



SUBJECT — SELL-SIDE PREP

WINDOW — 6 TO 24 MONTHS

PAGES — 12

ITEMS — 60

THE FIELD GUIDE SERIES · 04

# Selling *your* business?

---

Sixty things the most prepared owners do before listing — and the deal-killers that quietly subtract a million from the price.

# 60

CHECKS · ACROSS 12 CATEGORIES

AN ADVISORY REPORT FROM  
**360 Biz Brokers**  
*Sell-side advisory for Main Street*

## A NOTE FROM THE PRINCIPALS

# The owners who get the best price aren't always the ones with the best business.

Over seventeen years and more than five hundred businesses sold, brokering sales of privately-held companies between one and ten million dollars in revenue, we have learned a hard truth: the spread between a prepared seller and an unprepared one is rarely about EBITDA. It is about evidence, dependence, and timing.

This field guide is the checklist we wish every owner had eighteen months before they called us. It is sixty items across twelve categories, ordered the way a buyer will scrutinize them – with the deal-killers in plain sight, not hidden in the diligence room.

Read it once with a highlighter. Read it again with your Accountant/CPA. Then read it a third time on the day you decide the answer is yes – because the next six to twenty-four months are when value is made or lost.

– *The Managing Partners,*

360 BIZ BROKERS • ADVISORY GROUP

## CONTENTS

§ 01	Why timing matters	p. 03
§ 02	Valuation drivers & multiples	p. 04
§ 03	Financial cleanup · QoE	p. 05
§ 04	Owner dependence	p. 06
§ 05	Customer concentration	p. 07
§ 06	Operations & legal hygiene	p. 08
§ 07	Tax, estate & personal readiness	p. 09
§ 08	The deal process timeline	p. 10
§ 09	Deal-killers & advisor selection	p. 11
§ 10	Book a consultation	p. 12

## HOW TO USE THIS GUIDE

Tick every item you can defend with documentation today. Anything unchecked at month six is a project. Anything unchecked at month two is a price reduction.

— § 01

# The six- to twenty-four-month window *is the work.*

**S**elling is not a transaction; it is a project. The owners who clear seven figures with a clean conscience start the work eighteen months before they sign a Letter of Intent. The ones who don't, sign a discount.

In our practice, the median Main Street business sells for 2.8× to 4.2× Seller's Discretionary Earnings. A single weakness — owner dependence, a 40% customer, three years of commingled personal expenses — can drag a 4× business to a 2.6× outcome. That is not a rounding error. On a \$1.4M SDE business, it is a \$1.96M reduction in proceeds.

The good news: every item in this guide is fixable. None require capital. All require time. The window between six and twenty-four months is where the work happens — long enough to clean up trailing-twelve-month financials, short enough that you haven't lost the motivation to finish.

*"We don't get paid to sell your business. We get paid to make your business worth selling. Most of that work is done before we list."*

## 73%

— OF OWNERS WHO LIST WITHIN 6 MO.

accept the first offer at a discount to ask. The ones who waited eighteen months did not.

## \$1.96M

— MEDIAN VALUE EROSION

on a \$1.4M SDE business when a single deal-killer is present at LOI.

## 18<sub>mo</sub>

— OPTIMAL PREPARATION RUNWAY

to fix concentration, install management, and stabilize earnings.

## — § 02

# What multiplies your multiple.

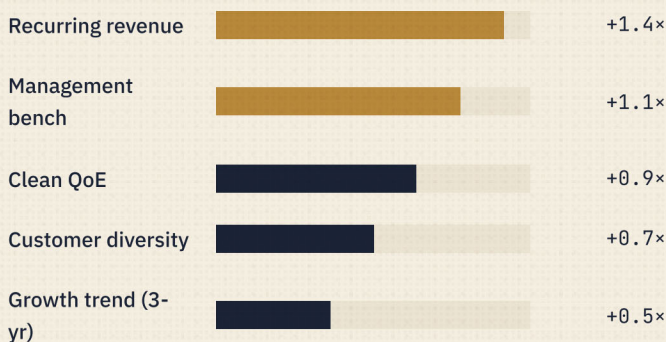
*A buyer prices the risk of the cash flow continuing without you. Each driver below either widens or narrows that risk.*

## BASELINE RANGES • SDE MULTIPLES BY SECTOR (\$1-10M REVENUE)

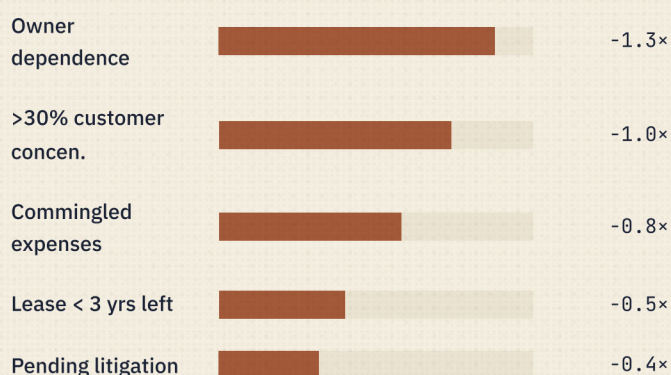
SECTOR	LOW	MEDIAN	TOP QUARTILE	WHAT SEPARATES TOP QUARTILE
Home services (HVAC, plumbing, electrical)	2.4×	3.2×	4.5×	Recurring service contracts, <15% top-customer
Specialty trades & construction	2.1×	2.9×	4.0×	Backlog visibility, licensed crew bench
Manufacturing & light industrial	3.0×	4.1×	5.8×	Proprietary process, ISO/AS, no single SKU >20%
Professional services (B2B)	2.6×	3.5×	5.2×	Recurring retainer, partner-track bench
E-commerce / DTC (\$1-5M rev.)	2.2×	3.0×	4.4×	Diversified channels, branded SKUs, repeat >35%
Food & beverage (single-unit)	1.8×	2.5×	3.4×	Transferable lease, documented systems

Source – 360 Biz Brokers transaction database, est. 2008. Drawn from 500+ closed transactions across the Main Street segment.

### TOP DRIVERS • MULTIPLE IMPACT



### TOP DRAG • MULTIPLE IMPACT



## — § 03

# Financial cleanup.

*Buyers buy proof, not promises. The Quality of Earnings review will surface every weakness you ignored – better it surfaces in your kitchen than theirs.*

## HOURS TO INVEST

## 60–120

with your CPA over 4–6 weeks. The single highest-ROI use of your time before listing.

## DOCUMENTS TO ASSEMBLE

- ▶ 3 yrs Federal returns
- ▶ 3 yrs P&L, BS, Cash Flow
- ▶ Trailing 12 mo. by month
- ▶ A/R & A/P aging schedule
- ▶ Bank reconciliations
- ▶ Inventory roll-forward
- ▶ Customer revenue by year
- ▶ Add-back schedule

## THE FINANCIAL CLEANUP CHECKLIST • 8 ITEMS

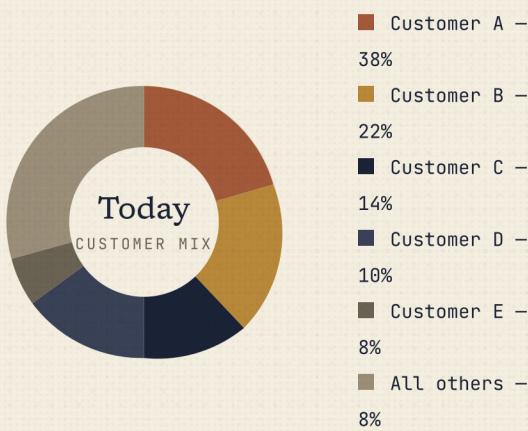
- |                          |  |            |
|--------------------------|--|------------|
| <input type="checkbox"/> | <b>Three years of clean, accrual-basis financials</b><br>Reviewed or compiled by a CPA. Cash-basis returns are acceptable for taxes; buyers price on accrual.          | MONTHS 1–3 |
| <input type="checkbox"/> | <b>Trailing-twelve-month (TTM) statements ready</b><br>By month, updated weekly. Buyers will recompute on the most recent TTM the day they sign.                       | MONTHS 1–2 |
| <input type="checkbox"/> | <b>Personal expenses fully removed or scheduled as add-backs</b><br>Vehicles, phones, travel, club dues, family on payroll – each line item documented and defensible. | MONTHS 2–4 |
| <input type="checkbox"/> | <b>Owner compensation normalized to market</b><br>A buyer will replace you with a hire at market rate. Show the bridge from your W-2 to that number.                   | MONTHS 2–4 |
| <input type="checkbox"/> | <b>Working capital target calculated</b><br>Roughly the 12-month average of (A/R + Inventory – A/P). This becomes the deal's working-capital peg.                      | MONTHS 3–6 |
| <input type="checkbox"/> | <b>Inventory counted and reconciled</b><br>Physical count, obsolete written down, costing method documented. Old habits become new disputes.                           | MONTHS 3–6 |
| <input type="checkbox"/> | <b>Sell-side QoE report engaged (deals over \$3M)</b><br>A neutral CPA's QoE removes 60–80% of buyer-side diligence friction and protects your EBITDA bridge.          | MONTHS 6–9 |
| <input type="checkbox"/> | <b>KPI dashboard the buyer can read in 90 seconds</b><br>Revenue by channel, gross margin, customer retention, backlog. One page. Updated monthly.                     | MONTHS 6–9 |



— § 05

# Customer concentration.

*One customer over 20% is a flag. One over 30% is a discount. One over 40% is a deal that may never close on the terms you wanted.*



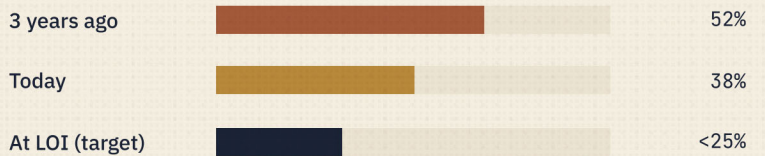
### THE 30% RULE

No customer above 30% of revenue, no industry above 50%, no referral source above 40%. Anything else, expect an earn-out tied to retention.

### THE CONCENTRATION CHECKLIST • 5 ITEMS

- Customer revenue table — 3 years, by customer, by month** MONTHS 1-3  
 Buyers will ask. Have it before they ask. Include lost customers; tell the story.
- Top customer brought below 25% of revenue** MONTHS 2-6  
 Through organic growth of others, not artificially reducing top-account work. The shape of the trend matters more than the point.
- Written contracts in place with all top-10 customers** MONTHS 3-9  
 Multi-year preferred. Auto-renew with notice. Pricing escalator. Assignment clause that doesn't trigger on change of control.
- No verbal handshake deals — anywhere in the top 50%** MONTHS 4-9  
 Handshake is fine until the buyer asks for the paperwork. Then handshake is fatal.
- Pipeline shows new logos, not just deeper wallet share** MONTHS 6-12  
 A buyer pays for growth-engine evidence. New-logo trailing-12-mo. count is the single best proxy.

### TREND TRAJECTORY



↓ Top-customer share of revenue over the readiness window.

— § 06

# The paperwork no one wants to do — until it's worth a million dollars.

## OPERATIONAL DOCUMENTATION • 5 ITEMS

- Standard operating procedures for every core workflow**  
 A new owner should be able to run Tuesday from a binder. Plain language, screenshots, named owners.

MONTHS 1-6
- Software & systems inventory**  
 Every license, seat count, renewal date, admin owner. Includes who knows the password and who pays the bill.

MONTHS 2-6
- Vendor & supplier list with redundancies**  
 Top 20 vendors, spend, contract terms, single-source flags. Sole-source on a critical input is a price cut.

MONTHS 3-6
- HR file complete for every employee**  
 Offer letter, I-9, W-4, handbook acknowledgment, performance reviews. Misclassifications surface here and they cost money.

MONTHS 4-9
- Customer onboarding & service-delivery playbooks**  
 The thing you do that wins — written down. This is what the buyer buys when they buy the 'magic.'

MONTHS 6-12

## LEGAL & CORPORATE HYGIENE • 5 ITEMS

- Corporate book current — minutes, resolutions, cap table**  
 No gaps. No mystery shareholders. No promises to former employees no one wrote down.

MONTHS 1-3
- Trademarks, domains, and IP registered to the company**  
 Not to the owner personally. Not to a dissolved LLC. Not to the cousin who designed the logo.

MONTHS 2-4
- Employment agreements & non-competes reviewed by counsel**  
 Including yours. Including your top three. Including whether your state will enforce them.

MONTHS 2-6
- Insurance current — GL, E&O, cyber, key-person**  
 No lapses, no exclusions you cannot explain, no claims history hidden from the broker.

MONTHS 3-6
- Lease assignable — or extension negotiated**  
 A lease with under 3 years and no extension option is a deal-killer for asset-heavy businesses.

MONTHS 4-9

DISCOVERY RED-FLAG RATE

1 in 4

Deals where unregistered IP or commingled assets surface in diligence. Most are fixable in 30 days — if you start before LOI.

LEASE-RELATED RE-TRADES

18%

Of asset-heavy transactions involve price re-negotiation after lease assignment terms surface. Address it at month six.

AVERAGE SOP INVESTMENT

\$8-15k

Returns 10-40x at close. The single best dollar-for-dollar prep investment we observe in our practice.

— § 07

# The two readiness reviews owners *most often skip.*

*Tax structure can shift twenty percent of the proceeds. Personal readiness determines whether you spend them.*

TAX & ESTATE • 5 ITEMS

**Entity structure reviewed by a transactional CPA** MONTHS 1-6  
C-corp, S-corp, LLC — each has a different deal structure profile. The wrong wrapper at LOI is a 12–22% tax.

**Asset vs. stock deal modeled for after-tax proceeds** MONTHS 2-9  
Buyers nearly always prefer asset deals; sellers often prefer stock. Know the dollar bridge between them.

**Estate plan updated — trusts, beneficiaries, gifting strategy** MONTHS 3-12  
Pre-sale gifting at a lower valuation can preserve significant estate exemption. Done after LOI, it is too late.

**QSBS eligibility verified, if applicable** MONTHS 6-12  
For qualifying C-corps held over 5 years, exclusion of gain may be available. Have your CPA confirm the holding period.

**Wealth advisor onboarded — pre-close, not post-close** MONTHS 9-18  
A liquidity event creates a portfolio. Plan the portfolio before the wire hits, or watch fees compound for 24 months.

PERSONAL READINESS • 5 ITEMS

**A clear answer to: 'What will you do on Monday?'** MONTHS 1-3  
Sellers who can answer this in a sentence outperform sellers who can't — both in price negotiation and life after sale.

**Net-worth-after-sale floor calculated** MONTHS 2-6  
The lifestyle the proceeds need to fund, expressed as a number. This is your walk-away price.

**Spouse and family aligned on the transition** MONTHS 3-6  
Marital and family alignment is the most common reason a deal pauses at month four. Have the conversation now.

**Earn-out and stay-on appetite defined** MONTHS 4-9  
Are you willing to stay 12 months? 24? Equity rollover? Decide it before a buyer prices it.

**Identity & purpose plan — board seats, philanthropy, next venture** MONTHS 6-12  
The most successful exits we see treat post-close life as a project with a start date, not a vacation.

*"The best-prepared sellers we represent treat the sale as the second-most-important project of their career. The first was building the thing in the first place."*

— § 08

# What actually happens, month by month.

*A typical Main Street transaction runs nine to fourteen months from engagement to wire. The prep window is the eighteen months before any of this begins.*

● MONTH -18 TO -6 • PREPARATION

## Run this checklist.

Financial cleanup, owner-dependence reduction, concentration mitigation, documentation. This is where 80% of the value is created.

○ MONTH 0 • ENGAGEMENT

## Advisor selection & valuation.

Sign with a broker or M&A advisor. Receive an opinion-of-value. Finalize the prep punch-list.

○ MONTHS 1-2 • MARKETING PREP

## CIM, teaser, data room.

Confidential Information Memorandum drafted. Anonymous teaser written. Virtual data room populated.

○ MONTHS 2-5 • GO-TO-MARKET

## Buyer outreach & calls.

NDA's signed, qualified buyers receive the CIM, management calls, site visits, indications of interest.

○ MONTHS 5-7 • NEGOTIATION

## LOI & exclusivity.

Letters of intent reviewed, price & structure negotiated, one buyer selected for exclusivity.

○ MONTHS 7-10 • DILIGENCE

## Financial, legal, operational.

Quality of Earnings, legal review, customer calls, environmental if applicable. This is where unprepared sellers re-trade.

● MONTHS 10-12 • CLOSE

## Definitive agreement & wire.

Purchase agreement signed, working-capital true-up, escrow funded, transition handoff begins.

BY THE NUMBERS

9-14<sup>mo</sup>

— ENGAGEMENT TO CLOSE

35-60

— QUALIFIED BUYERS CONTACTED

4-8

— LOIS TYPICALLY RECEIVED

22%

— DEALS LOST IN DILIGENCE

Among unprepared sellers. Among prepared sellers in our practice: under 6%.

— § 09

# The nine ways a deal dies *after* you signed the LOI.

COMMON DEAL-KILLERS • RANKED

#	ISSUE	SURFACES IN	% OF FAILED DEALS
01	Owner cannot be replaced	Mgmt. calls	24%
02	Earnings re-statement in QoE	Diligence	19%
03	Customer concentration discovered	Customer calls	14%
04	Lease cannot be assigned	Legal	9%
05	Undisclosed litigation or claim	Legal	8%
06	Working-capital peg disputed	Final docs	7%
07	Key employee resigns mid-process	Anywhere	7%
08	Seller's financing fall-through	Pre-close	6%
09	Family / spousal disagreement	Anywhere	6%

Source – 360 Biz Brokers, deals lost between LOI & close, drawn from 500+ closed transactions (2008-present).

*"Every single one of these is visible at month twelve. None are visible at month two."*

CHOOSING AN ADVISOR • 5 QUESTIONS TO ASK

- How many transactions have you closed in my sector at my size?**  
Look for at least 6 closes in the last 36 months, within ±50% of your revenue band.

---

- What's your fee structure – and what's negotiable?**  
Typical Main Street: 8–12% success fee, modest retainer. Lehman-style step-downs are common above \$5M.

---

- Who at the firm actually runs my deal – and what else are they working on?**  
Senior pitch, junior delivery is the most common complaint. Get names and current deal counts.

---

- What is your buyer database – and how many will you contact for me?**  
A real database, segmented by sector. Expect 35–60 qualified outreaches, not a blast to 800 lookers.

---

- Can I speak with three sellers you closed in the last 18 months?**  
Real references, not curated. Ask about communication during diligence and behavior on price re-trades.

THE NEXT STEP

# A ninety-minute *readiness review,* on the house.

Bring this checklist. We'll sit down – in person or remote – and tell you, candidly, where your business sits on each of the sixty items, what your range of likely outcomes looks like today, and what the highest-ROI next 90 days look like. No pitch. No commitment.

BOOK A CONSULTATION →

EMAIL THE PRINCIPALS

YOUR ADVISOR

Val Pidgeon

*Senior Broker*

360 Biz Brokers · Advisory Group  
Est. 2008

CONTACT

☎ (954) 325-2625  
✉ info@360bizbrokers.com  
360bizbrokers.com

TRACK RECORD

500+

Businesses sold since 2008. Sell-side advisory for privately-held companies, \$1M-\$10M revenue.

