

# How a B2B Facilities Services Business Sold for \$1.375 Million

## After Being Told It Was Worth Around \$360,000

### The Situation

A facilities services business came to us generating \$2,100,000 in annual revenue. Commercial cleaning, building maintenance, and contract janitorial services for office parks, medical buildings, and light industrial clients across a three-county region. A solid contract base. Good reputation. A handful of long-term contracts that renewed reliably year after year.

Marcus had been running it for eleven years. He was not struggling. The business covered a good living, kept fourteen people employed, and had never missed payroll. But he was 54, his knees were not what they were, and he had started doing the arithmetic on what the next decade would look like if nothing changed.

He came to us for the same reason most owners do. The business was profitable but he knew it could do better. He wanted more from it, more profit now, and further down the road, more value at exit.

The honest answer was not what he expected.

Gross margin was 36%. Net profit was 9%, \$189,000 on \$2,100,000 in revenue. The business ran on Marcus. He was the main contact on every significant contract, the person clients called when anything went sideways, and the one who made every meaningful operational decision. There was no management layer worth speaking of. No documented processes. No dashboard. Two of the three largest contracts were tied to him personally through relationships that predated the business entity.

But before we talked about growth, we gave him an honest picture of where the business stood. The realistic exit value at that moment was around 1.9x SDE, somewhere in the \$350,000 to \$360,000 range. Not because the business was in trouble. Because that is what the business was actually worth as it stood: owner-dependent, thin on margin, with no systems and no management layer. That number was not a discount. It was an accurate reflection of what a buyer would be acquiring.

That was not the exit Marcus had in mind.

We told him the same thing we told Jason at Vivid Press. Selling now was the wrong move. Not because the business had failed, but because it had not yet been prepared. The work required to make it sellable at a fair multiple was the same work that would make it worth significantly more at sale. He had two choices. Sell quickly at the wrong number, or spend time doing the work and sell at the right one.

He chose the work.

We installed all eight drivers over the following engagement. Here is what happened.

## **Driver 1: Profit Recovery**

We start every engagement by looking for profit that is already inside the business but leaking out. In facilities services, that leakage tends to be operational and largely invisible to owners who are managing delivery rather than managing margin.

Labor scheduling was the first place we looked. Crews were being scheduled with built-in buffer time that had never been quantified. Route inefficiency, travel time between sites, and the gap between contracted hours and actual hours deployed were costing thousands per month. Marcus knew scheduling was imperfect. He did not know the annual cost.

Contract billing had gaps. Several clients had been invoiced at rates that had not moved in three or four years. Labor costs had increased. Supply costs had increased. The rates had stayed put because raising them had never become urgent enough to address. Two contracts were billing below true cost of delivery once the fully loaded labor rate was applied correctly.

Supply purchasing had not been reviewed in years. Cleaning chemicals, equipment maintenance, PPE, and consumables were being sourced across four suppliers with no consolidated purchasing strategy. A purchasing audit identified consolidation opportunities and renegotiated terms based on committed volume.

Billing accuracy was another issue. Additional scope on existing contracts, one-off deep cleans, post-renovation cleanouts, and emergency call-outs were regularly being absorbed or billed inconsistently. A formal process for capturing and billing non-standard work was implemented. Clients accepted it without complaint.

Combined, the profit recovery work added \$82,000 in annualized profit before a single thing changed on the revenue side.

## **Driver 2: Market Dominance**

Facilities services is a commoditized market. Most operators compete on price, reliability, and some version of responsiveness. Clients put contracts out to bid on a cycle. Decisions come down to the lowest credible quote.

Marcus had built his strongest relationships in medical and healthcare facilities. Medical office buildings, outpatient clinics, surgical centers. These clients operated under compliance requirements that general commercial cleaning operators were not equipped to meet. Infection control protocols, OSHA documentation, HIPAA-adjacent confidentiality in clinical spaces, specific product approvals for medical environments. Operators who understood this world commanded a different conversation entirely.

We repositioned the business around a specific promise to medical and healthcare facilities: compliant service delivery and documented protocols. Not as a marketing claim but as an operational reality backed by the processes we built in the business autonomy work.

The repositioning changed the dynamic in new business conversations immediately. Facility managers at medical buildings who had been treating the brief as a commodity tender started asking different questions. Two healthcare networks that had been managing multiple cleaning contractors across their portfolios began consolidation conversations.

Marcus did not walk away from his commercial client base. That work continued and remained part of the business. What changed was that the healthcare specialization made that segment easier to deliver, more profitable, and able to command rates that general commercial work could not. The commercial business kept coming in. The healthcare work came in at better margin and with less friction.

### **Driver 3: Pricing Power**

Pricing had not been seriously reviewed since the business was half its current size. Rates had been held in place to preserve relationships. Cost increases had been absorbed. The instinct was understandable. In a market where clients benchmark on price, raising rates feels like handing them a reason to put the contract out to bid.

We rebuilt the pricing model from scratch.

First we established true service delivery costs across every contract type and client category. Labor at fully loaded rates including payroll taxes, benefits, supervision, and management overhead. Supplies at current cost. Equipment depreciation. Insurance allocation. When the numbers were laid out properly Marcus was quiet for a moment. Two of his longest-standing contracts were generating almost no net margin once the real costs were visible.

The medical and healthcare specialization created something that had not previously existed: a legitimate basis for premium pricing. A facilities operator who understands compliance documentation, infection control protocols, and the specific operational demands of a clinical environment is not interchangeable with a general commercial cleaning company. Facility managers who have had a compliance failure caused by a cleaning contractor do not forget it. Certainty commands a premium.

A tiered contract model was built. Standard commercial for general office and light industrial clients, a healthcare compliance tier for medical facilities, and a premium managed facilities tier for multi-site clients requiring consolidated reporting, dedicated account management, and proactive compliance documentation.

Base rates were adjusted to reflect true costs. One client pushed back and moved on. Marcus called us the day they left. We asked him to hold the line. By the end of that month two new healthcare facility contracts had come in through the repositioned outreach. He did not bring up the client who left again.

The repricing added \$79,000 to annualized net profit.

### **Driver 4: Customer Value Optimization**

Winning a facilities contract is slow and relationship dependent. Procurement processes, site visits, reference checks, pricing rounds. Most operators do all of that work and then manage the relationship reactively until the renewal comes up.

The value inside an established facilities relationship is almost always larger than what is being captured.

We put three mechanisms in place.

The annual contract review. Every active client above a threshold spend was offered a structured planning session at the start of their fiscal year. The session reviewed current scope, surfaced unmet needs, and mapped the client's facilities requirements for the coming twelve months. Clients found it useful. It also gave the business forward visibility on renewal risk and expansion opportunity. Three clients who had been single-site relationships expanded to multi-site agreements as a result.

An add-on services program. Most of Marcus's clients had facilities needs that fell outside the core cleaning contract but within the business's capability. Post-construction cleanouts, carpet cleaning, window washing, periodic deep-clean programs. These had been handled informally or referred out. A structured add-on services list was built into every contract review as a standard agenda item. Uptake was over 35%.

A client health protocol. Key contacts at facilities clients turn over. Operations managers move on. The business had lost one contract in the prior two years not because of poor delivery but because the relationship had sat with a single contact who left and their replacement had no loyalty to the incumbent. A quarterly check-in process was implemented for every active contract, mapped to the right level of seniority, with a structured agenda that kept the relationship broad.

Average contract value across the clients touched by these three mechanisms increased by over 22% within the engagement period.

## **Driver 5: Recurring Revenue**

The business already had recurring contract revenue, which was one of its genuine strengths. But the structure of those contracts was not optimized for stability or exit value.

Most contracts were twelve-month agreements with informal renewal processes. A few had been running month to month for years because nobody had formalized the extension. From a buyer's perspective, a book of month-to-month contracts looks like a collection of clients who could leave at any time. That depresses the multiple significantly.

We restructured the contract portfolio. Multi-year agreements were introduced for clients who valued the certainty of a locked-in supplier relationship. Annual agreements were formalized with structured renewal processes and notice periods. Month-to-month arrangements were converted wherever the client relationship supported it.

By the time the business went to market, 74% of revenue was on contracts with twelve months or more remaining. That single metric shifted how a buyer read the business. It was no longer a service operation dependent on goodwill. It was a contracted revenue stream with forward visibility.

## **Driver 6: Strategic Partnerships**

Marcus had supplier relationships and some informal referral connections. Work came in through reputation and the occasional word of mouth introduction. Nothing was being actively built.

We identified three referral partner categories that served the same client base.

Commercial property managers and building management companies. These are the people who oversee the facilities programs for the same medical office buildings and commercial parks Marcus was targeting. A structured partner program was built with named contacts at the top ten local property management firms. Priority response guarantees on referrals, clear communication back to the referring party on contract status, and mutual referral agreements for property management firms whose clients occasionally needed services outside their remit.

Healthcare facility consultants and compliance auditors. This group works with medical facilities on operational compliance, OSHA readiness, and infection control programs. A co-education approach was developed that positioned the business as the operational partner for compliant facilities services. Several consulting firms began recommending the business by name to clients undergoing compliance reviews.

Complementary contractors. HVAC operators, electrical contractors, and commercial pest control companies all work with the same facilities management contacts. Formal mutual referral agreements with the top operator in each category.

Referral volume from structured partnerships increased 38% compared to the prior period.

## **Driver 7: Business Autonomy**

The profit improvements, the contract restructure, the pricing rebuild, the partnership program. None of it was sustainable, and none of it was transferable to a buyer, if Marcus remained the critical path on every relationship and every operational decision.

This was also the issue that had been suppressing the exit multiple from the beginning. A business that runs on its owner is not an asset a buyer is acquiring. It is a dependency they are taking on. Buyers pay multiples for businesses that run without the seller. They discount heavily for businesses that require the seller to stay.

When we started, Marcus was the main contact on every significant contract, the person clients called when anything went sideways, and the one who made every meaningful decision about crew deployment, quality issues, and client disputes. The fourteen-person team was capable. None of them had the authority or the process to run the business without him.

We documented every core process. Contract onboarding, crew scheduling, site inspection protocols, client reporting, complaint resolution, supply ordering, and billing. Each process assigned to a role with clear accountability and a defined output. A site inspection framework was built that gave supervisors the tools to manage quality consistently without Marcus needing to be present.

Marcus pushed back on the documentation work. It felt slow when there were contracts to service. We pushed back harder. The documentation was not administrative overhead. It was the thing that made the business transferable. Without it, every buyer conversation would end with a request for Marcus to stay on for three years, which was exactly what he was trying to avoid.

A general manager was promoted from within. Not hired externally. One of the senior supervisors had been with the business for seven years and knew the operations as well as Marcus did. He had never been given the authority or the structure to step into a management role. We built the role definition, the accountability framework, and the handover process. The GM took over day-to-day operations. Marcus was reviewing the dashboard and attending the monthly contract review meetings.

A simple operating dashboard was built. Eight numbers: active contracts by tier, revenue under contract, gross margin by contract type, crew utilization rate, client retention rate, referral volume, outstanding receivables, and owner hours per week. Visible weekly without anyone having to compile it.

As the business autonomy work took hold Marcus was in the business twelve hours a week instead of fifty-five. He used the recovered time to focus on the healthcare network relationships that were driving the highest-value new contracts.

## **Driver 8: Exit Readiness**

The exit readiness work ran in parallel with everything else from the start. Not as a separate project but as the lens through which every other decision was made.

Financial records were cleaned and restated. Three years of P&L were reconstructed to present SDE accurately, with owner add-backs documented and explained. The owner labor subsidy was calculated and disclosed. A buyer reading the financials could see exactly what the business generated and why.

The contract portfolio was documented for due diligence. Every active contract with its term, renewal date, revenue, and margin. Every client relationship mapped to the account manager responsible, not to Marcus personally.

Key person dependency was addressed systematically. Every client relationship that had been held by Marcus was transitioned to the GM or a named account supervisor. By the time the business went to market, no single client relationship was exclusively owned by the seller.

A seller's information memorandum was prepared. Not by a broker working from a template. By us, with Marcus, built around the actual story of what the business was, what it had become, and what it could do for the right buyer.

The business went to a regional M&A broker when the work was done. It was on the market for a matter of weeks. Three offers. One accepted.

### The Result

At sale, annualized revenue had moved from \$2,100,000 to approximately \$2,570,000. Driven by the pricing restructure applied across the existing contract base, the healthcare niche repositioning attracting higher-margin new contracts, the 38% lift in referral volume, and the add-on services uptake.

Net profit moved from \$189,000 to \$458,000. Net margin moved from 9% to 18%. That improvement did not apply only to the new revenue. The labor scheduling controls, the billing standardization, the supply purchasing renegotiations, and the broader pricing discipline from the profit recovery work changed the margin profile across the entire existing contract base. The margin improvement compounded across both old and new volume simultaneously. Worth stating plainly: every year that profit ran at \$458,000 instead of \$189,000, Marcus put an additional \$269,000 in his pocket. The work that built the exit value also paid him significantly more along the way. That is not a coincidence. It is the point. More profit now, more value at exit. The same work delivers both.

The exit multiple achieved was 3.0x SDE. The sale price was \$1,375,000.

When Marcus came to us the honest estimate of what the business would sell for was around \$360,000. The difference between that number and \$1,375,000 is not a different market or a different economy. It is deliberate work across eight drivers.

The buyer was a regional facilities services operator looking to expand into the healthcare compliance segment. The contract portfolio, the compliance positioning, the GM in place, and the documented processes were exactly what they were acquiring. Marcus was not required to stay. He consulted for ninety days at his discretion and was done.

He came to us asking how to sell his business. The answer turned out to be: first, build a business worth selling.

### The Numbers at a Glance

	Before	After
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Annual Revenue	\$2,100,000	\$2,570,000
Net Profit	\$189,000	\$458,000
Net Margin	9%	18%
Gross Margin	36%	40%
Owner Hours in Business	55+ hrs/week	12 hrs/week
Ops Dependency on Owner	Near total	GM handling day-to-day
Contracted Revenue (12m+)	Informal	74% of revenue
Exit Multiple	1.9x SDE	3.0x SDE
Est. Value at Entry	~\$360,000	—
Sale Price Achieved	—	\$1,375,000

## Is This Relevant to Your Business?

Marcus did not come to us because the business was in trouble. He came because eleven years of building something real had produced a number at exit that did not reflect what he had built.

The gap between what a business is worth unprepared and what it is worth prepared is not a negotiating point. It is a structural reality. Buyers pay multiples for clean, transferable, owner-independent businesses. They discount everything else.

The work required to close that gap is the same work that makes the business more profitable in the meantime. You are not choosing between profit today and exit value tomorrow. You are doing both simultaneously.

The systems installed here are not facilities services specific. They are the same eight drivers we install in every owner-operated B2B business in the \$750K to \$5M revenue range where the fundamentals are sound but the business has not yet been built to run, grow, and sell without the owner at the center of everything.

If you are starting to think about what comes next, whether that is a sale, a step back, or simply a business that gives you more than it takes, the conversation worth having is about what needs to change to get there. Not whether to sell.

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