THE BUSINESS OWNER

EXIT READINESS GUIDE

10 Things Every Business Owner Should Know Before Selling

Before you call a broker, private-equity firm, or potential buyer, take a few minutes to understand how prepared your business really is.

Prepared for business owners

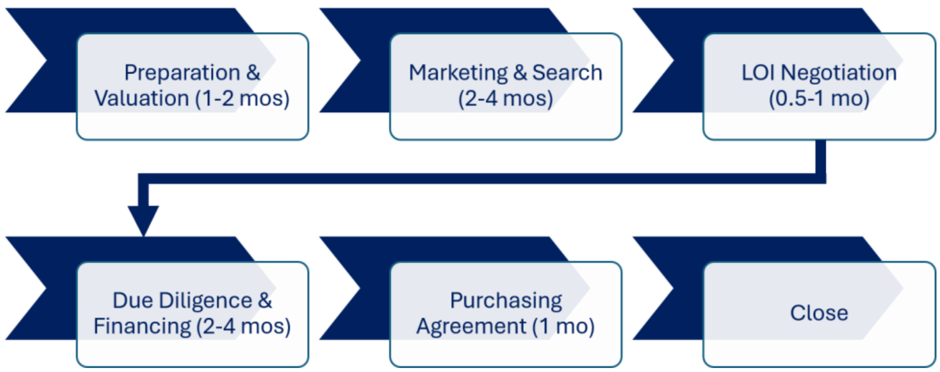
Tom Abraham | Solutaris, LLC | Tom.Abraham@Solutaris.com | +1 (214) 208-7645
Solutaris.com

Before You Put Your Company on the Market

For many entrepreneurs, the business they spent decades building represents both a life's work and a substantial portion of their net worth. Yet, owners sometimes begin preparing their exit *after* they have decided they want or need to exit, thus limiting options.

Attractive company characteristics often take time to develop. Understanding them now can help you strengthen the business, improve transferability, and make better decisions later - even if you ultimately decide not to sell. Preparing to sell **well** may require 2-3 years while the sales transaction may require 6-8 months alone.

A typical sales transaction with durations follows:



Preparing your legacy to maximize the exit benefit usually requires more time, and now is the time to reinforce areas that prospective buyers may find risky. We are here to accelerate preparedness.

YOUR EXIT PRIORITIES

The highest headline price is not automatically the transaction that best accomplishes your personal, financial, and legacy goals. Let's start with the most important question:

What goal(s) do you truly want your exit to accomplish?

Rank the following from 1–10, with 1 being your highest priority and 10 being your lowest:

Rank	Exit Goal / Priority	Rank	Exit Goal / Priority
___	Max cash at close	___	Preserve company name/culture/legacy
___	Continued ownership/rollover equity	___	Retain real estate
___	Gradual exit transition	___	Persist family member(s) involvement
___	Employee protection/continuity	___	Clean, immediate exit
___	Other 1: ______________________	___	Other 2: ______________________

What are your top 3 sell/exit non-negotiables?

1. ____________________ 2. ____________________ 3. ____________________

Use the following 10 questions as a practical self-assessment. Score each 1 to 5 (scale follows), summing your total at the end (10-50 total score).

1 – Needs Work	3 - Developing	5 - Strong
Heavy risk or dependence	Some strengths, some gaps	Buyer-ready characteristic

1. How dependent is the business on you?

Ask yourself: If I disappeared for 90 days, what would happen? A company that can operate successfully without its owner is generally easier to transfer than one where customers, employees, knowledge, and critical decisions all flow through the founder.

Think about who makes pricing decisions, handles key customers, approves spending, solves major problems, and carries essential institutional knowledge.

Your score: 1 2 3 4 5 Circle one

2. How strong is your management team?

A buyer is not only buying equipment, customers, and revenue. They are buying an organization capable of continuing and growing after ownership transfers. Consider whether your leadership team can run the business without your constant involvement.

- Operations
- Sales and customer relationships
- Finance and reporting
- People leadership
- Day-to-day decision making

Your score: 1 2 3 4 5 Circle one

3. How concentrated are your customers?

One enormous customer can feel like a tremendous asset - until you are trying to sell. High customer concentration creates perceived risk because a large revenue portion depends on one relationship which may or may not require the owner's involvement.

Ask: What percentage of revenue would disappear if my largest customer left? What about my top five customers?

Your score: 1 2 3 4 5 Circle one

4. How predictable is your revenue?

Buyers generally value predictability. A business with recurring, contracted, repeat, or highly visible revenue is easier to underwrite than one that must continually replace its sales pipeline.

- Repeat customers
- Contracts or service agreements

- Recurring revenue
- Long-term customer relationships
- Backlog or other revenue visibility

Your score: 1 2 3 4 5	Circle one

5. Are your financials buyer-ready?

An owner may know instinctively that the company is profitable. A buyer needs proof. Clean, consistent financials help a buyer understand performance and reduce avoidable uncertainty.

- Revenue and gross margins
- Operating expenses
- Owner compensation
- Capital expenditures
- Working-capital requirements
- Cash flow

Messy reporting creates questions, questions create uncertainty, & uncertainty affects value.

Your score: 1 2 3 4 5	Circle one

6. Are personal and business expenses clearly separated?

Privately held companies often contain legitimate owner-related expenses or discretionary items. Those need to be identifiable, supportable, and easy to explain. Reconstructing years of history during due diligence is much harder than maintaining clear records beforehand.

Your score: 1 2 3 4 5	Circle one

7. Are your processes documented?

What does your organization know that exists only inside someone's head? Documented processes reduce key-person risk and make the business easier to transfer to a new owner or management team.

- Pricing and estimating
- Purchasing and suppliers
- Production, service, or delivery
- Quality
- Customer service
- Sales
- Hiring and onboarding
- Financial controls

Your score: 1 2 3 4 5	Circle one

8. What would a buyer discover during due diligence?

Look at your company through a skeptical outsider's eyes. Potential concerns are easier to address when you identify them before a buyer does.

- Customer or supplier concentration
- Unresolved contracts or litigation
- Employee or compensation matters
- Environmental or regulatory concerns
- Obsolete inventory
- Under-capitalized equipment
- Intellectual-property questions
- Undocumented agreements or commitments

Finding issues gives you a chance to solve them. Buyers discovering them gives buyers leverage.

Your score: 1 2 3 4 5	Circle one

9. Do you know what your business may actually be worth?

Owners often hear valuation numbers from friends, competitors, or transactions in completely different industries. Actual value can depend on earnings, growth, risk, transferability, capital needs, customer mix, and market conditions.

Before negotiating, understand a realistic valuation range and the assumptions behind it.

Your score: 1 2 3 4 5	Circle one

10. How would your business fare from a buyer's due diligence today?

A serious buyer will examine your financials, contracts, customers, employees, assets, legal obligations, systems, intellectual property, and operating practices. Discovery issues can reduce the purchase price, change deal terms, delay closing, &/or kill a transaction entirely.

- **1 — Not Ready:** Major issues, missing documents, &/or unknown risks likely to surface.
- **2 — Somewhat Ready:** We have the basics, but there are known gaps or unresolved issues.
- **3 — Moderate:** Most documents/business practices are in order, some cleanup required.
- **4 — Very Ready:** Documents are organized, risks are understood, and only minor issues.
- **5 — Buyer Ready:** Maintain organized, current documents and could confidently enter a buyer's due diligence process today with success.

How confident are you today that your business could undergo an issue-free due diligence?

Your score: 1 2 3 4 5	Circle one

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Your Exit Readiness Score

Add your scores from all ten questions. Your total will fall between 10 and 50.

41-50	**Strong foundation** Your business may already possess many characteristics buyers value. The next step is identifying remaining risks and understanding potential valuation.
31-40	**Opportunity to improve** Several improvements made before entering the market could strengthen transferability and buyer confidence.
21-30	**Preparation could matter significantly** Consider addressing operational, financial, organizational, or owner-dependence issues before pursuing a transaction.
10-20	**Do not rush the process** Your greatest opportunity may be improving the business before trying to sell it.

Your total score: ______ / 50

Not Ready to Sell? Now Is the Best Time to Talk.

Many factors that affect value and transferability take time to improve. A *confidential* conversation before a potential sale gives you more options, not fewer.

If you would like an outside perspective on operations, owner dependence, transferability, or preparing the company for its next chapter, I welcome an introductory conversation.

Tom Abraham | Principal Consultant | Solutaris, LLC | DFW-Local
tom.abraham@solutaris.com | +1 (214) 208-7645
www.solutaris.com

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