

2026 Exit Readiness Checklist

Your Complete Guide to Preparing Your Business for Sale

The M&A; process typically takes 6-9 months from preparation to closing. Use this checklist to ensure your business is transaction-ready and positioned for a premium valuation.

FINANCIAL PREPARATION

- **Get Your Books in Order:** Clean, accurate financials reconciled monthly. P&L; and balance sheet current.
- **Separate Personal Expenses:** Stop running personal expenses through the business immediately.
- **Document Your Add-Backs:** Owner compensation, one-time expenses, vehicles, family payroll—with backup.
- **Gather 3 Years of Tax Returns:** Federal returns that match your internal financial statements.
- **Calculate Your True SDE:** Seller's Discretionary Earnings—the basis for most valuations.

OPERATIONAL READINESS

- **Reduce Owner Dependency:** Can the business run without you for 2 weeks? Cross-train employees.
- **Document Standard Operating Procedures:** Written SOPs for all key processes increase buyer confidence.
- **Review and Organize Contracts:** Customer, vendor, lease agreements. Check assignability clauses.
- **Address Customer Concentration:** No single customer should be >15-20% of revenue. Diversify.
- **Lock In Key Employees:** Identify critical staff. Consider retention bonuses or employment agreements.

LEGAL & COMPLIANCE

- **Verify All Licenses and Permits:** Current and transferable. Expired licenses delay or kill deals.
- **Resolve Pending Litigation:** Settle any ongoing legal issues before going to market.
- **Check Your Lease:** Expiration date, assignability, renewal terms. Bad leases torpedo deals.

- **Corporate Structure Review:** Asset sale vs. stock sale—consult CPA and attorney on tax impact.
- **Intellectual Property Audit:** Trademarks, patents, proprietary processes—document and protect.

PERSONAL READINESS

- **Define Your Walk-Away Number:** Minimum net proceeds needed to achieve your post-sale goals.
- **Plan Your Transition Role:** Most buyers want 60-90 days training. Willing to stay longer?
- **Talk to Your Financial Advisor:** Tax implications: 1031 exchange, installment sale, ESOP options.
- **Get a Professional Valuation:** Don't guess. A broker valuation gives leverage in negotiations.
- **Prepare for Due Diligence:** Anticipate buyer questions. Organize data room materials now.

TIMELINE REMINDER: Start preparation 6-9 months before your target sale date. Businesses that enter the market "transaction-ready" achieve higher valuations and faster closes.



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