

Deal Risk Screen **SAMPLE**

Target: Plumbing and HVAC contractor, Okanagan Valley BC (HVAC retrofits and service, plumbing service, renovations, gas fitting), over 20 years, sold with its purpose-built property

Source: Public listing, Sunbelt Network, listing ID VAN03BC002-59096, read on 2026-10-26

Prepared for: Sample for dealdiligence.ca (no client)

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SAMPLE. Prepared from the public listing only, as a demonstration of the Deal Risk Screen format. No seller package, financial statements or bank statements were reviewed, and no party commissioned this screen. Listing figures are the seller's. This is general information, not advice on this purchase.

This is an analysis for the client's own decision, based on documents provided. It is not an audit, review or assurance engagement and expresses no opinion on the financial statements. Not for litigation, matrimonial or tax-dispute use. Liability limited to the fee.

1. Verdict

Item	Result
Overall risk signal	Elevated
Listed price	\$2,690,000 including the owned property (showroom, warehouse, fabrication space, offices and an owner's residence), inventory and equipment; values on request
Listed revenue / adjusted EBITDA	\$2,273,519 / \$213,030 (9.4% margin)
Implied multiple	12.6x adjusted EBITDA on the bundled price; the business multiple depends on what the property is worth
Price the cash flow supports at 1.25x DSCR, on the structure below	About \$1,400,000 to \$1,500,000 for business and property together if the listed earnings hold; about \$1,100,000 to \$1,200,000 if they come in 20% lower

The three sentences that matter:

1. The operating earnings do not carry the bundled price: at \$213,000 of EBITDA, debt service on a conventional structure runs near \$260,000 to \$280,000 a year, so the deal only works with a large equity cheque or with the property valued and financed as real estate on its own terms.

2. Because the owner holds the property, the EBITDA may carry little or no rent; a buyer who takes the property pays a mortgage instead, and a buyer who leaves it pays market rent, so either way the standalone earnings are lower than the listed figure.
3. A retirement sale after 20 years with a 6,000-client base is a relationship business; the technicians and the dispatcher are the asset, and the listing shows no headcount.

2. Earnings as listed, and what we could not test

Line	As listed	Status	What to ask for
Revenue	\$2,273,519	Unverified	Three years of statements; service versus install versus renovation revenue by month
Adjusted EBITDA	\$213,030	Questioned	The adjustment schedule; whether rent to the owner's property is charged in the statements
Owner compensation and role	Not shown	Unknown	Hours, duties, and whether a market wage is in the EBITDA
Property and residence	Included, value on request	Red flag	An appraisal; whether the residence can be separated; tax treatment of a residence inside a commercial sale
Inventory and equipment	Included, value on request	Unknown	Count and condition; service vehicle list with age and financing
Staff	N/A on the listing	Unknown	Technicians by trade and ticket, tenure, pay; who holds the gas and refrigeration tickets

3. Risk pillars (first read from public facts)

Pillar	Read	What drives it
Financial health	Elevated	9.4% margin on \$2.3M of revenue; EBITDA adjusted and undefined; price mostly property; multiple on the business unknowable until the property is valued
Operations and people	Elevated	Retirement sale after 20 years; licensed technicians required (gas fitting, refrigeration); no headcount shown; owner likely holds relationships and tickets
Market and competition	Moderate	Okanagan residential and commercial service demand is steady; retrofits follow rebate programs and the housing cycle
External and regulatory	Moderate	Technical Safety BC licensing, WorkSafeBC standing, refrigerant handling, warranty obligations on installed

Pillar	Read	What drives it
		systems, all unseen

4. Debt service at the listed price

Structure assumed for this screen, with the property taken as 50% to 60% of the price: commercial mortgage on the property at 75% loan to value, 6.5%, 25 years; term loan on the business at 65%, 8%, 7 years; 10% vendor take-back at 6% over 5 years; 25% buyer equity on both (about \$672,500). Cash available for debt service about \$183,000 after a \$30,000 vehicle and equipment allowance and small business tax.

Scenario	Cash available	Debt service	DSCR	Price supported at 1.25x
Listed earnings hold, property 60% of price	\$183,000	\$259,000	0.70x	\$1,517,000
Listed earnings hold, property 50% of price	\$183,000	\$283,000	0.65x	\$1,393,000
Earnings 10% lower, property 60%	\$164,000	\$259,000	0.62x	\$1,343,000
Earnings 20% lower, property 60%	\$145,000	\$259,000	0.54x	\$1,166,000

Rates, terms and the tax allowance are assumptions for this sample, not quotes. If the property appraises well above 60% of the price, the business portion shrinks and the picture improves; that is the first number to get.

5. The five questions to ask before an LOI

1. What is the property worth on its own, is the residence separable, and will the seller sell the business without it or lease it back?
2. Does the EBITDA charge any rent for the property, and what was the owner paid for the hours worked?
3. How much revenue is recurring service and maintenance agreements versus one-time installs and renovations, and how much came from the top ten accounts?
4. How many technicians, which tickets do they hold, how long have they been there, and who will the 6,000 clients call once the owner retires?
5. What warranty and service obligations come with the installed base, and what is outstanding with Technical Safety BC and WorkSafeBC?

6. Documents to demand before an Earnings Risk Assessment

- Three years of financial statements and T2 returns with GIFI schedules; the EBITDA adjustment schedule; any rent or property costs in the statements

- Twelve to twenty-four months of bank statements for every business account
- Revenue by service line and by month; top customer list; maintenance agreement list and renewal rates
- Property appraisal, title, environmental and zoning information; the residence's status
- Staff list with tickets, tenure and pay; vehicle and equipment list with financing; warranty register; Technical Safety BC and WorkSafeBC standing

7. What we did not do

No seller package, no statements, no appraisal, no proof of cash, no customer-level revenue, no conversation with the seller or the broker. This sample shows the format and the first read a buyer gets from a Deal Risk Screen; the real screen runs on the listing package the buyer has in hand.

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