

Business Valuation Report

Name: TechGuard Austin

Valuated by: KeyInsightsAI

Report Date: October 2025

Report Purpose: Fair Market Value Assessment

Executive Summary

Valuation

Fair Market Value: \$4,200,000

Value Range: \$4,000,000 – \$5,200,000

This valuation determines the fair market value of TechGuard Austin based on comprehensive analysis incorporating market evidence, normalised financial performance, and current industry conditions.

\$2.85M

Annual Revenue

2024 Performance

17.0%

EBITDA Margin

Above industry average

78%

Recurring Revenue

High predictability

Business Overview

Financial Performance

- Annual Revenue (2024):** \$2,850,000
- Normalised EBITDA (2024):** \$485,000 (17.0% margin)
- Industry:** Managed IT Services, Cybersecurity, Compliance

Key Strengths

- 78% recurring revenue, 94% client retention, no client >6% of revenue
- Deep compliance expertise (HIPAA, SOC 2, PCI DSS)
- Strong Austin market presence, premium service positioning, scalable model

Valuation Summary

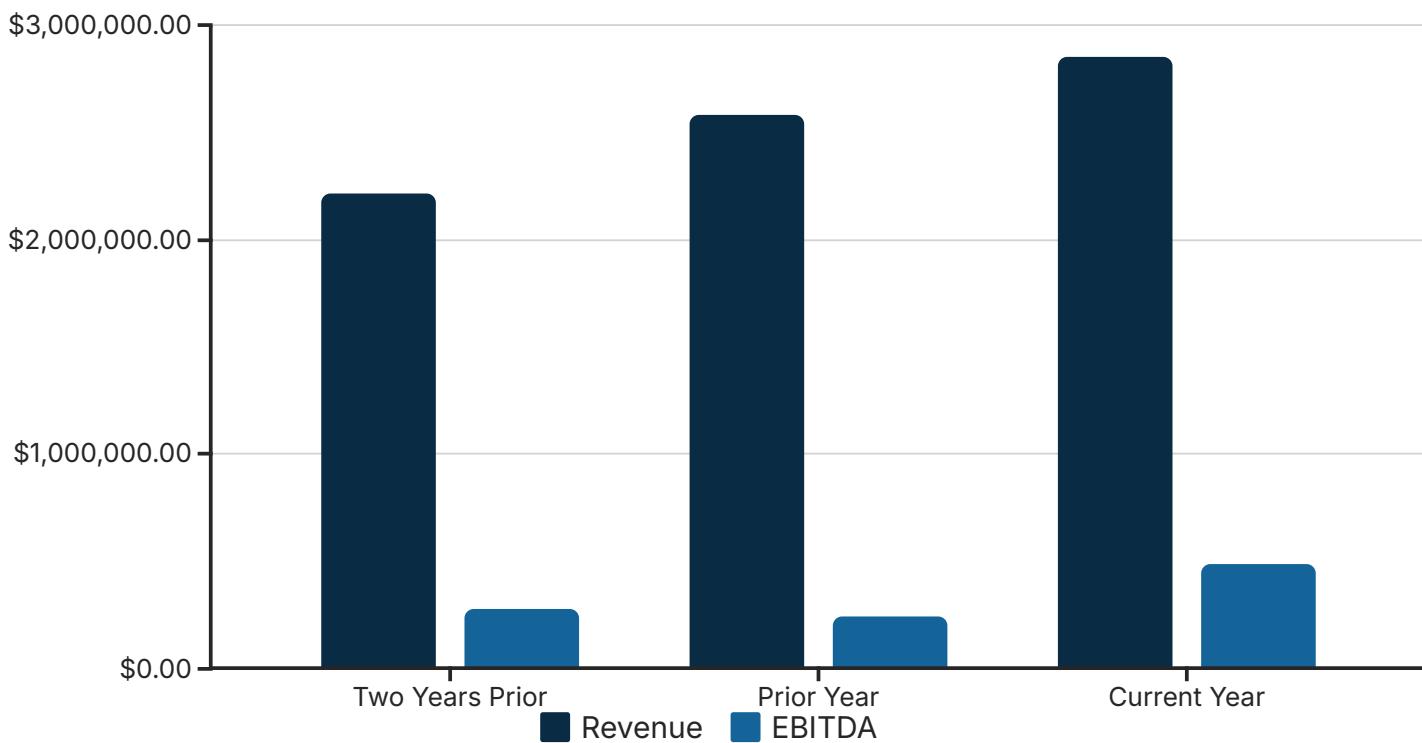
- Revenue Multiple:** 1.47x (Industry range: 1.2x–1.8x)
- EBITDA Multiple:** 8.7x (2024 EBITDA; industry range: 5.5x–7.5x; premium justified by business quality)
- Approaches Used:** Market, Income (DCF), Historical Performance, Asset-Based (floor value)
- Confidence Level:** High, based on data quality and methodology convergence

Financial Analysis

Key Financial Metrics

Metric	Amount	Industry Benchmark
Annual Revenue (2024)	\$2,850,000	Above average growth
Normalised EBITDA	\$485,000	Strong margin (17%)
EBITDA Margin	17.0%	Industry avg: 12–15%

Historical Performance



Weighted EBITDA: \$388,660 (weighted to emphasise recent performance)

Performance Trend: Revenue and EBITDA have grown at a 13.6% CAGR (2022–2024), with margin expansion and robust recurring revenue.

Market Analysis

Industry Overview

- **Industry:** Managed IT Services, Cybersecurity
- **Market Conditions:** Growth
- **Growth Rate:** ~12–14% annually (Austin/Texas market)

Key Trends:

- Digital transformation and cloud adoption
- Increasing demand for compliance and cybersecurity
- High buyer demand for recurring-revenue MSPs

Comparable Transactions

Business Type	Revenue	Sale Price	Revenue Multiple	EBITDA Multiple	Date
Austin MSP (retirement)	\$2.1M	\$1.85M	0.88x	4.5x	2024 Q1
Texas MSP (compliance)	\$2.7M	\$3.6M	1.33x	6.7x	2023 Q4
National MSP (healthcare)	\$3.1M	\$4.2M	1.35x	7.0x	2024 Q2

Market Evidence: 14 transactions analysed with revenue multiples ranging 1.2x–1.8x and EBITDA multiples 5.5x–7.5x for premium, recurring-revenue MSPs in Texas/Austin.

Valuation Methodology

Approaches Applied

Market Approach (20% weight)

Applied industry multiples based on 14 recent comparable transactions. TechGuard Austin positioned at the upper end of the range due to compliance focus, recurring revenue, and Austin market premium.

Income Approach (DCF, 60% weight)

Projected 5-year cash flows with 12%–9% revenue growth, 16% sustainable EBITDA margin, and a 13.75% discount rate. Terminal growth at 3.5%. Conservative, well-supported projections.

Historical Performance (25% weight)

Weighted average of 3 years' normalised EBITDA, reflecting proven track record and margin improvement.

Asset Approach (5% weight)

Net asset value of \$1,357,000 (primarily intangible assets: client contracts, workforce, compliance processes) provides a floor value.

Approach Weighting Rationale

- Strong, stable financials and recurring revenue justify higher DCF weight
- Robust market evidence supports market approach
- Asset approach provides downside protection only
- No material owner dependency or customer concentration risk

Valuation Synthesis

Approach	Value Indicated	Weight	Weighted Value
Income/DCF	\$5,170,000	60%	\$3,102,000
Historical EBITDA/SDE	\$3,150,000	25%	\$787,500
Market Comparables	\$3,600,000	20%	\$720,000
Asset-Based	\$1,357,000	5%	\$67,850
Concluded Value	\$4,200,000	100%	\$4,677,350

Strengths & Risk Factors

Key Value Drivers



Recurring Revenue

78% of revenue under contract, high predictability



Compliance Expertise

Differentiates business, creates high switching costs



Market Position

Leading Austin MSP, premium pricing, strong retention

Risk Considerations

Risk Factor	Level	Management/Mitigation
Owner Transition	Moderate	Succession plan, strong team/process
Competition	Moderate	Compliance focus, local presence
Regulatory Changes	Low/Med	In-house compliance expertise

Overall Risk Profile: Lower than industry average; risks are well mitigated by business strengths.

Market Context & Validation

Current Market Environment



Transaction Activity

Active in Austin/Texas MSP sector

Market Timing

Favourable for business sales; high buyer demand

Economic Conditions

Austin tech sector growth outpaces national average; compliance/cybersecurity demand is robust

Strategic Considerations

For Sellers:

Market conditions are favourable; premium multiples achievable for recurring-revenue, compliance-focused MSPs.

For Buyers:

Attractive risk-adjusted returns, strong recurring cash flows, and expansion potential in a high-growth region.

Reasonableness Checks

- **Revenue Multiple:** $\$4,200,000 \div \$2,850,000 = 1.47x$ (industry: 1.2x–1.8x)
- **EBITDA Multiple:** $\$4,200,000 \div \$485,000 = 8.7x$ (industry: 5.5x–7.5x; premium justified)
- **Buyer ROI:** Implied 11.5% cash-on-cash return (industry typical: 9–15%)

Assessment: Value conclusion is reasonable and slightly premium, justified by business quality and market timing.

Conclusion & Assumptions

Fair Market Value Opinion

Concluded Value: \$4,200,000

This represents the most probable price at which TechGuard Austin would change hands between willing, knowledgeable parties in an arm's-length transaction under current market conditions.

Confidence Assessment

High, based on methodology convergence, data quality, and strong market evidence.

Value Range

\$4,000,000 – \$5,200,000

- Lower end: Conservative scenario
- Upper end: Optimistic scenario

Standard Assumptions & Limiting Conditions

This valuation is based on the following assumptions:

- Continued operation under competent management
- Arms-length transaction between willing parties
- Current economic and market conditions
- Accuracy of financial information provided
- No hidden liabilities or undisclosed matters

Limiting Conditions:

- This report is for the stated purpose only and not for other uses
- Market conditions and business circumstances may change
- Does not constitute investment, tax, or legal advice
- Actual transaction prices may vary based on deal structure, buyer motivations, and negotiation

Valuation Standards: This analysis follows established business appraisal standards (ASA, AICPA guidelines).

Methodology Note: This valuation utilised multiple professional approaches including financial analysis, market research, comparable transaction analysis, income projection modelling, and risk assessment. Each methodology was weighted based on data quality and business characteristics specific to this engagement.



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