

# Exit Strategy & Selling Your Business — Workbook

This workbook turns the course into action. Work through one section per module to value your business, find and fix the gaps that depress your price, plan how you go to market, and prepare to negotiate and close. The templates at the end give you the working spreadsheets to run the numbers as you go.

## Knowing What You Have: Valuation and Sale Readiness

Establish a defensible value for your business and pinpoint the value-killers to fix before you list.

### Worksheet: Normalize Your Earnings (SDE / EBITDA)

Start from your most recent full-year net income and add back the items below to arrive at a normalized SDE (owner-operated) and EBITDA (manager-run). Use figures you can document with invoices or schedules.

Net income from tax return / P&L

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Owner salary add-back

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Above-market owner compensation

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Interest

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Taxes

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Depreciation

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Amortization

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Owner perks (vehicle, travel, phone, family on payroll)

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One-time non-recurring expenses (describe each)

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Normalized SDE total

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Normalized EBITDA total (assumes market-rate manager paid)

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## Worksheet: Set Your Asking-Price Range

Apply a defensible multiple range to your normalized earnings using comparable-sale data for your sector, then record where you will anchor and why.

Normalized SDE or EBITDA used

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Industry / NAICS code

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Low multiple (from comps)

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High multiple (from comps)

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Comp data source (DealStats, BizComps, BizBuySell Insight Report, appraiser)

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Low value estimate

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High value estimate

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Plus: real estate / saleable inventory / cash (if included)

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Anchor asking price

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Evidence supporting the anchor

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### Exercise: Sellability Self-Audit (Eight Drivers)

Score each driver from 1 (weak) to 5 (strong). Your lowest scores are usually your cheapest value gains, so note one concrete action for each driver scoring 3 or below.

- Score all eight drivers: financial performance, growth potential, recurring revenue, customer concentration, owner dependency, cash flow, monopoly control, customer satisfaction.

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- Which single driver, if improved, would lift your price the most, and why?

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- Could the business run for 60 days without you today? What breaks first?

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- What is your largest customer as a percentage of revenue, and what is your plan if it exceeds 15 percent?

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### Checklist: Sale-Readiness Quick Check

I have a normalized SDE and EBITDA figure I can document

I have pulled comparable-sale multiples for my sector

I have an anchor asking price tied to evidence, not to what I 'need'

I have scored all eight sellability drivers

I have identified my top three value-killers to fix

I have confirmed no single customer exceeds 15 to 20 percent of revenue, or have a plan to fix it

## Getting Sale-Ready: Cleaning Up and Building Value

Do the financial, legal, and operational preparation that protects your price through due diligence.

### Checklist: Financial Hygiene Checklist

- Financials are accrual-basis (or converted from cash basis)
- Three years of P&L and balance sheets reconcile to filed tax returns
- Every personal expense is separated and each add-back is documented
- Dead inventory and uncollectible receivables are written off
- A month-by-month trailing-twelve-month (TTM) P&L is prepared
- Stopped running new personal expenses through the business
- Considered commissioning a sell-side Quality of Earnings (QoE) report

### Checklist: Legal & Contracts Pre-Sale Checklist

- Corporate minute book and share registry are current
- Premises lease is assignable and long enough for a buyer's financing
- Key customer and supplier contracts have workable assignment / change-of-control terms
- All trademarks, domains, and trade names are owned by the entity, not personally
- Transferable vs. re-application licenses and permits are identified
- Open litigation, tax liens, and UCC filings are resolved or disclosed
- Contractor-vs-employee classifications are reviewed for exposure
- Key employees are on written agreements with confidentiality and non-compete terms

### Worksheet: Value-Enhancement Runway Plan

For each initiative, capture its expected effect on earnings or on the multiple, the lead time, and the owner. Sequence quick wins first and multiple-movers (recurring revenue, owner removal) on a longer horizon.

Initiative

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Effect: lifts earnings / lifts multiple / de-risks

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Estimated earnings or multiple impact

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Lead time (months)

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Owner / responsible person

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Target completion date

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Status

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### Exercise: Document Owner Dependency

Map where the business depends on you personally so you can build a plan to remove yourself, the single biggest value-killer in small business.

- List the five tasks only you can currently do, and who could be trained or hired to own each.
- Which customer relationships run through you personally, and how will you transfer them?
- What would have to be true for you to take a 60-day absence next year?
- Who is your second-in-command candidate, and what is the plan to get them ready?

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## Going to Market: Buyers, Brokers, and the Deal Book

Decide who to sell to, how to be represented, and how to present the business while protecting confidentiality.

### Worksheet: Buyer-Type Targeting Map

For each buyer type, note specific candidates, the likely price posture, and the trade-offs, then mark your primary and secondary targets.

Buyer type (individual / strategic / PE or search fund / employees-MBO / family)

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Specific candidates or sources to approach

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Likely price posture (premium / fair / below-market)

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Typical structure they want (cash, seller note, earn-out, rollover)

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Transition and post-sale implications for me

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Primary or secondary target?

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### Checklist: Advisor / Broker Selection Checklist

- Matched representation to deal size (Main Street broker under ~\$2M; M&A advisor for ~\$2M to \$50M+)
- Confirmed success-fee percentage and any minimum fee
- Clarified retainers / work fees and whether they credit against success
- Checked exclusivity length and the post-engagement tail period
- Understood how they market (blind listing, buyer database, managed auction)
- Reviewed references and recent closed deals in my sector and size
- Asked how many deals like mine they closed in the last two years

### Exercise: Draft Your Investment Highlights

Write the three to five reasons a buyer should want this business. These become the spine of your teaser and CIM.

- What are the three strongest, evidence-backed reasons to buy this business?

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- What is the single most credible growth opportunity for the next owner?

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- What proof points (recurring-revenue percentage, customer retention, margins, contracts) back each claim?

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- What is the one objection a skeptical buyer will raise, and how do you answer it?

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### Checklist: CIM & Data-Room Readiness

- One-page blind teaser drafted with no identifying details
- CIM drafted covering summary, overview, products, customers, financials, growth, deal terms
- Standard NDA prepared and required before releasing company name or CIM
- Secure virtual data room set up (e.g., Firmex, Datasite, controlled-access Drive)
- Disclosure staged so customer list and employee details release last
- Documents watermarked and downloads tracked
- Employee communication plan set to need-to-know, as late as practical

## Negotiating and Closing: Terms, Taxes, and Transition

Evaluate offers on net after-tax proceeds and risk, structure contingent payments to collect them, and reach a clean close.

### Worksheet: Offer Comparison: Price vs. Structure

Break each Letter of Intent into its components and compute risk-adjusted, after-tax proceeds so you compare deals fairly rather than by headline price.

Buyer / offer label

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Headline price

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Cash at close

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Seller note (amount, term, rate, security)

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Earn-out (amount, metric, period)

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Rollover equity (percentage, terms)

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Asset or share sale

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Working capital peg

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Estimated taxes

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Risk-adjusted, after-tax net proceeds

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### Checklist: Earn-Out & Seller-Note Protection Checklist

- Earn-out tied to revenue or gross profit, not net profit
- Measurement method defined precisely in writing
- Earn-out period kept short (typically 12 to 24 months)
- Seller note secured with personal guarantee and a lien on business assets
- Acceleration clause added for default or resale
- Audit / records-access rights retained for the earn-out period
- Meaningful cash down payment required from the buyer

### Exercise: Pre-Close Tax & Diligence Planning

Prepare for the 30-to-90-day diligence period and for the tax impact before you sign, where the biggest swings in net proceeds are decided.

- Have you modeled after-tax proceeds for both an asset sale and a share sale?
  - Do you qualify for any exemption (US Section 1202 QSBS; Canada Lifetime Capital Gains Exemption), and what conditions apply?
  - Which diligence requests can you fulfill within 48 hours, and which need preparation now?
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- What is your plan to keep the business performing during diligence so no soft quarter triggers a retrade?
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### Checklist: Closing & Transition Checklist

- Definitive purchase agreement reviewed by a transaction attorney
- Purchase price allocation (e.g., US Form 8594) negotiated
- Escrow / holdback amount and release triggers defined
- Transition plan documented (customer and staff introductions, know-how transfer)
- Any post-sale consulting or employment terms agreed in writing
- Confirmed money has cleared and conditions for holdback release are scheduled

### Your Action Plan

1. Normalize your earnings to a documented SDE and EBITDA, then set an evidence-backed asking-price range.
2. Run the eight-driver sellability audit and list your top three value-killers.
3. Clean up financials (accrual, reconciled, documented add-backs) and consider a sell-side Quality of Earnings report.
4. Work the legal pre-sale checklist: lease assignability, IP ownership, contract assignment, litigation, employee agreements.
5. Build a 12-to-36-month value-enhancement runway sequencing quick wins, recurring revenue, and owner removal.
6. Map buyer types and decide who to target and how you will be represented (broker vs. M&A advisor vs. direct).
7. Prepare the teaser, CIM, NDA, and a secure, staged data room.
8. Take the business to market, screen buyers, and drive toward multiple competing offers.
9. Evaluate offers on risk-adjusted after-tax proceeds, then structure earn-outs and notes to protect your upside.
10. Manage due diligence tightly, finalize tax structure, and execute a clean closing and transition.











