

2026

BUSINESS BUYER'S PLAYBOOK

How to Find, Evaluate, and Acquire a Profitable Business in Los Angeles

A practical guide for first-time and experienced buyers
navigating the LA business acquisition market

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01 Why 2026 Is a Unique Window for Buyers

The current market creates a rare convergence of favorable conditions for business buyers. Here's why 2026 is the year to move.

SBA 7(a) Loan

9.75% Prime + 3%

Still accessible — and historically competitive

SBA 504 Loan

5.72% Fixed Rate

For deals with real estate or equipment

□ The Post-Tax Season Golden Window

After April 15, sellers face their 2025 tax reality. Many realize the true cost of another year of ownership and become motivated to sell. This creates a 60-90 day buyer's window with increased deal flow and more negotiable terms.

□ The Boomer Retirement Wave

Over 10,000 baby boomers turn 65 every day. Millions of small businesses owned by this generation will change hands in the next 5 years. In Los Angeles alone, thousands of profitable businesses have owners approaching retirement age with no succession plan.

□ Buyer Leverage in the Current Market

With more sellers entering the market and interest rates stabilizing, qualified buyers have leverage they haven't had in years. Sellers are more willing to offer favorable terms, including seller financing and earnout structures.

NEGOTIATION TIP

Always negotiate "No Prepayment Penalty" into your SBA loan. This gives you the flexibility to refinance if rates drop — or pay off early if cash flow allows. Most lenders will agree if you ask upfront.

02 What to Buy: "Hard to Kill" Businesses

Not all businesses are created equal. The most resilient acquisitions share common traits: essential services, recurring revenue, and resistance to economic downturns. In Los Angeles, these industries consistently outperform.

TARGET: Essential Service Businesses with Recurring Revenue

- ✓ People need it regardless of the economy
- ✓ Monthly or recurring service contracts create predictable cash flow
- ✓ Hard to DIY — requires licensing, equipment, or expertise
- ✓ Scalable with technicians, not dependent on owner skill

GREEN LIGHT INDUSTRIES

HVAC 18-22% EBITDA Year-round demand in LA. Maintenance contracts = recurring High barriers to entry.	Plumbing 15-20% EBITDA Essential, recession-proof. Emergency work = premium pricing Licensing creates moats.	Pest Control 20-25% EBITDA Monthly recurring revenue. LA climate drives year-round demand. Low capital needs.	Commercial Cleaning 12-18% EBITDA Contract-based revenue. Low overhead, scalable. Post-COVID demand is up.
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ALSO STRONG IN LA: Home Services • Landscaping • Auto Repair • Medical/Dental Practices

RED FLAGS — PROCEED WITH EXTREME CAUTION

- ✗ **Restaurants & Bars**
High failure rates, thin margins (3-8%), intense competition in LA. Trendy concepts fade fast.
- ✗ **Gyms & Fitness Studios**
High churn, lease-dependent, pandemic-vulnerable. Planet Fitness has killed independent margins.
- ✗ **Laundromats**
Dying model — apartment builders install in-unit. Equipment costs rising, margins compressing.
- ✗ **Trend-Dependent Businesses**
Anything relying on a fad: vape shops, specific diet concepts, novelty retail. If TikTok drives your revenue, it's not a business.

03 The 4-Step Due Diligence Stress Test

Before you sign an LOI, every deal must pass these four tests. Skip one, and you're buying blind.

01 Debt Service Coverage Ratio (DSCR)

Your DSCR tells you if the business generates enough cash to cover loan payments and leave you with income. In today's rate environment, target a minimum 1.5x DSCR.

$$\text{DSCR} = \text{Net Operating Income} \div \text{Total Debt Service}$$

If annual debt service is \$120K, the business must produce at least \$180K in NOI. Below 1.25x? Walk away — there's no margin for a slow month. Below 1.5x? Negotiate the price down.

02 The "Four Proofs" Audit

Never trust a P&L. Every number must be verified through four independent sources:

- Tax Returns (3 years) — What did they tell the IRS?
- Bank Statements (24 months) — Where did the money actually go?
- Merchant Statements — Credit card processing volume vs. reported revenue
- POS Reports — Transaction-level data to verify daily/weekly trends

If any two of these four sources contradict each other, you have a problem. If the seller resists providing any of them, that IS the due diligence finding.

03 Working Capital Peg

The purchase price must include sufficient working capital to operate the business from Day 1. Negotiate 45-60 days of operating expenses included in the deal.

Calculate: Monthly operating costs \times 1.5 to 2 months. This covers payroll, rent, supplies, insurance, and unexpected expenses during transition. If the seller wants to strip the business of working capital before close, reduce your offer by that amount.

04 Walk-Away Red Flags

Any single one of these should kill the deal:

- Declining revenue 3+ consecutive quarters
- Customer concentration >30% from one client
- Key-person dependency — the owner IS the business
- Pending litigation or unresolved tax liens
- Lease expires within 2 years with no renewal option
- Seller won't sign a non-compete agreement

04 How to Calculate What a Business Is Worth

Business valuation isn't guesswork — it's a formula. But understanding which formula to use, and what the numbers actually mean, separates smart buyers from overpayers.

SDE vs. EBITDA — Know the Difference

SDE (Seller's Discretionary Earnings)

Used for businesses under \$1M in earnings where the owner is actively working in the business. Includes the owner's salary, benefits, and personal expenses run through the business.

Most common for small business acquisitions in the \$500K-\$3M range.

EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization)

Used for larger businesses (\$1M+ earnings) with professional management in place. Assumes the business can run without the owner.

More common for lower middle market deals (\$3M+).

Typical Multiples for LA Businesses

Industry	SDE Multiple	Typical Range
HVAC / Plumbing	2.8x – 3.5x	\$600K – \$2.5M
Pest Control	3.0x – 4.0x	\$500K – \$3M
Commercial Cleaning	2.2x – 2.8x	\$300K – \$1.5M
Home Services	2.5x – 3.2x	\$400K – \$2M
Auto Repair	2.0x – 2.8x	\$300K – \$1.5M
Medical/Dental Practice	3.5x – 5.0x	\$1M – \$5M+

Add-Backs: Legitimate vs. Suspicious

Legitimate Add-Backs:

- ✓ Owner's salary and benefits above market rate
- ✓ One-time expenses (lawsuit, renovation, equipment replacement)
- ✓ Personal vehicle, phone, insurance run through the business
- ✓ Family members on payroll not actually working

Suspicious Add-Backs:

- × "Lifestyle" expenses that can't be documented
- × Aggressive depreciation add-backs on aging equipment
- × Unverifiable cash revenue the seller claims isn't on the books
- × Projected future revenue increases presented as current value

PRO TIP: USE TRAILING 12-MONTH (TTM) NUMBERS

Annual P&Ls can hide seasonal declines. TTM gives you the most current picture of the business performance.

05 The SBA Financing Playbook

SBA loans are the engine behind most small business acquisitions. Understanding the programs, requirements, and timeline puts you months ahead of other buyers.

SBA 7(a)

- Up to \$5M loan amount
- Variable rate: Prime + 2.25-2.75%
- Current rate: ~9.75%
- 10-year term (25 for real estate)
- 10-20% buyer down payment
- Can finance goodwill & working capital
- Most common for business acquisitions
- Prepayment penalty in first 3 years

SBA 504

- Typically \$5M-\$5.5M (up to \$16.5M)
- Fixed rate: ~5.72% (as of 2026)
- Below-market fixed rate
- 10 or 20-year terms
- 10-15% buyer down payment
- Must include real estate or equipment
- Best for deals with property component
- No prepayment penalty after year 10

What SBA Lenders Are Looking For

DSCR of 1.25x minimum

Lenders want to see the business can cover debt payments with room to spare.

Industry experience

Relevant experience in the industry — or a plan to retain key management.

Personal credit 680+

Below 680, you'll need a larger down payment or stronger business financials.

10-20% equity injection

Your down payment. Can come from savings, retirement (ROBS), or seller note.

Clean personal financials

No bankruptcies in 7 years, no tax liens, manageable personal debt.

Typical Deal Structure

SBA Loan: 70-80%

Seller: 10-15%

Down: 10-20%

Timeline: LOI to Close

Week 1-2	LOI signed, earnest money deposited
Week 2-6	Due diligence — financials, legal, operations review
Week 4-8	SBA loan application and underwriting
Week 8-12	Loan approval, legal docs, lease assignment
Week 12-16	Closing, training period begins, keys handed over

06 Your First 90 Days as Owner

The first 90 days determine the next 10 years. Move too fast and you'll break what works. Move too slow and you'll miss the transition momentum. Here's the proven sequence.

DAYS 1-30: LISTEN & LEARN

Your only job is to understand the business

- Show up every day. Be visible. Introduce yourself to every employee, customer, and vendor.
- Conduct a cultural audit — understand the unwritten rules that make the business work.
- Zero personnel changes. Even if you see problems, wait. You don't know what you don't know yet.
- Shadow every role for at least one full day. Understand the workflow from the ground level.
- Document every process, system, and relationship. Create an operations manual if one doesn't exist.
- Meet the top 20 customers personally. Ask what they value most about the business.

DAYS 31-60: OPTIMIZE & SYSTEMATIZE

Start making strategic improvements

- Audit all vendor contracts — renegotiate where possible. Most are paying 10-15% above market.
- Implement AI tools: automated scheduling, invoicing, customer communications, review management.
- Identify the 20% of services that drive 80% of profit. Double down on what's working.
- Fix any financial controls — separate accounts, proper bookkeeping, real-time dashboards.
- Start building SOPs (Standard Operating Procedures) for every repeatable task.
- Evaluate technology stack — most small businesses are 5+ years behind on software.

DAYS 61-90: GROW & DELEGATE

Build the business that runs without you

- Hire (or promote) a General Manager. Your job is to work ON the business, not IN it.
- Launch recurring revenue programs — maintenance contracts, memberships, retainers.
- Build the reputation engine: automated review requests after every job (target 50+ Google reviews).
- Implement referral incentives for existing customers.
- Create a 12-month strategic plan with quarterly milestones.
- Set up KPI dashboards — revenue, margins, customer acquisition cost, retention rate.

Ready to Acquire Your Business?

If you're serious about acquiring a business in Los Angeles, I can help you navigate every step — from identifying the right opportunity to closing the deal.

Free Confidential Consultation

One-on-one strategy session to assess your goals, budget, and ideal acquisition target. No obligation, no pressure.

Access to Off-Market Opportunities

Most great businesses never hit the public market. I work with a network of owners considering a sale before they list.

Buyer Matching Service

I match serious buyers with businesses that fit their criteria, experience, and financial profile — saving months of searching.

End-to-End Deal Support

From LOI to close, I guide you through due diligence, SBA financing, negotiations, and transition planning.

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I work with buyers at every stage — from first-time searchers to experienced operators looking for their next acquisition.