

Business Owner's Sellability Checklist

STAGE 1 COMPANY	
SALE MULTIPLE	0x - 1x EBITDA*
UNSELLABLE	
% OF ALL BUSINESSES	88.46%
# IN USA/CANADA	24 Million / 3.8 Million
REVENUE	\$40K – \$500K
EBITDA	\$0 – \$100K
EXIT OPTIONS	<ul style="list-style-type: none"> Orderly liquidation of assets Transfer to family Transfer to employees Shut down Build a sellable business and exit in Stage 2
BUYER TYPES	<ul style="list-style-type: none"> Liquidators Turnaround experts Family Friends Employee Optimists

STAGE 2 COMPANY	
SALE MULTIPLE	1x - 2.5x EBITDA*
SELLABLE	
% OF ALL BUSINESSES	7.09%
# IN USA/CANADA	1.9 Million / 102,700
REVENUE	\$500K – \$3MM
EBITDA	\$250K – \$750K
EXIT OPTIONS	<ul style="list-style-type: none"> Sell to 3rd party Transfer to family Transfer internally Increase sellability and exit in Stage 3
BUYER TYPES	<ul style="list-style-type: none"> Owner operator Individual investor Partner Family Employee Competitor/Supplier

STAGE 3 COMPANY	
SALE MULTIPLE	2.5x - 4x EBITDA*
SELLABLE TO ACCREDITED INVESTOR	
% OF ALL BUSINESSES	2.61%
# IN USA/CANADA	700,000 / 33,800
REVENUE	\$3M – \$10MM
EBITDA	\$750K – \$3MM
EXIT OPTIONS	<ul style="list-style-type: none"> Sell to 3rd party Recapitalization Transfer to family Transfer internally Increase sellability, exit in Stage 4
BUYER TYPES	<ul style="list-style-type: none"> Private Equity Groups Financial Acquirers Family Funds Search Funds Competitor/Supplier Partner(s) Management Employees (ESOP) Family

STAGE 4 COMPANY	
SALE MULTIPLE	4x - 7x+ EBITDA*
SELLABLE TO STRATEGIC INVESTOR	
% OF ALL BUSINESSES	1.84%
# IN USA/CANADA	492,393 / 23,400
REVENUE	\$10MM – \$100MM +
EBITDA	\$3MM – \$10MM +
EXIT OPTIONS	<ul style="list-style-type: none"> IPO Recapitalization Sell to 3rd party Transfer to family Transfer internally
BUYER TYPES	<ul style="list-style-type: none"> Public Markets Strategic Buyer/Investor Private Equity Groups Hedge Funds Financial Acquirers Family Funds Search Funds Competitor/Supplier Management Employees (ESOP) Family

UNSELLABLE BUSINESS CHECKLIST	
FINANCIAL	
<input type="checkbox"/>	EBITDA < \$150K
<input type="checkbox"/>	3 years of mixed profitability, with years of negative profits
<input type="checkbox"/>	Financial statement non-existent, or prepared by non-CPA
<input type="checkbox"/>	No bookkeeper, or owner undertakes bookkeeping function
<input type="checkbox"/>	P&L reports are only reviewed annually, or not at all
<input type="checkbox"/>	Shareholders meet with accountant only once a year
<input type="checkbox"/>	Balance sheet has negative retained earnings
<input type="checkbox"/>	Working capital is outside of industry standards by >10%
<input type="checkbox"/>	Debt-to-Equity ratio is > 1.5
<input type="checkbox"/>	Aged and obsolete inventory has not been cleared out
<input type="checkbox"/>	Inventory on the floor does not match the balance sheet
<input type="checkbox"/>	Shareholder's personal tax filings don't match company books
<input type="checkbox"/>	The business has off balance sheet loans
<input type="checkbox"/>	The business runs cash sales off the books
<input type="checkbox"/>	Tax filings (payroll, corporate, VAT tax) are not up to date
<input type="checkbox"/>	Company has had cash flow issues within past 24 months
<input type="checkbox"/>	Payroll system is run by owner or has owner involvement
<input type="checkbox"/>	Company has outstanding bad debts

SELLABLE BUSINESS CHECKLIST	
FINANCIAL	
<input type="checkbox"/>	Avoided all pitfalls in Stage 1 unsellable business checklist
<input type="checkbox"/>	EBITDA > \$250K
<input type="checkbox"/>	> 3 years of profitability
<input type="checkbox"/>	> 3 years of financial statements
<input type="checkbox"/>	In-house or contracted bookkeeper
<input type="checkbox"/>	Y/E financials prepared by CPA at a reputable accounting firm
<input type="checkbox"/>	Bookkeeper sends detailed monthly P&L reports to shareholders
<input type="checkbox"/>	Shareholders hold a call with accountant monthly or quarterly
<input type="checkbox"/>	Balance sheet has positive retained earnings
<input type="checkbox"/>	Working capital is within 10% of industry standards
<input type="checkbox"/>	Debt-to-Equity ratio is < 1
<input type="checkbox"/>	Aged and obsolete inventory has been sold or cleared out
<input type="checkbox"/>	Inventory is tracked, counted, and accurate on balance sheet
<input type="checkbox"/>	Shareholder's personal tax filings match company books
<input type="checkbox"/>	The business has no off balance sheet loans
<input type="checkbox"/>	The business runs all cash collected through the books
<input type="checkbox"/>	All tax filings (payroll, corporate, VAT tax) are paid to current date
<input type="checkbox"/>	No cash flow issues within past 24 months
<input type="checkbox"/>	Payroll system that runs without any owner involvement
<input type="checkbox"/>	No outstanding bad debts

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

STRATEGIC INVESTOR CHECKLIST	
FINANCIAL	
<input type="checkbox"/>	Everything completed in Stage 2 & Stage 3 Financial checklists
<input type="checkbox"/>	EBITDA > \$3M
<input type="checkbox"/>	Quality of Earnings (QoE) report

LEGAL	
<input type="checkbox"/>	Everything completed in Stage 2 & Stage 3 Legal checklists
<input type="checkbox"/>	Intellectual property properly legally protected
<input type="checkbox"/>	Key-man insurance for critical employees in company
<input type="checkbox"/>	In-house legal council (optional)

OPERATIONAL	
<input type="checkbox"/>	Everything completed in Stage 2 & Stage 3 Operational checklists
KEY PERSON DEPENDENCY	
<input type="checkbox"/>	A board of governors or directors is in place to decentralize organizational decision making
<input type="checkbox"/>	Owner does not need to be present in the business for it to operate and grow
HUMAN RESOURCES	
<input type="checkbox"/>	Company has a HR department
<input type="checkbox"/>	Company has an executive compensation package tied to growth
<input type="checkbox"/>	Company has a proven HR system which can scale if more capital were available

MARKETING	
<input type="checkbox"/>	Company hires a PR company or has an internal PR team
<input type="checkbox"/>	Company has a proven marketing system which can scale if more capital were available

SALES	
<input type="checkbox"/>	Company has a sales team and sales department
<input type="checkbox"/>	Company has a proven sales system which can scale if more capital were available

INFORMATION TECHNOLOGY	
<input type="checkbox"/>	Company has an IT department
<input type="checkbox"/>	Company has a proven IT system which can scale if more capital were available

CUSTOMERS & CUSTOMER SERVICE	
<input type="checkbox"/>	Company has a customer service department and team
<input type="checkbox"/>	Company has a proven customer service system which can scale if more capital were available

SUPPLIERS & VENDORS	
<input type="checkbox"/>	Company has a supplier manager, or VP of vendors
<input type="checkbox"/>	Company may have a department and team managing suppliers, vendors, and ordering
<input type="checkbox"/>	Company has a proven supplier system which can scale if more capital were available

GENERAL / FACILITY / CULTURE	
<input type="checkbox"/>	Company has a culture and facilities manager
<input type="checkbox"/>	Company has a proven facilities system which can scale if more capital were available

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

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

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

OPERATIONAL	
<input type="checkbox"/>	Everything completed in the 'Stage 2' operational checklist
KEY PERSON DEPENDENCY	
<input type="checkbox"/>	A general manager or president is in place to run the business
<input type="checkbox"/>	Owner can leave the business for 6 months without any disruption
<input type="checkbox"/>	Owner is not involved in any sales functions
<input type="checkbox"/>	Owner is not involved with any key accounts
<input type="checkbox"/>	A documented succession plan is in place for all key staff
<input type="checkbox"/>	A documented succession plan is in place for all owners

HUMAN RESOURCES	
<input type="checkbox"/>	Company has an HR manager or VP of HR
<input type="checkbox"/>	All staff are on long-term employment contracts
<input type="checkbox"/>	Business has a documented hiring process that is replicable for every position in the company
<input type="checkbox"/>	Standard psychometric tests are used in hiring process
<input type="checkbox"/>	Company has a cloud-based onboarding and training system for new employees
<input type="checkbox"/>	Company has a benefits, profit sharing, stock option, or other plan focused on increasing employee retention
<input type="checkbox"/>	All team members know the company's #1 goal for the quarter
<input type="checkbox"/>	Company has a detailed organizational chart

MARKETING	
<input type="checkbox"/>	Company has a marketing manager or VP of marketing
<input type="checkbox"/>	Company has an automated marketing system that creates new high-value leads on a monthly basis
<input type="checkbox"/>	Company has an automated social media campaign running on multiple social platforms
<input type="checkbox"/>	Company has a dedicated marketing department, or external marketing agency employed
<input type="checkbox"/>	Company tracks the performance of each marketing campaign
<input type="checkbox"/>	Company has multiple awards in its space

SALES	
<input type="checkbox"/>	Company has a sales manager or VP of sales
<input type="checkbox"/>	Sales system and compensation are tied directly to company KPI's which are linked to sales goals and budgets
<input type="checkbox"/>	Owner is not connected to any sales accounts in the CRM
<input type="checkbox"/>	Customer base has grown in the last 4 quarters
<input type="checkbox"/>	Company's sales system has > 5 channels for generating new business

INFORMATION TECHNOLOGY	
<input type="checkbox"/>	Company has an IT manager or VP of technology
<input type="checkbox"/>	Enterprise or equivalent cloud based operating system in place
<input type="checkbox"/>	Data is backed up hourly to the cloud
<input type="checkbox"/>	Security audit has been completed within < 12 months

CUSTOMERS & CUSTOMER SERVICE	
<input type="checkbox"/>	Dedicated person in charge of customer service
<input type="checkbox"/>	Top 30 clients represent < 50% of revenue
<input type="checkbox"/>	All large customer are on long-term contracts or agreements
<input type="checkbox"/>	Company has a systematized and digitized customer onboarding process

SUPPLIERS & VENDORS	
<input type="checkbox"/>	Company has a system for connecting with suppliers each year to negotiate terms and contracts
<input type="checkbox"/>	Owner does not deal with any suppliers, vendors, or ordering

GENERAL / FACILITY / CULTURE	
<input type="checkbox"/>	Business uses checklists, or automated blueprints for every departmental process
<input type="checkbox"/>	Company has an up-to-date business (or equivalent) plan
<input type="checkbox"/>	Company uses external advisors to expedite growth
<input type="checkbox"/>	Company has a robust vision, mission, and values document that all employees are trained with
<input type="checkbox"/>	Company has an operational system for managing the cadence of deliverable/goal setting and tracking (EOS, Rockefeller Habits, Scrum, etc.)
<input type="checkbox"/>	Company has detailed and documented quality control process
<input type="checkbox"/>	Facility has > 20% available space to grow into

OPERATIONAL	
KEY PERSON DEPENDENCY	
<input type="checkbox"/>	There is no key operations person or manager who works in the business outside of the owner(s)
<input type="checkbox"/>	Owner(s) cannot leave the business for 1 month without sales dropping or causing a disruption to service
<input type="checkbox"/>	Business is dependant on 1 or 2 key employee(s)
<input type="checkbox"/>	Business is dependant on the owner's network or unique skills to deliver products or services
<input type="checkbox"/>	All key decisions are made by the owner

HUMAN RESOURCES	
<input type="checkbox"/>	No detailed descriptions documented for any role
<input type="checkbox"/>	There is no documentation or systems for hiring, onboarding, training, and performance review for any role
<input type="checkbox"/>	Each position does not have cross-training, or 2 or more people who can perform each job function
<input type="checkbox"/>	Employee performance review process is not directly tied to KPI's and company goals
<input type="checkbox"/>	There are outstanding workplace claims
<input type="checkbox"/>	There are illegal or undocumented workers who work in the business

MARKETING	
<input type="checkbox"/>	The company does not have an official branding/style guide
<input type="checkbox"/>	The company does not have an active client list it markets to
<input type="checkbox"/>	Company's website or funnels do not synchronize with its CRM and there is no lead capture function
<input type="checkbox"/>	The company does not have business development marketing materials and videos to support the sales team

SALES	
<input type="checkbox"/>	Value proposition has no unique advantage to competitors
<input type="checkbox"/>	Value proposition could be duplicated in 3 years by a competitor
<input type="checkbox"/>	Business has no documented plan or detailed system in place to grow
<input type="checkbox"/>	Company does not use a CRM or cloud-based sales system that tracks active pipeline value

INFORMATION TECHNOLOGY	
<input type="checkbox"/>	The company does not have a CRM system in place
<input type="checkbox"/>	A cloud-based file storage system is not in place
<input type="checkbox"/>	A cloud-based communication software is not used across the organization (Slack, Teams, Google Chat, etc.)

CUSTOMERS & CUSTOMER SERVICE	
<input type="checkbox"/>	A single customer comprises > 10% of revenue
<input type="checkbox"/>	Customer satisfaction is not formally monitored
<input type="checkbox"/>	The company does not have a customer registry, or CRM storing all customer data

SUPPLIERS & VENDORS	
<input type="checkbox"/>	The business is dependant on 1 or 2 key suppliers
<input type="checkbox"/>	Company does not have a supplier registry with detailed information on each supplier
<input type="checkbox"/>	Company does not have a backup vendor for each supplied product/service to reduce supply chain disruption

GENERAL / FACILITY / CULTURE	
<input type="checkbox"/>	Business has no documentation around systems and processes
<input type="checkbox"/>	Business has no Standard Operating Procedures (SOP) document
<input type="checkbox"/>	Facility has not been updated in > 10 years
<input type="checkbox"/>	Some critical equipment has < 5 years of remaining life
<input type="checkbox"/>	Some critical equipment needs to be replaced in < 24 months
<input type="checkbox"/>	There is no detailed equipment and asset list at the company

EXTERNAL	
<input type="checkbox"/>	Business operates in a shrinking/dying industry
<input type="checkbox"/>	Business operates in a shrinking community or market
<input type="checkbox"/>	Regulatory changes are negatively affecting industry
<input type="checkbox"/>	A new competitor recently entered the market
<input type="checkbox"/>	Staffing is a challenge in the industry, due to a lack of trained workers
<input type="checkbox"/>	Industry is not environmentally friendly

OPERATIONAL	
KEY PERSON DEPENDENCY	
<input type="checkbox"/>	A key operations person or manager works in the business who is not the owner
<input type="checkbox"/>	Owner can leave the business for 1 month without any disruption
<input type="checkbox"/>	Business is not dependant on 1 or 2 key employees
<input type="checkbox"/>	Business is not dependant on the owner's network, or unique skills to deliver products or services
<input type="checkbox"/>	Key decision-making is not centralized with ownership, and is disseminated down the organizational chart

HUMAN RESOURCES	
<input type="checkbox"/>	All positions have detailed descriptions in cloud storage
<input type="checkbox"/>	Documentation and scalable systems have been implemented for hiring, onboarding, training, and performance review for each role in the business
<input type="checkbox"/>	Each position has been cross-trained and 2 or more people can perform each job function
<input type="checkbox"/>	Employee performance review process is directly tied to KPI's and company goals
<input type="checkbox"/>	No outstanding workplace claims
<input type="checkbox"/>	No illegal or undocumented workers

MARKETING	
<input type="checkbox"/>	Company has an official branding/style guide document
<input type="checkbox"/>	Company has an active client list it markets to with a blog or newsletter on a monthly or quarterly basis
<input type="checkbox"/>	Company's website or funnel synchronizes with its CRM and has a lead capture function
<input type="checkbox"/>	Company has business development marketing materials and videos to support sales team

SALES	
<input type="checkbox"/>	Value proposition has a unique advantage to competitors
<input type="checkbox"/>	Value proposition cannot be easily duplicated in 3 years by a competitor
<input type="checkbox"/>	Business has a documented plan and detailed system in place to grow
<input type="checkbox"/>	Company has a CRM or cloud based sales system that tracks active pipeline value

INFORMATION TECHNOLOGY	
<input type="checkbox"/>	CRM system in place and in use
<input type="checkbox"/>	A cloud based file storage system in place and in use
<input type="checkbox"/>	A cloud based communication software is in place and used across organization (Slack, Teams, Google Chat, etc.)

CUSTOMERS &	
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