How to Sell a Service Business

The Complete 2026 Playbook

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How to Sell a Service Business: The Complete 2026 Playbook

Selling a service business — HVAC, plumbing, pest control, electrical, landscaping, roofing, garage doors, or any adjacent residential or commercial service category — is the most consequential financial decision most founders will make. It is also one of the least well-explained. Most advice online is either generic M&A commentary written for tech companies or promotional content written by business brokers. This guide is different. It is the end-to-end playbook for selling a service business in 2026: what to do in the 18–36 months before you go to market, how to price and prepare the business, what a real process looks like, how to structure the deal you actually want, and how to navigate the post-close transition. It's long on purpose, because selling a service business is complicated and the founders who get the best outcomes understand the full arc.

The starting point: why service businesses sell for what they sell for

The price a service business commands is fundamentally a function of cash flow predictability. Buyers pay high multiples for businesses whose cash flows they can forecast with confidence, and low multiples for businesses whose cash flows they cannot. Every operational and financial decision you make in the 12–36 months before a sale either increases or decreases cash flow predictability. Understanding this principle is the entire game.

Three factors drive cash flow predictability in service businesses:

Recurring revenue. Revenue from customers who will pay you again next month or next year without a new sales motion. Service agreements, maintenance contracts, subscription-like pest control contracts, multi-year commercial maintenance contracts. The higher the recurring share, the higher the multiple.

Customer retention. How reliably existing customers stay. A 95% retention rate supports a much higher multiple than an 80% retention rate, even at identical EBITDA. Buyers apply exponential weight to retention because it compounds over the hold period.

Operational independence from the founder. Whether the business can run without you. Founder-dependent businesses are valued as jobs with goodwill; management-team-led businesses are valued as going concerns. The multiple differential is usually 1.5–3 turns of EBITDA.

Every other consideration — technology stack, customer concentration, technician retention, geographic density, margin structure, regulatory compliance — matters because it influences these three underlying factors. Keep this framework in mind through the rest of this guide. It will make the specific tactics easier to prioritize.

What your service business is actually worth

Valuations in service businesses are wide-ranging. Here are rough 2026 ranges for the most common residential service categories:

Category	Typical multiple range (2026, EBITDA)	Premium tier (platform-grade)
HVAC	4x–10x	7.5–10x
Plumbing	3.5x–8.5x	6–8.5x
Roofing	3.5x–7.5x	5.5–7.5x
Pest control	3.5x–10x	7–10x
Electrical	4x–9x	6.5–9x
Landscaping (commercial maintenance)	4x–10x	6.5–10x
Landscaping (residential mow-and-blow)	3x–5x SDE	4–5x
Garage doors	4x–8x	6–8x
Irrigation / tree care / other specialty	4x–8x	6–8x

The wide spread within each category is not noise. It reflects the difference between well-run, platform-grade operators and less-developed operators. A $1M EBITDA HVAC business at the low end of the range is $3.5M. A $1M EBITDA HVAC business at the high end is $9M+. The difference is operational quality, not market luck.

The four-phase timeline for selling well

Founders who get the best outcomes usually follow a four-phase arc: preparation (12–36 months), pre-process work (3–6 months), active process (4–6 months), and transition (6–24 months post-close). The time investment in the first phase is what separates good outcomes from great ones.

Phase 1: Preparation (12–36 months before sale)

This is where the majority of the value is created. The interventions in this phase are cheap individually but compound significantly.

Financial cleanup. Engage a CPA to prepare reviewed financial statements for the last two years. Normalize your books: separate owner-related expenses from business expenses, recognize revenue consistently under GAAP, eliminate related-party transactions that won't survive buyer diligence. Get your monthly close process to under 15 days.

Recurring revenue expansion. Push the recurring share of revenue toward the top of the range for your category. For pest control, that's 85%+. For HVAC, it's 40–50%. For commercial landscaping, it's 70%+. The specific mechanics vary: converting one-time residential customers to subscription, developing commercial

maintenance contract business, building service agreement programs with systematic sales motion. The key is understanding that this takes 12–24 months of deliberate effort. It cannot be manufactured in the 90 days before a sale.

Management depth. Hire or promote someone who can run the business without you. For most founders, this means a general manager or operations director. For larger businesses, a CFO-equivalent, a sales/customer success leader, and a technical/service leader. You want to be able to take a four-week vacation 18 months before the sale and return to a business that is unchanged. If you can, buyers will notice and pay for it. If you can't, buyers will discount the multiple to cover the transition risk.

Customer diversification. If any single customer accounts for more than 10% of revenue, work to reduce the concentration. Buyers treat customer concentration as a risk factor and discount for it explicitly.

Pricing discipline. Review your pricing against market rates. Most service businesses are underpriced because founders are conflict-averse on price. A 5–8% price increase 12–18 months before sale typically delivers disproportionate EBITDA lift without meaningful customer loss. Implementation matters: staged, communicated clearly, paired with any service improvements.

Technology modernization. If you're running on spreadsheets or an outdated system, migrate to the category standard (ServiceTitan, Housecall Pro, FieldEdge, PestPac, FieldRoutes, Aspire, or equivalent). The data that a modern ERP produces is what sophisticated buyers need to underwrite the business. Starting 18 months before sale gives the system enough history to be useful.

Technician retention. Tight labor markets mean buyers value stable workforces. If your annual voluntary turnover is above 20%, diagnose the cause (compensation, culture, leadership, scheduling) and address it. Structured retention bonuses tied to the sale event can stabilize the team through transition.

Documentation. Service protocols, training programs, quality control processes, operating procedures — all written down. This is what allows a buyer to integrate without losing the operational knowledge the founder carries.

Phase 2: Pre-process work (3–6 months before going to market)

With the business prepared, this phase is about packaging and positioning.

Engage an M&A advisor. A good sell-side advisor runs the process, manages competitive tension, and protects the seller through diligence and negotiation. Expect to interview 3–5 advisors before selecting one. For home services, look for category experience, a real buyer network, a track record with businesses of your size, and a fee structure that aligns with your goals. CT Acquisitions is paid by the buyer at close — founders pay nothing — which avoids the conflict of interest that retainer-based advisors can have.

Prepare the Confidential Information Memorandum (CIM). Usually 25–60 pages describing the business, market, operations, financials, and investment thesis. The CIM is the primary marketing document buyers see before deciding whether to proceed. Write it with the buyer's eye: what would they want to understand, where will they push back, what questions will they ask? A well-prepared CIM compresses the initial diligence cycle significantly.

Build the data room. A virtual data room organizing the financials, customer data, contracts, operational documentation, regulatory records, insurance, legal, and tax materials buyers will request. Investing time in

data-room preparation before the process opens reduces process friction dramatically.

Engage transaction counsel. An M&A attorney with lower-middle-market experience in your category. They'll review the LOI, negotiate the definitive agreement, and protect you through closing. Having the relationship established before the process opens means you can move fast when needed.

Tax planning. Structural decisions made before signing affect after-tax proceeds significantly. Common interventions: S-corp 338(h)(10) elections, QSBS qualification for C-corps, installment sale treatment, residency planning in high-state-tax jurisdictions, charitable and trust structures. Work with a tax specialist with transaction experience.

Phase 3: Active process (4–6 months)

The process itself has a consistent arc whether you're selling to PE platforms, search funds, strategics, or family offices.

Buyer outreach (weeks 1–3). Your advisor contacts pre-qualified buyers from their network plus any targeted additions you've identified. Initial outreach is anonymous (a "teaser" describing the business without identifying it). Interested buyers sign an NDA and receive the CIM.

First-round expressions of interest (weeks 4–6). Buyers submit Indications of Interest (IOIs) — non-binding preliminary offers with valuation range, structural notes, and timeline. This is where you see who's serious and at what price range.

Management meetings (weeks 6–8). Top bidders meet with the founder and management team. Usually 2–3 hour sessions covering the business, the team, operational nuances, and buyer-specific questions. These meetings are where chemistry and fit become apparent.

Second round / LOI submission (weeks 9–11). After management meetings and deeper data-room review, buyers submit Letters of Intent with firm price, structure, timeline, and conditions. Your advisor helps you compare offers not just on price but on structural quality.

LOI negotiation and signing (weeks 11–13). Negotiate the preferred LOI to reflect your priorities: cash-at-close percentage, earnout design, transition terms, escrow, employee retention commitments, real estate treatment. Sign an exclusivity period (typically 45–90 days).

Due diligence (weeks 13–19). Quality of Earnings, legal diligence, commercial/operational diligence, insurance, IT, HR. Expect intense scrutiny. Surprises in diligence often lead to retrades; clean preparation is the best defense.

Definitive agreement negotiation (weeks 17–20). In parallel with diligence, counsel negotiates the Purchase Agreement, schedules, and ancillary documents. This is where specific reps and warranties, indemnification, and post-close mechanics are locked down.

Signing and closing (week 20–22). Signing usually precedes closing by a few days or weeks. Closing requires regulatory approvals (if any), lender funding, final wire transfers, and document execution.

Phase 4: Transition (6–24 months post-close)

Most service business transactions include a post-close transition period. Typical structures:

- **Full-time transition:** 6–12 months where the founder stays in operations full-time, often as CEO or GM during buyer integration.
- **Part-time transition:** 12–24 months where the founder is part-time, focused on customer relationships and specific handoff items.
- **Consulting arrangement:** 6–36 months where the founder is available on-call for specific support.

The transition matters because it's where goodwill is preserved or destroyed. A founder who stays engaged and transitions relationships thoughtfully protects the earnout (if any) and the post-close business. A founder who disengages early can see the business deteriorate quickly.

Deal structures: what you're really negotiating

The headline purchase price is only one dimension. Sophisticated sellers negotiate the full structure.

Cash at close

The percentage of total consideration paid on the closing date. Typical range in 2026: 60–80%. Higher is better for the seller. Lower is typical when earnouts are larger or when seller rollover/financing is meaningful.

Earnout

A contingent payment based on post-close performance, typically over 12–36 months. The structure varies:

- **Revenue retention:** payment contingent on retaining a defined percentage of trailing revenue at the measurement date. Favorable for sellers because it's controllable.
- **EBITDA:** payment contingent on achieving EBITDA targets. Dangerous for sellers because buyers control post-close cost allocation.
- **Customer retention:** payment contingent on retaining customers. Objective and measurable.
- **Growth-based:** payment for exceeding a baseline. Aggressive but aligned with buyer thesis.

The earnout design determines whether the contingent payment becomes real money or becomes a polite fiction. Negotiate it carefully.

Escrow

A portion of purchase price held by a third party against potential indemnification claims. Typical: 10% for 12–18 months. Representations and Warranties Insurance can sometimes reduce or eliminate escrow in favor of an insurance policy.

Seller rollover equity

A portion of proceeds rolled into equity in the acquirer (usually a PE platform or holding company). Creates a "second bite" when the platform eventually exits at a higher multiple. Typical: 5–15% in platform deals. The math can be highly accretive if the platform executes well; the risk is locking up capital in an entity you don't control.

Seller financing

A promissory note from the buyer to the seller, subordinated to senior debt. Typical: 0–10%, 5–7 year term, 6–9% interest. More common in independent sponsor and search fund deals.

Non-compete and non-solicit

Standard. Typical duration: 3–5 years, geographically tied to the business's service area. Negotiate the scope (what specifically you can't do) and the compensation (a portion of purchase price is usually allocated to this covenant, which affects the tax treatment).

Real estate

If the business owns real estate, it's usually handled separately. Many deals include a long-term lease from the seller (as landlord) to the buyer (as tenant) rather than a real estate sale. This preserves the seller's real estate upside while improving the buyer's acquisition ROI.

Employee retention

Pre-negotiated bonuses or retention packages for named key employees. Typical: 10–20% of annual compensation, vesting over 12–18 months. Protects the business's operational continuity through transition.

Picking the right buyer: more than price

For most service business founders, the buyer's identity matters as much as the price. Different buyer archetypes produce different post-close experiences.

PE platforms

Highest multiples, most structured processes, defined integration playbooks. Expect post-close system changes, some back-office consolidation, and a 3–5 year path to a platform exit. Best fit for founders optimizing for price and willing to accept change.

Family offices and long-hold capital

Competitive pricing, longer time horizons (10–25 years), lighter-touch integration. Best fit for founders prioritizing legacy, team continuity, and long-term relationship.

Strategic acquirers

Existing operators in the category expanding. Integration can be significant but with category expertise. Best fit for founders who believe in the acquirer's model and culture.

Independent sponsors

Operator-led buyers assembling capital per deal. Lower nominal prices but often creative structures (larger rollover, longer transitions). Best fit for founders who want a partnership-style exit.

Search funds

Individual operators backed by institutional investors. Lower multiples but operational continuity focus. Best fit for founders who want a clean exit to a named successor.

Management buyouts (MBO)

Existing management team buys the business, often with private credit support. Preserves team and culture completely. Pricing is typically below market because management has less capital access, but some founders value the continuity more than the price delta.

Tax considerations

The after-tax proceeds of a service business sale vary significantly based on structural decisions. Major considerations:

Asset sale vs. stock sale

Buyers prefer asset sales because they get a step-up in tax basis, allowing depreciation of the purchase price. Sellers usually prefer stock sales because goodwill is taxed at capital gains rates. The standard compromise for S-corps is a 338(h)(10) election, which gives the buyer asset-sale tax treatment while treating it as a stock sale for the seller.

Capital gains vs. ordinary income

Goodwill sold at a gain is capital gains; equipment sold at a gain can be depreciation recapture taxed at ordinary rates. The allocation of purchase price across asset categories matters for tax outcome.

Section 1202 (QSBS)

For C-corps meeting specific requirements, up to $10M (or 10x basis) in gain can be tax-free. Important to evaluate if you’re a C-corp or could become one through an F-reorganization before sale.

State tax planning

State capital gains rates range from 0% (Texas, Florida, Washington, Tennessee, Nevada, Wyoming, South Dakota, Alaska) to over 13% (California). For founders able to establish residency in a no-tax state 12–24 months before sale, the savings can be substantial. This requires genuine relocation, not paper-only residency.

Installment sale treatment

Seller-financed portions of proceeds can be taxed as received rather than all at close. This spreads gain recognition and can reduce the current-year tax burden.

Charitable and trust planning

Charitable remainder trusts, grantor trusts, dynasty trusts, and other structures can defer, reduce, or avoid tax on portions of proceeds. These require planning 12–24 months before sale to be effective.

Engage a tax specialist with transaction experience at least 12 months before you plan to close. Tax planning is where the biggest improvements in net proceeds are often hiding.

Common mistakes that reduce outcomes

After years of representing founders in home services transactions, a short list of recurring mistakes:

- **Taking the first offer.** Unsolicited offers are common and often below market. Even strong first offers almost always become stronger after competitive tension. Run a process.
- **Going to market before you're ready.** Selling from a position of strength (clean financials, strong operations, management bench, competitive tension) consistently produces better outcomes than selling from urgency.
- **Under-preparing for diligence.** Surprises in QofE often lead to retrades. The cost of preparation is almost always lower than the cost of a retrade.
- **Mis-structured earnouts.** Agreeing to metrics the seller can't influence or can't measure makes the earnout a price reduction in disguise. Negotiate structure as hard as price.
- **Ignoring cultural fit.** The highest-price buyer isn't always the best fit. For founders who care about team and customers, integrate that into the selection criteria.
- **Under-investing in tax planning.** A 500–1000 basis point improvement in effective tax rate is common with planning. That's often larger than the advisor fee.
- **Disengaging during transition.** Post-close transition is where goodwill is preserved or destroyed. Stay engaged.
- **Running the process yourself.** The gap between founder-run and advisor-run processes is almost always larger than any advisor fee.

Category-specific resources

The general principles above apply across service businesses, but each category has specific dynamics. For category-specific valuation and selling guidance:

- HVAC — recurring service economics, PE platform landscape, state-level variation
- Plumbing — license succession, commercial maintenance contracts, technician retention
- Roofing — commercial vs. residential mix, storm exposure, recurring maintenance
- Pest control — the most consolidated category, subscription economics, platform buyer landscape
- Electrical — data center / EV / grid modernization tailwinds, commercial mix
- Landscaping — commercial maintenance vs. residential, H-2B labor, seasonality
- Garage doors — repair-to-install mix, commercial overhead door, emerging consolidation

How CT Acquisitions works with sellers

CT Acquisitions represents founders of lower-middle-market home services businesses. Our approach:

1. **Confidential consultation** — we start with a 30–60 minute conversation to understand your business, goals, and timeline. No obligation, no fees.
2. **Preliminary valuation** — based on your business profile and current market conditions, we give you a defensible value range.
3. **Preparation support** — we help you identify and execute the pre-sale improvements that will create the most lift. This often runs 6–24 months.

4. **Targeted process** — when the business is ready, we run a focused process with 5–15 qualified buyers we believe fit your profile. We do not run broad auctions.
5. **LOI to close** — we quarterback the process through diligence and definitive agreement negotiation, protecting your interests at every step.
6. **Post-close support** — we stay involved through the transition period.

CT Acquisitions is paid by the buyer at close. There is no cost to you as the seller — no retainer, no listing fee, no success fee. Our incentives are aligned with yours: we only earn when the right match is made for your business.

If you're considering selling your service business in the next 6–60 months, set up a 30-minute conversation. We'll give you a frank read on market conditions, your business's likely value, and what preparation would create the most lift for your specific situation.

Frequently asked questions about selling a service business

How much is my service business worth?

It depends on category, size, recurring revenue mix, retention, management depth, and several other factors. For residential service categories (HVAC, plumbing, pest control, electrical, landscaping, roofing, garage doors), multiples in 2026 typically range from 3.5x to 10x EBITDA. The biggest levers are recurring revenue percentage and operational independence from the founder. For a specific valuation on your business, set up a confidential conversation.

How long does it take to sell a service business?

From engaging an advisor to closing, a well-prepared business typically closes in 6–9 months. Businesses that need significant preparation should expect 12–24 months from initial conversation to close.

Should I work with an M&A; advisor or try to sell myself?

Almost always an advisor. The outcome delta between founder-run and advisor-run processes is consistently 20–35% in final value. The advisor fee, in a well-structured buyer-paid model, is functionally zero to the seller.

Will my employees know I'm selling?

Not until you choose to tell them. Well-run processes maintain confidentiality until a specific buyer is selected and path to close is clear. Even then, you control timing and messaging.

What happens to my customers and employees after the sale?

Depends on the buyer. PE platforms typically integrate acquired businesses over 6–24 months, including system migrations and some back-office consolidation. Family offices and strategic acquirers often preserve the acquired business's operational model more fully. Customer and employee continuity are negotiable and should be discussed with serious buyers before LOI.

Do I need to stay after the sale?

Usually yes, at least for a transition period. Full-time for 6–12 months or part-time for 12–24 months are typical structures. Some deals allow shorter transitions if the business is operationally independent at close. Expect to stay involved in customer transition, key employee retention, and integration support.

What's the biggest mistake service business founders make when selling?

Under-preparing. Starting the conversation 6 months before you plan to close, without the preparation runway to optimize operations, produces materially worse outcomes than starting 18–36 months out.

How much tax will I pay on the sale?

Federal long-term capital gains on the goodwill portion is 20% plus the 3.8% net investment income tax. Depreciation recapture on equipment is ordinary income. State tax varies from 0% (Texas, Florida, and six others) to over 13% (California). Structural planning can move effective tax by 500–1,000 basis points. Work with a tax specialist.

Can I sell just part of my business?

Yes. Recapitalization structures allow founders to sell a majority stake (typically 60–80%) while retaining minority ownership and often continuing in a leadership role. This is increasingly common in platform deals where the founder wants a "second bite" at a future exit. Discuss with an advisor whether a full or partial sale fits your goals.

How do I know if the market is good for selling my specific business?

Market conditions in 2026 are broadly favorable for home services sellers, with particular strength in HVAC, pest control, and commercial landscaping. Specific conditions for your category and geography deserve specific analysis. Any advisor worth engaging will give you a direct read on current buyer appetite for your specific business profile.

Related resources

- Selling a pest control business
- Pest control business valuation
- Private equity in HVAC: 2026 industry report
- Buying an HVAC business — useful for understanding buyer perspective
- Buying a plumbing business
- Buying a landscaping business