

Exit Planning Checklist

Many private business in the \$2m–\$20m range sell using the same formula.

What a Buyer Pays For

The buyer estimates the profit the business reliably generates, then applies a multiple that reflects how confident they are that the profit continues. Everything you do in the lead-up to a sale should move one of those two numbers.

$$\text{Sale Price} = \text{Normalised EBITDA} \times \text{Multiple}$$

WHAT A BUYER PAYS

LEVER 1 · PROFITABILITY

LEVER 2 · RISK

LEVER 1 · DRIVES EBITDA

Improve Profitability

Buyers pay for the sustainable profit the business will make. That is normalised EBITDA: reported earnings, adjusted for owner remuneration at market rates, personal expenses, one-offs and related-party arrangements. Every dollar of defensible EBITDA is multiplied at sale. At a 4× multiple, \$100k of additional sustainable profit is worth \$400k on the day of.

LEVER 2 · DRIVES THE MULTIPLE

Reduce Risk

The multiple is a price for confidence. It reflects how certain a buyer is that the profit continues after settlement. Every unresolved risk becomes a discount: a lower multiple, an earn-out, or a longer retention period for you.

The Levers Compound

Working on both levers at once is where the value is. The example below is illustrative.

ILLUSTRATIVE EXAMPLE	NORMALISED EBITDA	MULTIPLE	SALE PRICE	UPLIFT
Today Owner-dependent, patchy reporting	\$1.0m	3.0×	\$3.0m	—
Lever 1 only Profit up 20%, same risk profile	\$1.2m	3.0×	\$3.6m	+\$0.6m
Lever 2 only Same profit, risk reduced	\$1.0m	4.0×	\$4.0m	+\$1.0m
Both levers Same business, 18–24 months of work	\$1.2m	4.0×	\$4.8m	+\$1.8m

Where the Multiple Comes From

Multiples in the Australian small to mid-market are driven less by what the business does and more by how much of the profit is transferable. The bands below are indicative only, but they describe what buyers are looking for at each level - and therefore what earns the step up.

MULTIPLE	WHAT THE BUYER SEES	WHO IS BUYING	WHAT MOVES YOU UP
Under 2x	Profit depends on the owner. Financials are incomplete or unreconciled. Little documented process.	Individuals, employees, family, competitors picking up assets. Often no buyer at all.	Clean, externally prepared financials. Owner steps back from delivery. Basic systems.
2x – 3.5x	Profitable and sellable, but the owner still runs it. Some concentration. Documentation partial.	Owner-operators, individual investors, smaller trade buyers.	Second-tier management. Customer and supplier contracts. Documented processes.
3.5x – 5x	Runs without the owner day to day. Management in place, contracted revenue, clean legal and reporting.	Private equity, family offices, trade acquirers, management buy-outs.	Recurring revenue. Scalable systems. Protected IP. Forecast credibility.
5x and above	A platform that a larger group can scale. Strategic value beyond the profit line.	Strategic and listed acquirers, private equity platforms, consolidators.	Strategic positioning and a competitive sale process.

LEVER 1 · IMPROVE PROFITABILITY

Increase and defend normalised EBITDA

A. Normalise the Earnings

- ☐ Owner and family remuneration adjusted to the market rate for the roles actually performed
- ☐ Personal or discretionary expenses run through the business identified and documented (vehicles, travel, insurances, subscriptions)
- ☐ One-off and non-recurring items isolated - legal disputes, relocation, write-offs, COVID-era grants and subsidies
- ☐ Related-party arrangements at arm's length: rent on owner-held premises, loans to or from directors, entity cross-charges
- ☐ Each add-back supported by evidence and reconciled to the statutory accounts for the last three years

B. Grow Revenue Quality

- ☐ Recurring, contracted or repeat revenue share measured and growing
- ☐ Pricing reviewed in the last 12 months and increases passed through where the market allows
- ☐ Customer numbers and revenue per customer growing over the last four quarters
- ☐ Sales mix deliberately shifted toward higher-margin products or services
- ☐ Documented, repeatable process for winning new business - not reliant on the owner's network

C. Margin and Cost Discipline

- ☐ Gross margin tracked by product, service line or job - unprofitable lines exited or repriced
- ☐ Labour cost as a percentage of revenue benchmarked against the industry and trending in the right direction
- ☐ Key supplier terms renegotiated or re-tendered in the last 12–24 months
- ☐ Overheads reviewed line by line - legacy subscriptions, underused premises, discretionary spend removed

D. Working Capital and Cash

- ☐ Debtor days under 45 and aged debtors reviewed monthly - no bad debts unprovided for
- ☐ Obsolete and slow-moving stock cleared; stock counted and reconciled to the balance sheet
- ☐ Creditor terms consistent and paid to terms - no stretched creditors flattering cash
- ☐ Twelve months of monthly working capital data available to set a fair completion target

E. Reporting the Proves It

- ☐ Three or more years of financial statements prepared by an external accountant
- ☐ Monthly management accounts issued within three weeks of month end, with budget versus actual
- ☐ Trailing twelve months profitable every month, with a credible forecast for the next 12–24 months
- ☐ ATO lodgments current - BAS, PAYG withholding, income tax, superannuation guarantee - with no payment plans
- ☐ Balance sheet cleaned of items that will not transfer: director loans, personal assets, dormant entities
- ☐ Accounting system can report revenue and margin by business unit, customer or service line

LEVER 2 · REDUCE RISK

Increase the multiple by making the profit transferable

A. Owner Dependency

- ☐ A general manager, 2IC or management team runs day-to-day operations
- ☐ Owner can be absent for four or more weeks with no impact on sales, delivery or service
- ☐ Owner is not the primary relationship on key accounts and is not involved in day-to-day selling or quoting
- ☐ Operational and pricing decisions delegated with clear authority limits
- ☐ Owner's technical knowledge, licences or accreditations are held by others in the business
- ☐ Documented succession plan for the owner and each key role

B. Customer Concentration

- ☐ No single customer exceeds 10–15% of revenue; top ten customers under 50%
- ☐ Key customers on written agreements, reviewed for change-of-control and assignment clauses
- ☐ Customer satisfaction measured at least annually and retention tracked
- ☐ Customer register or CRM holds all account history - not the owner's inbox

C. People

- ☐ All staff on written contracts with correct award and classification; position descriptions and org chart current
- ☐ Key staff retention addressed - incentives, bonus or equity-style arrangements in place
- ☐ Two or more people able to perform each critical function
- ☐ Leave, long service leave and other entitlements accurately accrued and provisioned
- ☐ Super paid to date; no unresolved Fair Work, WorkCover or workplace claims; no misclassified contractors

D. Legal and Compliance

- ☐ Corporate structure clean and simple - constitution, share register, ASIC records and minutes up to date
- ☐ Shareholder or partnership agreement current, with all shareholders aligned on the sale
- ☐ Premises lease has five or more years remaining including options, and is assignable
- ☐ Licences, accreditations and registrations held in the company's name, not the owner's
- ☐ Trademarks, domains, software and other IP owned by the company and registered where valuable
- ☐ Insurances current and adequate - public liability, professional indemnity, key person, equipment
- ☐ No unresolved disputes or regulatory matters; legal and corporate documents stored electronically

E. Systems, Suppliers and Market

- ☐ Standard operating procedures documented for every core process and actually followed
- ☐ CRM, cloud file storage and automated backups in use; IT security reviewed in the last 12 months
- ☐ Asset register current; no critical equipment due for replacement within 24 months
- ☐ Quality control, safety and compliance processes documented and evidenced
- ☐ No dependency on one or two suppliers; written agreements and backup sources for critical inputs
- ☐ Defensible point of difference, in a stable or growing sector with no adverse regulatory change ahead

Where Does Your Business Sit?

Count the items ticked under each lever. The thresholds are a guide, not a valuation, but they will tell you which lever to work on first and how far you are from a competitive sale process

LEVER 1 · PROFITABILITY (24)	LEVER 2 · RISK (26)	WHAT IT MEANS
Fewer than 12 ticked EBITDA is hard to defend. Expect add-backs to be challenged or rejected.	Fewer than 13 ticked Buyers will price in owner and concentration risk. Limited buyer pool.	Not yet ready 12–24 months of preparation before going to market.
12 – 18 ticked Sellable. Normalisation will hold with supporting evidence.	13 – 20 ticked Sellable to trade and individual buyers. Multiple constrained.	Sellable, with upside Targeted work on the gaps can move the multiple before launch.
More than 18 ticked Investment-grade earnings. Forecast is credible.	More than 20 ticked Business runs without you. Broad buyer universe.	Ready for a competitive process The question is timing and buyer selection.

THE NEXT STEP

Trust starts with a conversation - let's connect.

A confidential first conversation covers where your business sits today, an indicative view of value, and which of the two levers will move it most before you go to market.

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