

Exit Planning Checklist

Deal Advisory

Stage 1 Company	Stage 2 Company	Stage 3 Company	Stage 4 Company
Sale Multiple	Sale Multiple	Sale Multiple	Sale Multiple
0x – 1x EBITDA	1x – 3x EBITDA	3x – 5x EBITDA	5x – >8x EBITDA
DIFFICULT TO SELL	SELLABLE	SELLABLE TO PRIVATE INVESTOR	SELLABLE TO STRATEGIC INVESTOR
Revenue	Revenue	Revenue	Revenue
\$0 - \$500k	\$500k - \$2M	\$2M - \$10M	\$10M - \$100M
EBITDA	EBITDA	EBITDA	EBITDA
\$0 - \$100k	\$100k - \$750K	\$750K - \$2M	\$2M - \$10M
Exit Options	Exit Options	Exit Options	Exit Options
•Orderly liquidation of assets •Transfer to family •Transfer to employees •Shut down •Keep growing the business to Stage 2	• Trade sale • Transfer to family • Transfer internally • Increase valuation and sell in Stage 3	• Trade Sale • Recapitalization • Transfer to family • Transfer internally • Increase valuation and sell in Stage 4	• Recapitalisation • Sell to 3 rd party • Transfer to family • Transfer internally • IPO
Buyer Types	Buyer Types	Buyer Types	Buyer Types
•Liquidators •Turnaround experts •Family •Friends •Employee •Opinists	• Owner operator • Individual investor • Partner • Family • Employee • Competitor/Supplier	• Private Equity Groups • Financial Acquirers • Family Funds • Competitor/Supplier • Partner(s) • Management • Employees (ESOP)	• Public Markets • Strategic Buyer/Investor • Private Equity Groups • Financial Acquirers • Family Funds • Search Funds • Competitor/Supplier

Exit Goal: Go to Stage 2	Exit Goal: Keep or Sell	Exit Goal: Sell to 3 rd Party	Exit Goal: Strategic Exit
DIFFICULT TO SELL BUSINESS CHECKLIST	SELLABLE BUSINESS CHECKLIST	PRIVATE INVESTOR CHECKLIST	STRATEGIC INVESTOR CHECKLIST
FINANCIAL	FINANCIAL	FINANCIAL	FINANCIAL
<div><input type="checkbox"/> EBITDA < \$100K</div> <div><input type="checkbox"/> 3 years of mixed profitability, with years of negative profits</div> <div><input type="checkbox"/> Financial statement non-existent, or not prepared by external accountant</div> <div><input type="checkbox"/> No bookkeeper, or owner undertakes bookkeeping function.</div> <div><input type="checkbox"/> P&L reports are only reviewed annually, or not at all.</div> <div><input type="checkbox"/> Shareholders meet with accountant only once a year.</div> <div><input type="checkbox"/> Balance sheet has negative retained earnings.</div> <div><input type="checkbox"/> Working capital is outside of industry standards by >10%</div> <div><input type="checkbox"/> Debt-to-Equity ratio is > 1.5.</div> <div><input type="checkbox"/> Aged and obsolete inventory has not been cleared out</div> <div><input type="checkbox"/> Inventory on the floor does not match the balance sheet.</div> <div><input type="checkbox"/> Shareholder's personal tax filings don't match company books.</div> <div><input type="checkbox"/> The business has off balance sheet loans.</div> <div><input type="checkbox"/> The business runs cash sales off the books.</div> <div><input type="checkbox"/> Tax returns (payroll, company, GST tax) are not up to date.</div> <div><input type="checkbox"/> Company has had cash flow issues within past 24 months.</div> <div><input type="checkbox"/> Payroll system is run by owner or has owner involvement.</div> <div><input type="checkbox"/> Company has outstanding bad debts.</div>	<div><input type="checkbox"/> Avoided all pitfalls in Stage 1 (unsellable checklist).</div> <div><input type="checkbox"/> EBITDA > \$100K.</div> <div><input type="checkbox"/> > 3 years of profitability.</div> <div><input type="checkbox"/> > 3 years of financial statements.</div> <div><input type="checkbox"/> In-house or contracted bookkeeper.</div> <div><input type="checkbox"/> Y/E financials prepared by CPA/CA at a reputable accounting firm.</div> <div><input type="checkbox"/> Bookkeeper sends detailed monthly P&L reports to shareholders.</div> <div><input type="checkbox"/> Shareholders hold a call with accountant monthly or quarterly.</div> <div><input type="checkbox"/> Balance sheet has positive retained earnings.</div> <div><input type="checkbox"/> Working capital is within 10% of industry standards.</div> <div><input type="checkbox"/> Debt-to-Equity ratio is < 1.</div> <div><input type="checkbox"/> Aged and obsolete inventory has been sold or cleared out.</div> <div><input type="checkbox"/> Inventory is tracked, counted, and accurate on balance sheet.</div> <div><input type="checkbox"/> Avoided all pitfalls in Stage 1 unsellable business checklist.</div> <div><input type="checkbox"/> Shareholder's personal tax filings match company books.</div> <div><input type="checkbox"/> The business has no off-balance sheet loans.</div> <div><input type="checkbox"/> The business runs all cash collected through the books.</div> <div><input type="checkbox"/> All tax filings (payroll, company, GST tax) are paid to current date.</div> <div><input type="checkbox"/> No cash flow issues within past 24 months.</div> <div><input type="checkbox"/> Payroll system that runs without any owner involvement.</div> <div><input type="checkbox"/> No outstanding bad debts.</div>	<div><input type="checkbox"/> Everything completed in the Stage 2 Financial checklist.</div> <div><input type="checkbox"/> EBITDA > \$750K.</div> <div><input type="checkbox"/> > 5 years of Notice to Reader financial statements.</div> <div><input type="checkbox"/> > 1 year of Review Engagement financials or Quality of Earnings report.</div> <div><input type="checkbox"/> Accounting system can break revenue and expenses down by business unit.</div> <div><input type="checkbox"/> Profit margin of > 10%, ideally > 20%.</div> <div><input type="checkbox"/> CFO or in-house accountant with CPA designation.</div> <div><input type="checkbox"/> Business has a cloud-based financial dashboard tracking daily performance and projections (not accounting system)</div> <div><input type="checkbox"/> Detailed proforma, budget, or future forecast exists.</div> <div><input type="checkbox"/> All Accounts Receivable (A/R) < 90 days.</div> <div><input type="checkbox"/> All Accounts Payable (A/P) < 90 days.</div> <div><input type="checkbox"/> Balance sheet cleaned up to remove all assets or liabilities that would not transfer to a buyer.</div> <div><input type="checkbox"/> Trailing 12 months P&L's all showing a profit.</div> <div><input type="checkbox"/> Trailing 12 months balance sheet shows inventory and COGS are properly tracked.</div> <div><input type="checkbox"/> Trailing 12 months balance sheet shows long-term liabilities being steadily paid down.</div> <div><input type="checkbox"/> Loan release documentation for all past loans paid in full.</div> <div><input type="checkbox"/> Financial information is made available throughout the company and each person is empowered to impact financial performance in their role/department.</div>	<div><input type="checkbox"/> Everything completed in Stage 2 & Stage 3 Financial checklists.</div> <div><input type="checkbox"/> EBITDA > \$2M.</div> <div><input type="checkbox"/> Detailed Valuation Report.</div> <div><input type="checkbox"/> Market Value Assessment.</div>

LEGAL	LEGAL	LEGAL	LEGAL
<div><input type="checkbox"/> Clients are not on contracts or contracts are outdated.</div> <div><input type="checkbox"/> Suppliers are not on contracts or contracts are outdated.</div> <div><input type="checkbox"/> Lease has < 5 years remaining and no renewal period.</div> <div><input type="checkbox"/> Business liability insurance is insufficient.</div> <div><input type="checkbox"/> Business has outstanding insurance claims.</div> <div><input type="checkbox"/> Business has outstanding legal claims.</div> <div><input type="checkbox"/> Business is a sole proprietorship and not incorporated.</div> <div><input type="checkbox"/> Articles of incorporation, bylaws, and minutes are not available.</div> <div><input type="checkbox"/> Business license is expired.</div> <div><input type="checkbox"/> All legal documents are paper-only (no electronic copies).</div>	<div><input type="checkbox"/> All client contracts are up to date.</div> <div><input type="checkbox"/> All supplier contracts are up to date.</div> <div><input type="checkbox"/> Lease has > 5 years remaining, with a 5-year renewal.</div> <div><input type="checkbox"/> Businesses liability insurance is up to date.</div> <div><input type="checkbox"/> Any insurance claims are settled.</div> <div><input type="checkbox"/> Any legal claims are settled.</div> <div><input type="checkbox"/> Articles of incorporation, bylaws, and minutes are available.</div> <div><input type="checkbox"/> Business license is up to date.</div> <div><input type="checkbox"/> All legal documents are stored in the cloud and accessible in < 5 minutes.</div>	<div><input type="checkbox"/> Everything completed in the Stage 2 Legal checklist.</div> <div><input type="checkbox"/> All employee contracts are up to date.</div> <div><input type="checkbox"/> All supplier contracts are up to date.</div> <div><input type="checkbox"/> All contractor contracts are up to date.</div> <div><input type="checkbox"/> Shareholder buy-sell agreement is up to date.</div> <div><input type="checkbox"/> Stock option and warrant agreements up to date.</div> <div><input type="checkbox"/> Shareholder power of attorney agreements up to date.</div> <div><input type="checkbox"/> Terms & conditions, terms of use, and privacy policies up to date.</div> <div><input type="checkbox"/> Other insurance (key-man, E&O, equipment, etc.) up to date.</div> <div><input type="checkbox"/> All employee terminations properly documented, and grievances settled.</div> <div><input type="checkbox"/> All workplace claims documented and settled.</div> <div><input type="checkbox"/> Government and regulatory licensing in place and up to date if necessary for operations.</div> <div><input type="checkbox"/> Government and regulatory licensing not tied to ownership.</div> <div><input type="checkbox"/> Company has intellectual property legally protected that can be leveraged by a strategic buyer.</div>	<div><input type="checkbox"/> Everything completed in Stage 2 & Stage 3 Legal checklists.</div> <div><input type="checkbox"/> Intellectual property properly legally protected.</div> <div><input type="checkbox"/> Key-man insurance for critical employees in company in-house legal council (optional)</div>

OPERATIONAL	OPERATIONAL	OPERATIONAL	OPERATIONAL
<div>KEY PERSON DEPENDENCY<div><input type="checkbox"/> There is no key operations person or manager who works in the business outside of the owner(s).</div><div><input type="checkbox"/> Owner(s) cannot leave the business for 1 months without sales dropping or causing a disruption to service.</div><div><input type="checkbox"/> Business is dependent on 1 or 2 key employee(s).</div><div><input type="checkbox"/> Business is dependent on the owner's network or unique skills to deliver products or services.</div><div><input type="checkbox"/> All key decisions are made by the owner.</div></div> <div>HUMAN RESOURCES<div><input type="checkbox"/> No detailed descriptions documented for any role.</div><div><input type="checkbox"/> There is no documentation or systems for hiring, onboarding, training, and performance review for any role.</div><div><input type="checkbox"/> Each position does not have cross-training, or 2 or more people who can perform each job function.</div><div><input type="checkbox"/> Employee performance review process is not directly tied to KPI's and company goals.</div><div><input type="checkbox"/> There are outstanding workplace claims.</div><div><input type="checkbox"/> There are illegal or undocumented workers who work in the business.</div></div> <div>MARKETING<div><input type="checkbox"/> The company does not have an official branding/style guide.</div><div><input type="checkbox"/> The company does not have an active client list it markets to Company's website or funnels do not synchronize with its CRM and there is no lead capture function.</div><div><input type="checkbox"/> The company does not have business development marketing materials and videos to support the sales team.</div></div> <div>SALES<div><input type="checkbox"/> Value proposition has no unique advantage to competitors.</div><div><input type="checkbox"/> Value proposition could be duplicated in 3 years by a competitor.</div><div><input type="checkbox"/> Business has no documented plan or detailed system in place to grow.</div><div><input type="checkbox"/> Company does not use a CRM or cloud-based sales system that tracks active pipeline value.</div></div> <div>INFORMATION TECHNOLOGY<div><input type="checkbox"/> The company does not have a CRM system in place.</div><div><input type="checkbox"/> A cloud-based file storage system is not in place.</div><div><input type="checkbox"/> A cloud-based communication software is not used across the organization (Slack, Teams, Google Chat, etc.).</div></div> <div>CUSTOMERS & CUSTOMER SERVICE<div><input type="checkbox"/> A single customer comprises > 10% of revenue.</div><div><input type="checkbox"/> Customer satisfaction is not formally monitored.</div><div><input type="checkbox"/> The company does not have a customer registry, or CRM storing all customer data.</div></div> <div>SUPPLIERS & VENDORS<div><input type="checkbox"/> The business is dependent on 1 or 2 key suppliers.</div><div><input type="checkbox"/> Company does not have a supplier registry with detailed information on each supplier.</div><div><input type="checkbox"/> Company does not have a backup vendor for each supplied product/service to reduce supply chain disruption.</div></div> <div>GENERAL / FACILITY / CULTURE<div><input type="checkbox"/> Business has no documentation around systems and processes.</div><div><input type="checkbox"/> Business has no Standard Operating Procedures (SOP) document.</div><div><input type="checkbox"/> Facility has not been updated in > 10 years.</div><div><input type="checkbox"/> Some critical equipment has < 5 years of remaining life.</div><div><input type="checkbox"/> Some critical equipment needs to be replaced in < 24 months.</div><div><input type="checkbox"/> There is no detailed equipment and asset list at the company.</div></div>	<div>KEY PERSON DEPENDENCY<div><input type="checkbox"/> A key operations person or manager works in the business who is not the owner.</div><div><input type="checkbox"/> Owner can leave the business for 1 month without any disruption.</div><div><input type="checkbox"/> Business is not dependent on 1 or 2 key employees.</div><div><input type="checkbox"/> Business is not dependent on the owner's network, or unique skills to deliver products or services .</div><div><input type="checkbox"/> Key decision-making is not centralized with ownership, and is disseminated down the organizational chart.</div></div> <div>HUMAN RESOURCES<div><input type="checkbox"/> All positions have detailed descriptions in cloud storage.</div><div><input type="checkbox"/> Documentation and scalable systems have been implemented for hiring, onboarding, training, and performance review for each role in the business.</div><div><input type="checkbox"/> Each position has been cross-trained and 2 or more people can perform each job function.</div><div><input type="checkbox"/> Employee performance review process is directly tied to KPI's and company goals.</div><div><input type="checkbox"/> No outstanding workplace claims.</div><div><input type="checkbox"/> No illegal or undocumented workers.</div></div> <div>MARKETING<div><input type="checkbox"/> Company has an official branding/style guide document.</div><div><input type="checkbox"/> Company has an active client list it markets to with a blog or newsletter on a monthly or quarterly basis.</div><div><input type="checkbox"/> Companies' website or funnel synchronizes with its CRM and has a lead capture function.</div><div><input type="checkbox"/> Company has business development marketing materials and videos to support sales team.</div></div> <div>SALES<div><input type="checkbox"/> Value proposition has a unique advantage to competitors.</div><div><input type="checkbox"/> Value proposition cannot be easily duplicated in 3 years by a competitor.</div><div><input type="checkbox"/> Business has a documented plan and detailed system in place to grow.</div><div><input type="checkbox"/> Company has a CRM or cloud-based sales system that tracks active pipeline value.</div></div> <div>INFORMATION TECHNOLOGY<div><input type="checkbox"/> CRM system in place and in use.</div><div><input type="checkbox"/> A cloud-based file storage system in place and in use.</div><div><input type="checkbox"/> A cloud-based communication software is in place and used across organization (Slack, Teams, Google Chat, etc.).</div></div> <div>CUSTOMERS & CUSTOMER SERVICE<div><input type="checkbox"/> No one customer comprises > 10% of revenue.</div><div><input type="checkbox"/> Customer satisfaction is monitored 1-2 times per year via survey.</div><div><input type="checkbox"/> Company has a customer register, or CRM storing all customer data.</div></div> <div>SUPPLIERS & VENDORS<div><input type="checkbox"/> The business is not dependent on 1 or 2 key suppliers.</div><div><input type="checkbox"/> Company has a supplier register with detailed information on each supplier.</div><div><input type="checkbox"/> Company has a backup vendor for each supplied product/service to reduce supply chain disruption.</div></div> <div>GENERAL / FACILITY / CULTURE<div><input type="checkbox"/> Business has some documented systems and processes.</div><div><input type="checkbox"/> Business has a formal and updated Standard Operating Procedures (SOP) document.</div><div><input type="checkbox"/> Facility has been updated in < 10 years</div><div><input type="checkbox"/> All critical equipment has 5 - 10 years of remaining life.</div><div><input type="checkbox"/> No critical equipment needs to be replaced in < 24 months.</div><div><input type="checkbox"/> No critical equipment needs to be replaced in < 24 months.</div></div>	<div><input type="checkbox"/> Everything completed in the 'Stage 2' operational checklist.</div> <div>KEY PERSON DEPENDENCY<div><input type="checkbox"/> A general manager or president is in place to run the business.</div><div><input type="checkbox"/> Owner can leave the business for 6 months without any disruption.</div><div><input type="checkbox"/> Owner is not involved in any sales functions.</div><div><input type="checkbox"/> Owner is not involved with any key accounts.</div><div><input type="checkbox"/> A documented succession plan is in place for all key staff.</div><div><input type="checkbox"/> A documented succession plan is in place for all owners.</div></div> <div>HUMAN RESOURCES<div><input type="checkbox"/> Company has a HR manager.</div><div><input type="checkbox"/> All staff are on long-term employment contracts.</div><div><input type="checkbox"/> Business has a documented hiring process that is replicable for every position in the company.</div><div><input type="checkbox"/> Standard psychometric tests are used in hiring process.</div><div><input type="checkbox"/> Company has a cloud-based onboarding and training system for new employees.</div><div><input type="checkbox"/> Company has a benefits, profit sharing, stock option, or other plan focused on increasing employee retention.</div><div><input type="checkbox"/> All team members know the companies #1 goal for the quarter.</div><div><input type="checkbox"/> Company has a detailed organizational chart.</div></div> <div>MARKETING<div><input type="checkbox"/> Company has a marketing manager.</div><div><input type="checkbox"/> Company has an automated marketing system that creates new high-value leads on a monthly basis.</div><div><input type="checkbox"/> Company has an automated social media campaign running on multiple social platforms.</div><div><input type="checkbox"/> Company has a dedicated marketing department, or external marketing agency employed.</div><div><input type="checkbox"/> Company tracks the performance or each marketing campaign.</div><div><input type="checkbox"/> Company has multiple awards in its space.</div></div> <div>SALES<div><input type="checkbox"/> Company has a sales manager.</div><div><input type="checkbox"/> Sales system and compensation are tied directly to company KPI's which are linked to sales goals and budgets.</div><div><input type="checkbox"/> Owner is not connected to any sales accounts in the CRM.</div><div><input type="checkbox"/> Customer base has grown in the last 4 quarters.</div><div><input type="checkbox"/> Company sales system has > 5 channels for generating new business.</div></div> <div>INFORMATION TECHNOLOGY<div><input type="checkbox"/> Company has an IT manager.</div><div><input type="checkbox"/> Enterprise or equivalent cloud-based operating system in place.</div><div><input type="checkbox"/> Data is backed up hourly to the cloud.</div><div><input type="checkbox"/> Security audit has been completed within < 12 months.</div></div> <div>CUSTOMERS & CUSTOMER SERVICE<div><input type="checkbox"/> Dedicated person in charge of customer service.</div><div><input type="checkbox"/> Top 30 clients represent < 50% of revenue .</div><div><input type="checkbox"/> All large customer are on long-term contracts or agreements.</div><div><input type="checkbox"/> Company has a systematised and digitised customer onboarding process.</div></div> <div>SUPPLIERS & VENDORS<div><input type="checkbox"/> Company has a system for connecting with suppliers each year to negotiate terms and contracts.</div><div><input type="checkbox"/> Owner does not deal with any suppliers, vendors, or ordering.</div></div> <div>GENERAL / FACILITY / CULTURE<div><input type="checkbox"/> Business uses checklists, or automated blueprints for every departmental process.</div><div><input type="checkbox"/> Company has an up-to-date business (or equivalent) plan.</div><div><input type="checkbox"/> Company uses external advisors to expedite growth.</div><div><input type="checkbox"/> Company has a robust vision, mission, and values document that all employees are trained with.</div><div><input type="checkbox"/> Company has an operational system for managing the cadence of deliverable/goal setting and tracking (EOS, Rockefeller Habits, Scrum, etc.)</div><div><input type="checkbox"/> Company has detailed and documented quality control processes.</div><div><input type="checkbox"/> Facility has >20% available space to grow into.</div></div>	<div><input type="checkbox"/> Everything completed in Stage 2 & Stage 3 Operational checklists</div> <div>KEY PERSON DEPENDENCY<div><input type="checkbox"/> A board of directors is in place to de-centralise organizational decision making.</div><div><input type="checkbox"/> Owner does not need to be present in the business for it to operate and grow.</div></div> <div>HUMAN RESOURCES<div><input type="checkbox"/> Company has a HR department.</div><div><input type="checkbox"/> Company has an executive compensation package tied to growth.</div><div><input type="checkbox"/> Company has a proven HR system which can scale if more capital were available.</div></div> <div>MARKETING<div><input type="checkbox"/> Company hires a PR company or has an internal PR team.</div><div><input type="checkbox"/> Company has a proven marketing system which can scale if more capital were available.</div></div> <div>SALES<div><input type="checkbox"/> Company has a sales team and sales department.</div><div><input type="checkbox"/> Company has a proven sales system which can scale if more capital were available.</div></div> <div>INFORMATION TECHNOLOGY<div><input type="checkbox"/> Company has an IT department.</div><div><input type="checkbox"/> Company has a proven IT system which can scale if more capital were available.</div></div> <div>CUSTOMERS & CUSTOMER SERVICE<div><input type="checkbox"/> Company has a customer service department and team.</div><div><input type="checkbox"/> Company has a proven customer service system which can scale if more capital were available.</div></div> <div>SUPPLIERS & VENDORS<div><input type="checkbox"/> Company has a supplier manager.</div><div><input type="checkbox"/> Company may have a department and team managing suppliers, vendors, and ordering.</div><div><input type="checkbox"/> Company has a proven supplier system which can scale if more capital were available.</div></div> <div>GENERAL / FACILITY / CULTURE<div><input type="checkbox"/> Company has a culture and facilities manager .</div><div><input type="checkbox"/> Company has a proven facilities system which can scale if more capital were available.</div></div>

How to Increase Valuation

Value Creation

Paths to Value Creation

Invest in value creating growth opportunities

Invest in operating efficiency

Divest in value-destroying activities

Reduce capital cost

Value Drivers

Growth Drivers

Efficiency Drivers

Financial Drivers

EXTERNAL	EXTERNAL
<div><input type="checkbox"/> Business operates in a shrinking/dying industry.</div> <div><input type="checkbox"/> Business operates in a shrinking community or market.</div> <div><input type="checkbox"/> Regulatory changes are negatively affecting the industry.</div> <div><input type="checkbox"/> A new competitor recently entered the market.</div> <div><input type="checkbox"/> Staffing is a challenge in the industry, due to a lack of trained workers.</div> <div><input type="checkbox"/> Industry is not environmentally friendly.</div>	<div><input type="checkbox"/> Business operates in a growing industry.</div> <div><input type="checkbox"/> Business operates in a growing community or market.</div> <div><input type="checkbox"/> Regulatory changes are positively affecting industry.</div> <div><input type="checkbox"/> Limited or no competition in the market.</div> <div><input type="checkbox"/> Staffing is not a challenge in the industry, due to an abundance of trained workers.</div> <div><input type="checkbox"/> Industry and company is environmentally friendly.</div>
NOTES	NOTES
<div>If you checked more than 15 boxes, your company is likely unsellable.</div>	<div>If > 15 of the boxes are unchecked, it is unlikely that you can sell the business.</div>

The Next Step

Trust starts with a conversation – let's connect.