Sale-readiness checklist

LoftyBiz 147 — Selling Your Business: Offers, Deal Terms and Negotiation

These are examples, not promises. The people and businesses in this video are illustrative examples, and results vary. Figures are rough examples, not a valuation or price guide, and not targets or forecasts. This is general business education, not financial, legal, HR or tax advice. Get qualified legal, tax and valuation advice before you sign anything.

This week

Take thirty minutes this week and do this:

- Write down the revenue from the last twelve months, and what share came from the biggest client.
- List any job that only you can do, and who you would train to do it.
- Make a one-page summary of how the business runs, so a buyer can see it.
- If an offer arrives, write down every term besides the headline number before you reply.

Make the business easier to buy

A buyer pays more, and with fewer strings, when the company does not depend on you, and when the numbers are easy to check.

- Write down twelve months of revenue, profit and cash, in one place a buyer can read.
- Name the share that comes from the biggest client, and the plan to bring that share down if it is high.
- List any job that only the owner can do, and who is being trained to do it.
- Write a one-page summary of how the business runs, including how work is booked, delivered and billed.
- List the contracts, licences and recurring work a buyer would take on.
- Write a simple view of next year that a buyer can test, not a stretch story.

Read every term, not just the headline number

Before you reply to an offer, write down every term besides the price:

- The cash paid on the day the deal closes, versus any amount held back.
- Any earn-out: what has to happen, who measures it, and when it is paid.
- What happens if the buyer later cuts the price, and on what grounds.
- Any non-compete: how long it lasts, and which work and places it covers.
- What the owner is expected to do after the sale, for how long, and on what pay.
- Who keeps the existing contracts, staff and outstanding invoices.
- When the buyer can walk away, and what happens to deposits or exclusivity.
- Which warranties the owner is being asked to give, and how long they last.

Handle the talks calmly

- Let the buyer speak first about price, then stay quiet long enough to hear the number.
- Keep more than one serious buyer in the process, so you have an alternative.
- Do not negotiate the headline number by email. Take the discussion to a call or a meeting.
- Keep the process private until the main terms are agreed, including with your team.
- Write down every term besides the headline number before you reply.
- Get qualified legal, tax and valuation advice before you sign anything.

Worked example: Annabeth, commercial cleaning, Wichita

Revenue, last twelve months	about 420,000 US dollars	
Profit, last twelve months	about 95,000 US dollars	
Share from the biggest client, at the start	about 15 percent	

Share from the biggest client, after a year of widening the book	about 12 percent	
Jobs only the owner could do, at the start	five	
Jobs only the owner could do, after training two managers	two	

Annabeth ran a commercial cleaning company in Wichita. She waited until the biggest-client share was lower, and until two managers could run the work, before she talked to buyers. She had three serious buyers. One offered 380,000 dollars paid in cash on the day, plus 70,000 dollars later as an earn-out. The official script uses these as rough examples, not a valuation or a price you should copy.

Worked example: Faisal, IT support, Tacoma

Questions before a number	He wrote down the questions a serious buyer would ask, and practised the answers out loud.	
First call	He kept the first conversation short, and did not name a price.	
Let the buyer speak first	When a buyer asked what he wanted, he asked what the buyer had in mind, then stayed quiet.	
Keep alternatives	He kept two other buyers in the process.	
Phone, not email	He asked for a call instead of negotiating the number by email.	
Stay private	He kept the process private until the main terms were agreed.	
Read every term	He and his advisers went through the term sheet line by line.	
A plan if talks stall	He had written down, in advance, when he would pause the talks and go back to the other buyers.	

Faisal ran an IT support company in Tacoma. After several weeks he had a written offer: 260,000 dollars paid in cash on the day, and 40,000 dollars later if revenue stayed at the current level for a year. A short non-compete covered IT support in the same city for two years. These figures are rough examples from the official script, not a valuation or a price you should copy.

Keep the notes in one place

When you have written the numbers, the jobs only you can do, and the one-page summary of how the business runs, keep those notes in Systex, our own product. You can find Systex at loftybiz.net, and click the link in the description.

LoftyBiz · loftybiz.net · Systex is our own product. This checklist sits under LoftyBiz 147. All figures are from the official script and are examples, not promises.