC sees disagreement on key numbers, they extend the timeline 3-4 weeks for Quality of Earnings work.
Are your reports on a regular schedule?	**Near Ready**	Buyers and lenders want trailing 24+ months of consistent reporting before they'll trust the trajectory.
Are the right metrics being tracked?	**Near Ready**	Missing KPIs mean missing visibility — buyers will ask for back-fill, which slows the deal.
What red flags are showing?	**Near Ready**	Risk signals get flagged in committee. Each flag becomes a question you'll have to answer in

		diligence.
What happens if conditions tighten?	**Near Ready**	Lenders model worst-case scenarios. If your covenants tighten under stress, they'll price the risk in.
Can you back up your numbers? · FOUNDATION	**Near Ready**	An institutional review team won't accept a number they can't trace back to a primary document.
Is the business well-organized?	**Near Ready**	Strong governance signals 'this is a real business, not a one-person operation' — and supports a higher multiple.
How quickly can you answer questions?	**Near Ready**	Slow or incomplete answers in diligence can extend close timelines or kill deals. Fast, complete responses move things forward.
What if a key person left?	**Near Ready**	If one person disappearing breaks the business, buyers either price the risk in or walk away.
How spread out are your customers?	**Near Ready**	High concentration is a discount factor. Diversified revenue or long-term contracts on top customers protect valuation.

Can your customer data survive buyer diligence?

Customer data is partially buyer-ready; named gaps remain.

Here is what a buyer will ask for

A sophisticated buyer does not just ask for revenue. They ask for the operational facts that decide whether the revenue story survives diligence. These are the questions every credible buyer in every sector reads to.

• Can customer-level revenue be exported in a clean, usable format (CSV/Excel with customer name + revenue + period, one row per customer per period)?

• Does the sum of customer-level revenue tie back to the P&L within a tolerable variance (under five percent)?

• Can top-N customer concentration (top 1, top 5, top 10) be calculated directly from the customer data, today?

• Can churn or retention be calculated from the data (repeat-customer rate, renewal history, or revenue retention by cohort)?

• Which of the following can revenue be segmented by, using existing data, without manual rebuilding?

• Are customer records deduplicated and consistently named (no two entries for the same customer under different spellings)?

• Is there a meaningful "miscellaneous customer" or "other" bucket in the data, and if so how much revenue does it hide?

Here is what you can produce today

This is what your customer data can support today, by your own operator-attested read. "I don't know" is a real answer — it names the gap rather than hiding it.

Diligence question	Your answer
Can customer-level revenue be exported in a clean, usable format (CSV/Excel with customer name + revenue + period, one row per customer per period)?	Yes
Does the sum of customer-level revenue tie back to the P&L within a tolerable variance (under five percent)?	Yes
Can top-N customer concentration (top 1, top 5, top 10) be calculated directly from the customer data, today?	Yes
Can churn or retention be calculated from the data (repeat-customer rate, renewal history, or revenue retention by cohort)?	Partial

Which of the following can revenue be segmented by, using existing data, without manual rebuilding?	Partial
Are customer records deduplicated and consistently named (no two entries for the same customer under different spellings)?	Partial
Is there a meaningful "miscellaneous customer" or "other" bucket in the data, and if so how much revenue does it hide?	Yes

Here is where the story breaks

These are the points where the buyer's read and your evidence package diverge. Each break-point names the IRA axis it touches; the buyer will read to the same axes.

• Can churn or retention be calculated from the data (repeat-customer rate, renewal history, or revenue retention by cohort)?

Operator answer: Partial · IRA axis impact: KPI Completeness, Stress Tolerance

• Which of the following can revenue be segmented by, using existing data, without manual rebuilding?

Operator answer: Partial · IRA axis impact: KPI Completeness

• Are customer records deduplicated and consistently named (no two entries for the same customer under different spellings)?

Operator answer: Partial · IRA axis impact: Data Integrity

Before a buyer asks for your customer data, find out whether your customer data can survive being asked for.

What an HVAC Services buyer will ask before believing the story

A sophisticated buyer in this sector reads to a known set of questions before they trust the story. The items below group by the IRA axis they pressure. Surface these on your own timeline; the buyer will not extend you that courtesy.

Financial Consistency

• Can recurring service revenue be tagged and reported separately from one-time install revenue in the trailing-12-month P&L?

If recurring revenue cannot be cleanly separated, the buyer commonly cannot underwrite the recurring-premium thesis and will tend to value the blended base closer to install multiples.

KPI Completeness

• What percentage of trailing-12-month revenue is service/maintenance vs install?

HVAC buyers commonly value service/maintenance-heavy revenue at a premium to install-heavy revenue; a clean operator-attestable split is the precondition for the buyer to evaluate that premium at all.

Operational Risk

• What is the average revenue per route per month, and how concentrated is revenue in the top-10% of routes?

Route density is the operational efficiency signal a sophisticated HVAC buyer reads for first-100-day operating-improvement headroom; the inability to express revenue per route is itself a finding.

Stress Tolerance

• What is the annual renewal rate on service/maintenance agreements, by cohort?

Buyers scrutinize cohort renewal as the durable cash-flow signal; the absence of cohort-renewal data tends to compress terminal-value assumptions even when headline retention looks strong.

What you'd need to fix

Ordered by impact. Fix the foundation issues first — those hold everything else back.

Important to fix (2)

- **Customer retention cannot be calculated from the customer file**

What you can do:

- **Customer records partially deduplicated; aliases unmerged**

What you can do:

Worth knowing (3)

- **Revenue not cleanly segmentable by service class (recurring vs install)**

What you can do:

- **Key-person relationships in operator's head, not documented**

What you can do:

- **Monthly close discipline present but no external review on file**

What you can do:

Workplan

Workplan table — quote remediation against this. Each blocker carries the evidence that would resolve it and a status field you can update as you work.

Blocker	Axis	Severity	What evidence is needed?	Status	Owner / Due
Customer records partially deduplicated; aliases unmerged	Can you back up your numbers?	**Important to fix**	—	Open	—
Customer retention cannot be	Are the right metrics being	**Important to fix**	—	Open	—

calculated from the customer file	tracked?				
Key-person relationships in operator's head, not documented	What if a key person left?	**Worth knowing**	—	Open	—
Revenue not cleanly segmentable by service class (recurring vs install)	Are the right metrics being tracked?	**Worth knowing**	—	Open	—
Monthly close discipline present but no external review on file	Are your reports on a regular schedule?	**Worth knowing**	—	Open	—

How a consultant or advisor can help

Capital Refinery measures readiness; the modernization work itself is something an operating consultant, M&A advisor, or accountant can do with you. This brief shows where their help would matter most.