Re-IRA Delta — what changed since the last assessment

Demo HVAC — Re-IRA Delta

From snapshot demo-reira-f → demo-reira-t

Observed post-engagement movement. The Lift Ledger is an evidence-backed measurement of state change; it is not an attribution opinion about which interventions caused which changes. Causality belongs to the operator, the consultant, and the underlying business — the Ledger measures only what moved between snapshots, where, and how we know.

2 blockers resolved; Lower-middle-market PE rollup acquirers and Senior bank financing for buyer now viable; diligence timeline compressed ~5-8 weeks.

Blockers resolved

- **Customer retention cannot be calculated**

Are the right metrics being tracked? —

- **Monthly close lacks external review**

Are your reports on a regular schedule? —

New buyer / lender classes now viable

- **Lower-middle-market PE rollup acquirers**

Meets institutional rollup floor; fits standard add-on diligence pattern

- **Senior bank financing for buyer**

Reporting + provenance threshold supports senior debt underwriting

Diligence friction removed

- QoE scope contained pre-LOI; EBITDA reconciliation no longer extends close cycle
- Required KPI back-fill no longer needed during diligence
- Risk Signals scoreboard does not auto-flag in committee review
- Provenance trail complete for institutional reviewer tie-out

Timeline compression

~5-8 weeks of diligence cycle compressed.

- **Do your numbers tie out?** — QoE scope contained pre-LOI (2-3 weeks)
- **Are the right metrics being tracked?** — Required-KPI back-fill no longer in scope (1 weeks)
- **What red flags are showing?** — Risk signals contextualized in management commentary (1-2 weeks)
- **Can you back up your numbers?** — Provenance back-fill complete on critical KPIs (1-2 weeks)

Workplan after Re-IRA

Every blocker from before and after, with whether the Re-IRA cleared it, it still holds, or it newly surfaced.

Blocker	Axis	Severity	Re-IRA status	What evidence is needed?
Customer retention cannot be calculated	Are the right metrics being tracked?	**Important to fix**	**Cleared in Re-IRA**	—
Monthly close lacks external review	Are your reports on a regular schedule?	**Important to fix**	**Cleared in Re-IRA**	—
Key-person relationships partially documented	What if a key person left?	**Worth knowing**	**Still present**	—

Lift Ledger

Same delta, grouped by measurement category. Each layer answers a different reviewer's question.

Institutional Lift

- **Composite band:** developing → near_ready (improved)
- **Axes improved:** 4
- **Axes declined:** 0
- **Blockers no longer present:** 2
- **Gating blockers still present:** 0
- **Newly-introduced blockers:** 0

Diligence Lift

- **Friction-removed phrases:** 4
- **Diligence timeline compressed:** ~5-8 weeks
- **Newly-viable counterparty classes:** 2
- **Claims-to-evidence coverage:** not observable (provenance_coverage_pct missing on one or both snapshots)

Process Lift

- **Management responsiveness band:** near_ready → near_ready (unchanged)
- **Median response days:** not observable (median_response_days not present on one or both snapshots)
- **Overdue request count:** not observable (overdue_request_count not present on one or both snapshots)
- **Reporting maturity band:** near_ready → near_ready (unchanged)
- **KPI completeness band:** developing → near_ready (improved)
- **Data-room evidence completeness:** not observable (provenance_coverage_pct missing on one or both snapshots)

Economic Lift

- **Critical reconciliation conflicts:** not observable (critical_conflict_count not present on one or both snapshots)
- **Total reconciliation conflicts:** not observable (total_conflicts not present on one or both snapshots)
- **KPI coverage score:** not observable (coverage_score not present on one or both snapshots)
- **Promoted KPIs not yet observable:** ar_days, cash_liquidity, dscr, ebitda, fccr, gross_margin, leverage, revenue, working_capital (no comparable promoted value on one or both snapshots)

Axis-by-axis movement

Axis	Before	After	Direction
Do your numbers tie out?	Developing	**Near Ready**	↑
Are your reports on a regular schedule?	Near Ready	**Near Ready**	—
Are the right metrics being tracked?	Developing	**Near Ready**	↑

What red flags are showing?	Developing	**Near Ready**	↑
What happens if conditions tighten?	Near Ready	**Near Ready**	—
Can you back up your numbers?	Developing	**Near Ready**	↑
Is the business well-organized?	Near Ready	**Near Ready**	—
How quickly can you answer questions?	Near Ready	**Near Ready**	—
What if a key person left?	Near Ready	**Near Ready**	—
How spread out are your customers?	Near Ready	**Near Ready**	—

Composite band: Developing → Near Ready

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.