BlackOak
Business Advisors

A PRE-SALE READINESS GUIDE

Preparing Your Business For Sale: 5 Essential Steps

What experienced buyers look for first, and how to address each one before your business goes to market.

Before You Go to Market

Most owners spend twenty years building a business and twenty weeks preparing to sell it. The gap shows.

Every serious buyer, and every advisor working on their behalf, evaluates a business against the same handful of questions before they ever discuss price. Not the ones in your marketing materials. The ones in their due diligence checklist.

Get ahead of those questions and you strengthen your negotiating position, shorten your timeline to close, and avoid the moment, usually somewhere around week six of due diligence, when a promising deal quietly stalls.

This guide covers the five issues that surface most often, in our experience, once a business goes under a buyer's microscope. None of them can be fixed the week you decide to sell. All of them can be addressed well in advance, with time to spare.

Some of these items take months to resolve; others take years. That is exactly why early planning matters: the earlier you start, the more of your business's value you get to keep.

80%

of businesses that go to market never sell, most commonly because of issues that were fixable, had they been caught early enough.

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FINANCIAL READINESS

Get Your Financials in Order

Buyers don't pay for what you tell them the business earns. They pay for what they can independently verify. That distinction drives nearly everything that happens during due diligence, and it starts with the state of your books.

The most common problem isn't fraud. It's disorganization. Personal expenses run through the business, inconsistent categorization from one year to the next, cash transactions that never made it into the books, or financials that were never reconciled to the tax return. Each of these forces a buyer's advisor to slow down, ask more questions, and discount what they see.

The fix is straightforward but takes time: at least two to three years of clean, consistent financial statements, a clear and well-documented schedule of add-backs (owner perks, one-time expenses, above-market family salaries), and financials that tie out cleanly to your tax filings. If your revenue supports it, a reviewed or compiled statement from a CPA carries meaningfully more weight with buyers than an in-house spreadsheet.

WHY BUYERS CARE

A business's valuation is a direct multiple of its verified, normalized earnings. Every dollar of earnings a buyer can't confirm is a dollar they won't pay for, and every inconsistency they find invites them to look harder for others.

- ◇ Bookkeeping is current and bank accounts reconciled
- ◇ Personal and business expenses are separated
- ◇ One-time or non-recurring expenses are documented
- ◇ At least 2–3 years of consistent financial statements

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OPERATIONAL READINESS

Remove Yourself as the Business

Ask any experienced buyer what worries them most, and "key man risk" is near the top of the list. If the business depends on you personally, whether that's sales relationships, technical knowledge, vendor pricing, or day-to-day decisions, a buyer is not just acquiring a company. They're betting that whatever lives in your head can be successfully transferred to someone else's.

That bet carries a discount. Buyers price key man risk directly into the offer, structure a longer and more restrictive transition period, or walk away from the deal entirely if the dependency looks too deep to unwind.

The remedy is delegation, started well before you list the business. Build a management layer that can run operations without you in the room. Move customer and vendor relationships onto other people's names, not just yours. Document the processes that currently exist only as institutional knowledge. The goal isn't to make yourself unnecessary today; it's to prove, with evidence, that the business will run without you tomorrow.

THE TEST

Could you take a month off, no calls, no email, without revenue, operations, or a single customer relationship being affected?

- A manager or team runs day-to-day operations
- Key customer and vendor relationships aren't solely yours
- Core processes are documented, not tribal knowledge
- Decisions don't all route back through you

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REVENUE QUALITY

Resolve Customer Concentration

A single customer generating an outsized share of revenue is one of the fastest ways to unsettle a buyer, no matter how strong the relationship looks from the inside. As a general guideline, once any one customer approaches 15–20% of revenue, it becomes a focal point of due diligence, and above that, it can materially affect both price and deal structure.

The concern is straightforward: relationships built with the current owner may not survive a change in ownership, and a buyer has no way to be certain that yours will. That uncertainty gets priced in, whether through a lower multiple, an earn-out tied to customer retention, or a walk-away.

Where concentration exists, there are two paths forward. The stronger one is diversifying the customer base ahead of a sale, even modestly, since new buyers rarely materialize quickly, so this work needs a head start. Where diversification isn't realistic in the timeframe available, longer-term contracts with the concentrated customer, ideally with terms that survive a change of control, can meaningfully offset the risk in a buyer's eyes.

A ROUGH BENCHMARK

Under 10% from any single customer rarely raises questions. Above 20%, expect it to shape both the conversation and the offer. Above 30–40%, it can be the deciding factor in whether a buyer moves forward at all.

- No single customer represents an outsized share of revenue
- Key accounts are under written, transferable contracts
- New business development isn't reliant on the owner alone
- Customer retention isn't tied to a personal relationship

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RISK & COMPLIANCE

Clear Legal & Compliance Matters

Outstanding legal, environmental, or employment issues rarely stay hidden through due diligence. A buyer's attorney is specifically looking for them. What determines whether they sink the deal is not just whether they exist, but whether they surface on your terms or on theirs.

Common issues include unresolved litigation or disputes, expired or unassignable licenses and permits, environmental exposure from past operations or the property itself (a particular focus for trades, manufacturing, and any business with a physical footprint), employment matters such as misclassified contractors, unpaid overtime claims, or missing documentation for terminations, and loose ends with the taxing authorities or in existing contracts.

None of this automatically kills a deal. Failing to disclose it, or leaving it unresolved, is what delays a transaction, reduces the purchase price, or causes a buyer to walk away. Each of these issues is far easier to resolve, or at least fully understand and disclose, before a business goes to market than after a buyer's attorney has found it independently and is using it as leverage to renegotiate price. A pre-sale legal and compliance review, well ahead of your target listing date, is one of the highest-leverage steps an owner can take.

WHY IT MATTERS

An issue disclosed by the seller is a discussion. The same issue discovered by the buyer's counsel is a negotiating weapon, and it often costs far more than the fix would have.

- ◇ No unresolved litigation, claims, or disputes
- ◇ Licenses, permits, and certifications are current and transferable
- ◇ No unaddressed environmental exposure
- ◇ Employment practices and worker classifications are compliant
- ◇ No outstanding tax or contract issues

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PERSONAL READINESS

Plan Your Life After the Sale

This is the item owners are most likely to overlook, and it's a common reason deals come under strain in their final weeks. Not because the business isn't ready, but because the owner isn't. After years spent defining yourself by the business you built, walking away from it is rarely as simple as it sounds on paper.

Late-stage hesitation shows up in familiar ways: renegotiating terms that were already agreed, dragging out a transition period indefinitely, or quietly sabotaging a deal that no longer feels real once it's close to done. Almost always, the root cause is the same: the owner never worked out what comes next, and the closing date forced the question before they were ready to answer it.

The better time to think this through is well before you're sitting across from a buyer. What will Monday morning look like once the business is no longer yours? Will you keep working in some capacity, consult, mentor, or step away entirely? Are you prepared for a transition period reporting to someone else in a company you used to run? What goals will replace running the company? Owners who've genuinely answered these questions negotiate from a position of clarity, not fear, and are far more likely to see a deal through to close.

THE TEST

If the deal closed tomorrow, could you describe, in specifics, what your Monday would look like?

- You've defined what "next" looks like, beyond the business
- You've decided how much of a transition period you can accept
- Family and key stakeholders are aligned on the decision
- You're selling toward something, not just away from something

Your Sale Readiness Checklist

A quick gut check before you go to market: five questions, five honest answers.

- [ ] **My financial statements are accurate and up to date.**
  Bookkeeping is current, accounts are reconciled, and at least 2–3 years of statements are ready for review.

- [ ] **The business can operate without me.**
  A manager or team can run day-to-day operations, and key relationships don't run solely through me.

- [ ] **No single customer represents an outsized share of revenue.**
  Revenue is reasonably diversified, or concentrated accounts are secured under long-term, transferable contracts.

- [ ] **Legal, regulatory, and employment matters have been addressed.**
  No unresolved litigation, expired licenses, environmental exposure, or outstanding tax and contract issues.

- [ ] **I have a clear plan for life after the sale.**
  I know what my next Monday looks like, and I'm selling toward something, not just away from something.

The best exits rarely happen by accident.

They're planned.

THE NEXT STEP

A confidential conversation, before you go to market.

Every one of these five areas can be assessed, and most can be meaningfully improved, well before a business is listed for sale. The owners who do this work in advance consistently see smoother transactions, fewer surprises in due diligence, and stronger outcomes at close.

BlackOak Business Advisors offers a confidential, no-obligation readiness conversation for owners who are thinking about a sale, whether that's in the near future or five years from now.

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BlackOak Business Advisors helps Florida business owners prepare for and sell privately held businesses with professionalism, discretion, and a focus on maximizing value. Founder Simon Harrison holds the Master Certified Business Intermediary (MCBI) and Certified Exit Planning Advisor (CEPA) designations.