

Exit Planning Checklist

Deal Advisory

Stage 1 Company

Stage 2 Company

Stage 3 Company

Stage 4 Company

Sale Multiple 0x - 1x EBITDA

DIFFICULT TO SELL

Revenue	\$0 - \$500k
EBITDA	\$0 - \$100k
Exit Options	<ul style="list-style-type: none"> • orderly liquidation of assets • transfer to family • shut down • keep growing the business to Stage 2
Buyer Types	<ul style="list-style-type: none"> • Liquidators • Turnaround experts • Friends • Family • Optimists

Sale Multiple 1x - 3x EBITDA

SELLABLE

Revenue	\$500k - \$2M
EBITDA	\$100k - \$750k
Exit Options	<ul style="list-style-type: none"> • Trade sale • Transfer to family • Transfer internally • Increase valuation and sell in Stage 3
Buyer Types	<ul style="list-style-type: none"> • Owner operator • Individual investor • Friends • Family • Employee • Competitor/Supplier

Sale Multiple 3x - 5x EBITDA

SELLABLE TO PRIVATE INVESTOR

Revenue	\$2M - \$10M
EBITDA	\$750k - \$2M
Exit Options	<ul style="list-style-type: none"> • Trade sale • Recapitalisation • Transfer to family • Transfer internally • Increase valuation and sell in Stage 4
Buyer Types	<ul style="list-style-type: none"> • Private Equity Groups • Financial Acquirers • Family Offices • Competitor/Supplier • Management • Employee (ESOP)

Sale Multiple 5x - >8x EBITDA

SELLABLE TO STRATEGIC INVESTOR

Revenue	\$10M - \$100M
EBITDA	\$2M - \$10M
Exit Options	<ul style="list-style-type: none"> • Recapitalisation • Sell to 3rd party • Transfer to family • Transfer Internally • IPO
Buyer Types	<ul style="list-style-type: none"> • Public Markets • Strategic Acquirers • Private Equity Groups • Financial Acquirers • Family Offices • Search Funds • Competitor/Supplier

Exit Goal: Go to Stage 2

DIFFICULT TO SELL BUSINESS CHECKLIST

FINANCIAL

- EBITDA < \$100k
- 3 years of mixed profitability, with years of negative profits
- Financial statement non-existent, or not prepared by external accountants
- No bookkeeper, or owner undertakes bookkeeping function.
- P&L reports are only reviewed annually, or not at all.
- Shareholders meet with accountant only once a year.
- Balance sheet has negative retained earnings.
- Working capital is outside of industry standards by >10%.
- Debt-to-Equity ratio is >1.5.
- Aged and obsolete inventory has not been cleared out.
- Inventory on the floor does not match the balance sheet.
- Shareholder's personal tax filings don't match company books.
- The business has off balance sheet loans.
- The business runs cash sales off the books.
- Tax returns (payroll, company, GST tax) are not up to date.
- Company has had cash flow issues within past 24 months.
- Payroll system is run by owner or has owner involvement.
- Company has outstanding bad debts.

Exit Goal: Keep or Sell

SELLABLE BUSINESS CHECKLIST

FINANCIAL

- Avoided all pitfalls in Stage 1 (unsellable checklist).
- EBITDA > \$100k.
- > 3 years of profitability.
- > 3 years of financial statements.
- In-house or contracted bookkeeper.
- Y/E financials prepared by CPA/CA at a reputable accounting firm.
- Bookkeeper sends detailed monthly P&L reports to shareholders.
- Shareholders hold a call with accountant monthly or quarterly.
- Balance sheet has positive retained earnings.
- Working capital is within 10% of industry standards.
- Debt-to-Equity ratio is < 1.
- Aged and obsolete inventory has been sold or cleared out.
- Inventory is tracked, counted, and accurate on balance sheet.
- Avoided all pitfalls in Stage 1 unsellable business checklist.
- Shareholder's personal tax filings match company books.
- The business has no off-balance sheet loans.
- The business runs all cash collected through the books.
- All tax filings (payroll, company, GST tax) are paid to current date.
- No cash flow issues within past 24 months.
- Payroll system that runs without any owner involvement.
- No outstanding bad debts.

Exit Goal: Sell to 3rd Party

PRIVATE INVESTOR CHECKLIST

FINANCIAL

- Everything completed in the Stage 2 Financial checklist.
- EBITDA > \$750k.
- > 5 years of Notice to Reader financial statements.
- > 1 year of Review Engagement financials or Quality of Earnings report.
- Accounting system can break revenue and expenses down by business unit.
- Profit margin of > 10%, ideally > 20%.
- CFO or in-house accountant with CPA designation.
- Business has a cloud-based financial dashboard tracking daily performance and projections (not accounting system)
- Detailed proforma, budget, or future forecast exists.
- All Accounts Receivable (A/R) < 90 days.
- All Accounts Payable (A/P) < 90 days.
- Balance sheet cleaned up to remove all assets or liabilities that would not transfer to a buyer.
- Trailing 12 months P&L's all showing a profit.
- Trailing 12 months balance sheet shows inventory and COGS are properly tracked.
- Trailing 12 months balance sheet shows long-term liabilities being steadily paid down.
- Loan release documentation for all past loans paid in full.
- Financial information is made available throughout the company and each person is empowered to impact financial performance in their role/department.

Exit Goal: Strategic Exit

STRATEGIC INVESTOR CHECKLIST

FINANCIAL

- Everything completed in Stage 2 & Stage 3 Financial checklists.
- EBITDA > \$2M.
- Detailed Valuation Report.
- Market Value Assessment.

LEGAL

- Clients are not on contracts or contracts are outdated.
- Suppliers are not on contracts or contracts are outdated.
- Lease has < 5 years remaining and no renewal period.
- Business liability insurance is insufficient.
- Business has outstanding insurance claims.
- Business has outstanding legal claims.
- Business is a sole proprietorship and not incorporated.
- Articles of incorporation, bylaws, and minutes are not available.
- Business license is expired.
- All legal documents are paper-only (no electronic copies).

LEGAL

- All client contracts are up to date.
- All supplier contracts are up to date.
- Lease has > 5 years remaining, with a 5-year renewal.
- Businesses liability insurance is up to date.
- Any insurance claims are settled.
- Any legal claims are settled.
- Articles of incorporation, bylaws, and minutes are available.
- Business license is up to date.
- All legal documents are stored in the cloud and accessible in < 5 minutes.

LEGAL

- Everything completed in the Stage 2 Legal checklist.
- All employee contracts are up to date.
- All supplier contracts are up to date.
- All contractor contracts are up to date.
- Shareholder buy-sell agreement is up to date.
- Stock option and warrant agreements up to date.
- Shareholder power of attorney agreements up to date.
- Terms & conditions, terms of use, and privacy policies up to date.
- Other insurance (key-man, E&O, equipment, etc.) up to date.
- All employee terminations properly documented, and grievances settled.
- All workplace claims documented and settled.
- Government and regulatory licensing in place and up to date if necessary for operations.
- Government and regulatory licensing not tied to ownership.
- Company has intellectual property legally protected that can be leveraged by a strategic buyer.

LEGAL

- Everything completed in Stage 2 & Stage 3 Legal checklists.
- Intellectual property properly legally protected.
- Key-man insurance for critical employees in company in-house legal council (optional)

OPERATIONAL

- KEY PERSON DEPENDENCY
 - There is no key operations person or manager who works in the business outside of the owner(s).
- Owner(s) cannot leave the business for 1 months without sales dropping or causing a disruption to service.
- Business is dependent on 1 or 2 key employee(s).
- Business is dependent on the owner's network or unique skills to deliver products or services.
- All key decisions are made by the owner.
- HUMAN RESOURCES
 - No detailed descriptions documented for any role.
- There is no documentation or systems for hiring, onboarding, training, and performance review for any role.
- Each position does not have cross-training, or 2 or more people who can perform each job function.
- Employee performance review process is not directly tied to KPI's and company goals.
- There are outstanding workplace claims.
- There are illegal or undocumented workers who work in the business.
- MARKETING
 - The company does not have an official branding/style guide.
- The company does not have an active client list it markets to a blog or newsletter on a monthly or quarterly basis.
- The company does not have business development marketing materials and videos to support the sales team.
- SALES
 - Value proposition has no unique advantage to competitors.
- Value proposition could be duplicated in 3 years by a competitor.
- Business has no documented plan or detailed system in place to grow.
- Company does not use a CRM or cloud-based sales system that tracks active pipeline value.
- INFORMATION TECHNOLOGY
 - The company does not have a CRM system in place.
- A cloud-based file storage system is not in place.
- A cloud-based communication software is not used across the organization (Slack, Teams, Google Chat, etc.).
- CUSTOMERS & CUSTOMER SERVICE
 - A single customer comprises > 10% of revenue.
- Customer satisfaction is not formally monitored.
- The company does not have a customer registry, or CRM storing all customer data.
- SUPPLIERS & VENDORS
 - The business is dependent on 1 or 2 key suppliers.
- Company does not have a supplier registry with detailed information on each supplier.
- Company does not have a backup vendor for each supplied product/service to reduce supply chain disruption.
- GENERAL / FACILITY / CULTURE
 - Business has no documentation around systems and processes.
- Business has no Standard Operating Procedures (SOP) document.
- Facility has not been updated in > 10 years.
- Some critical equipment has < 5 years of remaining life.
- Some critical equipment needs to be replaced in < 24 months.
- There is no detailed equipment and asset list at the company.

OPERATIONAL

- KEY PERSON DEPENDENCY
 - A key operations person or manager works in the business who is not the owner.
- Owner can leave the business for 1 month without any disruption.
- Business is not dependent on 1 or 2 key employees.
- Business is not dependent on the owner's network, or unique skills to deliver products or services.
- Key decision-making is not centralized with ownership, and is disseminated down the organizational chart.
- HUMAN RESOURCES
 - All positions have detailed descriptions in cloud storage.
- Documentation and scalable systems have been implemented for hiring, onboarding, training, and performance review for each role in the business.
- Each position has been cross-trained and 2 or more people can perform each job function.
- Employee performance review process is directly tied to KPI's and company goals.
- No outstanding workplace claims.
- No illegal or undocumented workers.
- MARKETING
 - Company has an official branding/style guide document.
- Company has an active client list it markets to a blog or newsletter on a monthly or quarterly basis.
- Company has business development marketing materials and videos to support sales team.
- SALES
 - Value proposition has a unique advantage to competitors.
- Value proposition cannot be easily duplicated in 3 years by a competitor.
- Business has a documented plan and detailed system in place to grow.
- Company has a CRM or cloud-based sales system that tracks active pipeline value.
- INFORMATION TECHNOLOGY
 - CRM system in place and in use.
- A cloud-based file storage system in place and in use.
- A cloud-based communication software is in place and used across organization (Slack, Teams, Google Chat, etc.).
- CUSTOMERS & CUSTOMER SERVICE
 - No one customer comprises > 10% of revenue.
- Customer satisfaction is monitored 1-2 times per year via survey.
- Company has a customer register, or CRM storing all customer data.
- SUPPLIERS & VENDORS
 - The business is not dependent on 1 or 2 key suppliers.
- Company has a supplier register with detailed information on each supplier.
- Company has a backup vendor for each supplied product/service to reduce supply chain disruption.
- GENERAL / FACILITY / CULTURE
 - Business has some documented systems and processes.
- Business has a formal and updated Standard Operating Procedures (SOP) document.
- Facility has been updated in < 10 years
- All critical equipment has 5 - 10 years of remaining life.
- No critical equipment needs to be replaced in < 24 months.
- No critical equipment needs to be replaced in < 24 months.

OPERATIONAL

- Everything completed in the Stage 2 operational checklist.
- KEY PERSON DEPENDENCY
 - A general manager or president is in place to run the business.
- Owner can leave the business for 6 months without any disruption.
- Owner is not involved in any sales functions.
- Owner is not involved with any key accounts.
- A documented succession plan is in place for all key staff.
- A documented succession plan is in place for all owners.
- HUMAN RESOURCES
 - Company has a HR manager.
- All staff are on long-term employment contracts.
- Business has a documented hiring process that is replicable for every position in the company.
- Standard psychometric tests are used in hiring process.
- Company has a cloud-based onboarding and training system for new employees.
- Company has a benefits, profit sharing, stock option, or other plan focused on increasing employee retention.
- All team members know the companies #1 goal for the quarter.
- Company has a detailed organizational chart.
- MARKETING
 - Company has a marketing manager.
- Company has an automated marketing system that creates new high-value leads on a monthly basis.
- Company has an automated social media campaign running on multiple social platforms.
- Company has a dedicated marketing department, or external marketing agency employed.
- Company tracks the performance of each marketing campaign.
- Company has multiple awards in its space.
- SALES
 - Company has a sales manager.
- Sales system and compensation are tied directly to company KPI's which are linked to sales goals and budgets.
- Owner is not connected to any sales accounts in the CRM.
- Customer base has grown in the last 4 quarters.
- Company sales system has > 5 channels for generating new business.
- INFORMATION TECHNOLOGY
 - Company has an IT manager.
- Enterprise or equivalent cloud-based operating system in place.
- Data is backed up hourly to the cloud.
- Security audit has been completed within < 12 months.
- CUSTOMERS & CUSTOMER SERVICE
 - Dedicated person in charge of customer service.
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