

The Small Business Seller's Readiness Guide

A practical guide for main-street business owners preparing to sell -- valuation basics, a readiness checklist, and the questions to ask an M&A attorney or business broker.

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Getting Ready to Sell: What Matters Most

Selling a small business well starts long before you ever list it. Buyers -- and their lenders -- are underwriting your business's story: is the profit real and repeatable, is the business too dependent on you personally, and are the numbers clean enough to trust? This guide walks through the fundamentals.

1. Understand your general value range

Most small business valuations are built around a multiple of annual profit (seller's discretionary earnings or EBITDA). As general, illustrative ranges: retail businesses often trade around 2x-3x, service businesses around 2.5x-4x, SaaS/technology businesses around 4x-8x, restaurants around 1.5x-2.5x, and manufacturing around 3x-5x. These are educational starting points only -- your specific multiple depends on your industry, growth, customer concentration, and owner dependency. Always get a professional valuation before pricing your business.

2. Clean up your financials

Buyers and lenders want at least two to three years of clean, consistent financial statements and tax returns. Separate personal expenses from business expenses, document any add-backs clearly, and consider having a CPA review your books well before you go to market.

3. Reduce owner dependency

A business that runs smoothly without you working 60-hour weeks is worth more, and easier to sell, than one that lives entirely in your head. Document key processes, cross-train staff, and formalize customer relationships wherever possible.

4. Address customer concentration

If one or two customers make up a large share of your revenue, work on diversifying before you sell. Buyers see concentrated revenue as a major risk, and it can meaningfully reduce your sale price or scare off financing.

5. Get your legal and operational house in order

Make sure licenses and permits are current, contracts and leases are organized and (where needed) assignable, and there are no unresolved legal or compliance issues. Buyers' due diligence will surface these -- better to find and fix them yourself first.

Seller Readiness Checklist

- Two to three years of clean financial statements and tax returns are ready
- Add-backs to earnings are documented with supporting records
- Owner-dependency has been reduced where possible; key processes are documented
- Customer concentration has been reviewed and, where possible, diversified
- Business licenses, permits, and registrations are current
- Leases and key contracts are reviewed for assignability
- Employee records, agreements, and benefits are organized
- A preliminary or formal business valuation has been obtained
- You have identified whether you want an asset sale or stock sale, with your CPA/attorney's input
- You have a general understanding of how SBA financing works for buyers
- You have selected (or are evaluating) a business broker or M&A advisor
- You have a rough target timeline and price range in mind

Questions to Ask an M&A Attorney or Business Broker

- What is your experience with businesses in my industry and size range?
- What is your typical fee structure, and what does it include?
- How would you recommend structuring this deal -- asset sale or stock sale -- and why?
- How long does a typical deal like mine take from listing (or LOI) to close?
- How do you handle confidentiality during the marketing or negotiation process?
- What documentation will you need from me, and when?
- What are the biggest risks you see in a deal like mine?
- How do you typically handle buyer financing contingencies (e.g. SBA loans)?

Ready to talk through your sale?

A free, no-obligation conversation with an advisor can help you understand your options and next steps.

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