

THE BARATELLI INSTITUTE · MENTORING AT SCALE

A FREE GUIDE · SELL A BUSINESS

# Are you ready to *sell your business?*

*You'll likely sell a business once. This is how to know whether you — and it — are ready, before the number is set for good.*

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START HERE

## What's *inside*.

*A sale is one of the largest, most irreversible financial events of your life. The gap between a prepared sale and a reactive one is often a large share of the price — and almost everything that raises that price is decided in the year or two before you go to market. This guide is the readiness layer: six stages, each with a worksheet, that tell you whether you're ready to sell well.*

**How to use the worksheets:** fill them in order as you read — honestly. The blanks you leave are your roadmap, and the closing *readiness dashboard* pulls them into a single picture.

### BEFORE YOU BEGIN

1. What this guide gives you — and what a real sale also needs
2. The opportunity: the silver tsunami, from the seller's side

### THE SIX STAGES OF READINESS

1. Are You Ready? — your number, and the day after · **Worksheet 1**
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3. Know Your Buyer — who buys, and what they pay for · **Worksheet 3**
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### PUTTING IT TOGETHER

1. The 12–24 month readiness roadmap & your readiness dashboard
2. The honest boundary — where this guide stops
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## BEFORE YOU BEGIN

Free, and *honest about it.*

The Institute believes in showing the work before asking for anything. So here is the deal, plainly: this guide makes you a *ready, informed seller* — it will not, by itself, run your sale or get you the last dollar. Those are different jobs, and it's worth knowing which one you're holding.

✓ **THIS GUIDE GIVES YOU (FREE)**

- Whether you — and the business — are ready to sell
- The value-drivers that move the price most
- An honest orientation on what it's worth and what you'd net
- Who the buyers are and what each pays for
- The costly mistakes, and how to avoid them with lead time
- A map of the process, and a 12–24 month prep roadmap
- Six worksheets and a readiness dashboard to find your gaps

**A REAL SALE ALSO NEEDS**

- A defensible valuation and deal-structuring strategy
- The tax plan that decides what you keep
- Normalized financials and a quality-of-earnings file
- Confidential marketing to the right buyers
- Negotiation of price *and* terms
- A CPA, an attorney, and an M&A advisor or broker
- *Sell the Business, Get Paid* — the Institute's premium package, to do all of the above

**Read one sentence and remember it:** start preparing 12–24 months before you want out, not two. Most owners find a guide like this three months before they're done — and leave money on the table they could have kept. Earlier is worth real money.

## THE OPPORTUNITY

## The silver tsunami — *from your side.*

*A generation of business owners is reaching retirement at the same time. For sellers, that is both a tailwind and a warning.*

Millions of small businesses will change hands this decade as their founders age out. That wave brings more buyers into the market — individuals with SBA financing, search funders, private-equity roll-ups, strategic acquirers — which is good news if you're selling. But it also brings more *sellers*, many of them unprepared and many forced to sell on someone else's timetable. In a crowded market, buyers can be choosy, and they pay up only for the businesses that are clearly ready.

**The sobering truth that should focus your mind:** a large share of the small businesses that go to market never sell at all — the buyer walks, the financing falls through, or diligence turns up something the owner never fixed. Unreadiness is the usual cause. “Ready” is not a nicety here; it is the difference between a closed deal and a business that quietly comes off the market a year later, unsold.

You cannot control the wave, the rate environment, or how many of your neighbors list the same year you do. You *can* control whether yours is the prepared business on the shelf — clean books, a capable team, diversified customers, a story a buyer can believe. Readiness is your edge, and it is the one part of the outcome entirely in your hands. The owners who do best are almost never the ones who decided to sell last month; they're the ones who made the business easy to buy, then sold from a position of not having to.

## STAGE ONE

## Are *you* ready?

Owners pour every ounce of readiness into the business and forget the person who has to walk away from it — and then freeze at the closing table, or feel unmoored the Monday after. Your own readiness rests on two honest questions.

### What's your number — and your value gap?

Your number is not what the business is “worth” — it's what *you* need to net, after debt, fees, and tax, to fund the life that comes next. Work backward from the life you want, not forward from a multiple someone quotes you. Then name the **value gap**: the distance between what the business would net you *today* and the number you actually need. If there's no gap, you have the freedom to be patient and selective — the most valuable position a seller can hold. If there is a gap, you've learned the most important thing early: the work right now isn't selling, it's closing that gap. Every value-driver in Stage Two is a lever for doing exactly that.

### What's the day after?

For many owners the business is identity, structure, and purpose as much as income. “What will I do, and who will I be, the day after it's gone?” is not a soft question. The owners who can answer it negotiate from strength and don't sabotage a good deal out of cold feet. A wobble of doubt near the finish line is normal — it ends more good deals than price ever does — and preparation, not willpower, is the cure. And if you have a spouse or business partner, their readiness is part of yours: misaligned expectations between partners derail sales every day.

**A parallel readiness track — the money itself.** Selling well and being ready for sudden liquidity are two different jobs. The day the wire hits, a new set of questions arrives: how the proceeds are invested, the estate plan that should already be in place, the tax on the gain. Start that track in parallel. The Institute's *Liquidity Event Playbook* and *Estate Planning Decoded* guides are built for exactly the life on the other side of the sale.

#### FREE TOOL ON THE SITE

- **Retirement Readiness Score** — pressure-test “your number” and what the proceeds actually have to do for the rest of your life.

**WORKSHEET 1**

**Your personal readiness**

The life after the sale, in one sentence — what does it look like?

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“My number” — what I need to net to fund that life: \$

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Roughly what would the business net me today? \$

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My value gap (number – today): \$

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Is my spouse / partner aligned on selling, the timing, and the number?

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What will I do with my time and identity the day after?

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## STAGE TWO

Is the *business* ready?

Buyers don't pay for how hard you work; they pay for how safely the business runs *without* you. Five value-drivers move the price more than anything else — and every one of them is a lever for closing your value gap.

- **Owner-independence.** Can it run for a month without you? The more the business depends on you personally — relationships, decisions, technical know-how — the less a buyer will pay, because they're buying a job, not an asset. The fix is delegation, a second-in-command, and getting yourself out of daily operations long before the sale.
- **Customer diversification.** If one client is a large share of revenue, a buyer sees a business that can lose a third of its sales with a single phone call — and discounts hard for that risk. Broadening the customer base is slow work, which is exactly why it has to start early.
- **Clean, provable books.** Financials that are current, organized, and that *match your tax returns*, with add-backs that are documented and defensible. Messy books don't merely lower the price — they kill deals in diligence, when a buyer's accountant can't reconcile what you claimed.
- **Documented systems.** Written processes mean the business is transferable rather than locked inside your head. Transferable businesses sell; un-transferable ones linger on the market or sell at a discount for the risk.
- **A growth story for the next owner.** The highest multiples go to sellers who hand the buyer a credible path to grow what they're buying — the market you haven't entered, the product line you never launched, the upside you simply didn't get to. You're not just selling what is; you're selling what could be.

**The reframe that's worth real money:** every one of these is fixable — which means your price is not fixed. It's the output of work you can start today. That's why readiness isn't paperwork; it's the highest-return project you'll take on before the sale.

**Get ready to survive diligence.** A serious buyer will run a *quality-of-earnings* review — an outside accountant testing whether your reported profit is real — and will ask for a *data room* of contracts, leases, tax returns, and financials. Deals that lose price (or die) almost always die in diligence, on a question the seller could have answered in advance. Start assembling that file now.

## FREE TOOLS ON THE SITE

- **Three-Statement Builder** — get your financials into clean, buyer-ready shape that ties out.
- **DCF Sanity Check** — see what your earnings and growth are plausibly worth, before a broker frames it for you.

**WORKSHEET 2**

**Value-driver scorecard**

VALUE-DRIVER	STRONG / OK / WEAK	FIRST FIX
Runs without me for 30+ days	S O W	
Largest customer is a safe % of revenue	S O W	
Books are clean and match the tax returns	S O W	
Core processes are written down	S O W	
There's a credible growth story for the buyer	S O W	

Count your “Strong”s:

\_\_\_\_\_ of 5. My two weakest drivers, and what I’ll do this year:

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STAGE THREE

## Know your *buyer*.

Who you sell to shapes how you prepare and what you net. At a readiness level, there are four kinds of buyer, and they want different things.

- **A strategic buyer** — a competitor or a company in your space. Often pays the most, because they can fold you into what they already do and capture cost savings or new customers. They care most about your customer relationships, your people, and your capabilities — and they’ll guard against you walking those out the door.
- **A financial buyer** — private equity, a family office, or a holding company buying for cash flow and growth. They scrutinize the quality of earnings hardest, and often want you or your team to stay through a transition or roll over some equity. Clean numbers and a capable management layer matter most here.
- **An individual or search-fund buyer** — an entrepreneur buying a business to run, frequently financed with an SBA loan. They need the business to run without the prior owner, which puts owner-independence and clean books front and center, and they’re sensitive to anything that complicates the financing.
- **Your own people** — a management buyout, a sale to a key employee, or an employee ownership structure. Gentler on confidentiality and continuity, but it usually relies on seller financing, which changes how — and when — you actually get paid.

You don’t have to choose now. But knowing which buyer is most likely tells you which value-driver to fix first: a search-fund sale lives or dies on owner-independence, while a strategic sale rewards customer relationships and a financial buyer rewards provable earnings.

### WORKSHEET 3

#### Your most likely buyer

Which buyer type fits my business best, and why?

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What does *that* buyer most want to see — and where am I short of it?

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Anyone I’d sell to today if they asked? (a competitor, an employee, a customer)

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STAGE FOUR

## What it's worth & *what you net.*

You don't need a formal valuation to get oriented. Small businesses trade on a multiple of earnings: roughly **2–3.5× SDE** (Seller's Discretionary Earnings) for owner-operated Main Street businesses, and **4–6× EBITDA** — sometimes much more — as you move up in size and quality. Those are starting ranges, not promises, and where you land *within* a range is set by exactly the value-drivers in Stage Two. Two identical-looking businesses can sell a full turn apart on owner-independence alone.

**Multiples also vary widely by industry.** A recurring-revenue software book, a medical practice, and a landscaping company are not the same trade and don't fetch the same multiple — so treat the ranges above as orientation, and get a real valuation for your industry before you anchor on a number.

The number that actually matters, though, isn't the headline price — it's what you **net**. Sale costs (a broker is often 8–10%), legal and advisory fees, debt repaid at close, and *tax on the sale* all come out before you see a dollar.

**A QUICK ILLUSTRATION — PRICE IS NOT NET**

SDE	\$400,000
× multiple (illustrative 3.0×)	3.0×
Enterprise value	\$1,200,000
Less: debt repaid at close	(150,000)
Less: sale costs (~10%)	(120,000)
Less: estimated tax on sale (illustrative)	(180,000)
<b>≈ Net to you</b>	<b>\$750,000</b>

*Illustrative only. A \$1.2M "price" can leave wildly different amounts in your pocket depending on debt, fees, and how the deal is structured and taxed.*

**How you're paid changes when you're taxed.** Cash at close, a seller note paid over years, or an earn-out tied to future performance are taxed differently and at different times — one reason the *structure* of a deal can matter as much as the headline number. And price without terms is a mirage: a high number paid mostly through a long note or a contingent earn-out is not the same as cash in hand.

**FREE TOOLS ON THE SITE**

- **Asset vs. Stock Sale** — see how deal structure changes your after-tax outcome (it can swing it a lot).
- **§1202 QSBS** — *if your business is a qualifying C-corporation*, check whether a slice of your gain could be tax-free. (QSBS does not apply to most LLCs or S-corporations — confirm your structure first.)
- **Working Capital Peg** — understand the working-capital true-up that quietly moves real money at close.

**WORKSHEET 4**

**Your first-look math**

<b>Annual SDE (or EBITDA, if larger)</b>	\$
<b>× likely multiple</b>	×
<b>Estimated enterprise value</b>	\$
<b>Less: debt repaid at close</b>	\$
<b>Less: sale costs (~8–10%) + advisory</b>	\$
<b>Less: estimated tax on the sale</b>	\$
<b>= Estimated net to you</b>	\$
<b>Your number (from Worksheet 1)</b>	\$
<b>Gap — net vs. your number</b>	over / at / under

STAGE FIVE

# Protect & *prepare.*

Two kinds of preparation save more money than almost anything else, and both belong to the readiness phase — long before a buyer is at the table.

### Guard the secret.

A leak to employees, customers, or competitors before you’re ready can trigger the exact departures and disruption that lower your price — or end the sale outright. Serious processes run on *non-disclosure agreements* and a blind “teaser” that doesn’t name the business until a buyer is vetted. Decide in advance who needs to know and when — usually a very short list — and assume word travels faster than you’d like.

### Build the file, and the team.

Assemble the data room early: three years of financials and tax returns, the customer and supplier contracts, leases, licenses, the org chart, and a clean list of what’s included in the sale. Then build your advisory team before you need it — a CPA who knows transaction tax, an attorney who closes deals, and an M&A advisor or broker who runs the process and protects the confidentiality. The fees feel large until you see what an unrepresented seller gives away in structure, tax, and negotiation.

**The math on advisors:** on a once-in-a-lifetime, often seven-figure decision, a good advisor who lifts your price or protects your net by even a few percent has paid for themselves many times over. Going it alone is the most expensive way to save money.

#### WORKSHEET 5

### Protect & prepare checklist

Who, exactly, knows I’m considering a sale — and is that list as short as it should be?

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Data room: which documents do I already have, and which are missing?

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My team — CPA:

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Attorney:

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M&A advisor / broker:

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## STAGE SIX

## Timing & *the process.*

*Three clocks have to roughly line up — and then there's a road you'll travel. Here is the map, not the driving.*

### Is the timing right?

Your **life** (energy, health, what's next), the **business** (ideally sold on an upward trend, not after the peak), and the **market** (buyer appetite, financing, your industry's moment) all have to align well enough. You rarely get all three perfect — but selling into a decline, or under personal duress, is where the worst prices happen. Sell when you don't have to, into strength.

### The road ahead

Each step has real craft to it, which is where the premium package and your advisors come in — but you should know the shape of the journey:

- 1 **Prepare.** Fix the value-drivers, clean the books, document the systems, assemble the data room.
- 2 **Value.** Get a defensible view of what it's worth, and what you'd net under different structures.
- 3 **Take it to market.** Confidentially — package the business, reach qualified buyers, protect the secret.
- 4 **Letter of intent.** Agree headline price and terms with a serious, vetted buyer.
- 5 **Diligence.** The buyer verifies everything. This is where unprepared sellers lose price — or the deal.
- 6 **Close.** Final structure, tax, legal documents, and the working-capital true-up.
- 7 **Transition.** Hand over relationships and knowledge so the business — and any earn-out or seller note — stays healthy.

PUTTING IT TOGETHER

# Roadmap & *readiness dashboard.*

If you take one action from this guide, make it this: give yourself runway. Here is what the prepared seller does, and roughly when.

### 24–18 MONTHS OUT

Answer your number, your value gap, and “the day after.” Start reducing owner-dependence — delegate, hire or promote a second-in-command, get yourself out of daily operations. Begin diversifying customer concentration.

### 18–12 MONTHS OUT

Clean up the books so they tie to the tax returns; document add-backs as you go. Write down core processes. Begin the data room. Identify your most likely buyer type and the value-driver it rewards.

### 12–6 MONTHS OUT

Build the advisory team. Get a defensible valuation and a tax-and-structure plan. Tighten the growth story you’ll hand the buyer. Lock down confidentiality. Start the parallel money track — estate and investment plans for the proceeds.

### 6–0 MONTHS OUT

Go to market confidentially, field offers, sign an LOI, survive diligence, and close — then transition well. This is the part the premium package and your advisors run with you.

#### YOUR READINESS DASHBOARD

#### **Pull the worksheets into one picture**

Personal: does my likely net clear my number? (Worksheet 1)	yes / no
My value gap to close (number – today’s net)	\$
Value-drivers rated “Strong” (Worksheet 2)	/ 5
Most likely buyer — and am I built for them? (Worksheet 3)	yes / no
Data room & advisory team started? (Worksheet 5)	yes / no
<b>Overall:</b> ready to run a process / close — fix gaps / early — prepare	

*Mostly “yes” and four-or-five Strong drivers means you’re ready to run a real process. Anything less is simply your next year’s work — found while you still have time to do it.*

## THE HONEST BOUNDARY

Where this guide *stops*.

## THIS GUIDE GETS YOU READY · THE PACKAGE GETS YOU PAID

**This is the readiness layer:** whether to sell, whether you're ready, and what to fix first. It's free, and it's yours to keep — use the worksheets, fix the gaps, and you'll be a genuinely ready seller.

**When you're ready to actually run the sale and get paid what it's worth,** that is the job of *Sell the Business, Get Paid* — the Institute's premium sell-side package, the CFO in your corner. A plain-English guide and a 14-tab workbook that **recast your financials to show the true owner benefit** (the higher, defensible SDE that buyers actually pay on), set a **price a buyer can finance** (their SBA loan run from your chair, so your number doesn't die at the bank), model **what you keep after tax**, and build the **buyer-ready package** — the recast schedule, the transferability scorecard, the CIM, the data-room checklist, and a one-page Deal Summary a broker and lender expect. Hand it to your broker and you arrive ready to close. *\$349, with a 30-day guarantee.*

**And build your team:** a qualified CPA, attorney, and M&A advisor or broker. On a decision this size, good advisors pay for themselves many times over. Start at [baratelliinstitute.com](http://baratelliinstitute.com).

## REFERENCE

## A seller's *glossary*.

The words you'll hear, in plain English — so none of them can be used to confuse you.

**SDE — Seller's Discretionary Earnings**

The total benefit one owner-operator takes from the business: net profit plus your salary and perks, interest, taxes, depreciation, and one-time costs. The earnings base most small businesses are priced on.

**EBITDA**

Earnings before interest, taxes, depreciation, and amortization — the earnings base used for larger businesses, where the owner isn't the operator.

**Recast / normalization**

Adjusting your reported financials to show the true owner benefit — adding back owner pay, perks, one-time costs — so a buyer sees what the business really earns. The single biggest lever on your price.

**Add-backs**

The individual items in a recast — owner perks, one-time costs, personal expenses. Must be documented and defensible, or a buyer strips them out in diligence.

**Multiple**

The number you multiply earnings by to get a price (e.g., 3× SDE). Where you land is set by your value-drivers and your industry.

**Quality of Earnings (QoE)**

An outside accountant's review testing whether your reported profit is real and sustainable. Serious buyers run one; prepared sellers are ready for it.

**Data room**

The organized file of contracts, leases, tax returns, financials, and corporate documents a buyer reviews in diligence.

**CIM — Confidential Information Memorandum**

The detailed marketing document an advisor prepares to present the business to vetted buyers — shared only after an NDA.

**LOI — Letter of Intent**

A document setting out headline price and key terms to start diligence. Its economic terms are usually non-binding — but provisions like *exclusivity* / *no-shop* and *confidentiality* typically **are** binding, so read it carefully before you sign.

**Exclusivity / no-shop**

A binding promise (often in the LOI) not to talk to other buyers for a set period — it takes away your leverage, so weigh its length.

**Earn-out**

Part of the price paid later, only if the business hits agreed targets. Bridges price gaps — and shifts risk onto you.

**Seller note**

When you finance part of the price yourself and the buyer pays you over time, with interest.

**Escrow / holdback**

A portion of the price held back at closing for a period, to cover any claims that arise — you get it later if all goes well.

**Working-capital peg**

The “normal” level of working capital the buyer expects to be left in the business at close; a true-up adjusts the price up or down against it.

**Reps & warranties**

Your formal promises in the contract about the state of the business; breaking them can cost you after closing.

**Indemnification**

Your agreement to cover the buyer for certain losses if a promise turns out to be wrong — the mechanism behind a holdback or escrow.

**Non-compete**

Your agreement not to start or join a competing business for a period after the sale — buyers almost always require one.

**Asset vs. stock sale**

Whether the buyer purchases the company’s assets or its ownership shares — a choice that significantly changes the tax outcome (goodwill vs. recapture) for both sides.

## CREDIT &amp; CAVEATS

## A closing *word*.

*You build a business over decades and sell it once. The difference between doing that well and doing it in a hurry is rarely luck — it's lead time, clean books, a business that doesn't need you, and the discipline to sell from strength. Every one of those is within your reach right now, for free, starting today. That's the whole reason this guide exists: to put the readiest version of you on the other side of the table.*

**Philip A. Baratelli**

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