



THE LONG GOODBYE

Why now is the time to
start thinking about your endgame

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When you first start thinking about selling your business, it's easy to imagine it being like selling a car or a house—list it, find the right buyer, and a few months later, you're popping a champagne cork while your team throws you a goodbye party.

But the reality is much more involved.

Exiting your business is more like a long goodbye. It's not a quick transaction but a journey that can take a decade or longer. Consider how you want to exit your business. Contrary to the myth that most boomer generation owners want to pass their business down to family, our proprietary research of over 80,000 business owners shows that 65% plan to sell to a third party.

Think about your revenue goals as you head toward an exit. Growth expectations can vary significantly by age group. For example, nearly 50% of business owners over sixty years old expect their revenue to stay steady or grow by only up to 10% in the next year. On the other hand, younger owners, like millennials, are more likely to anticipate a 30% or higher growth rate. These different growth outlooks can shape how acquirers view your business, so it's worth being prepared.

Every exit is different, and it's rarely as quick as you might hope. This eBook will walk you through the three essential phases, guiding you through what matters most at each stage so you're prepared to make the most of your journey.

THE EXIT TIMER

1-2+ YEARS Preparation

Before you can consider passing the torch, there's work to be done to get your business ready to sell. This phase is all about focusing on the eight factors that will make your business more attractive to acquirers and position you for a successful exit.




6-12+ MONTHS Active Negotiations

Once you hire an M&A advisor, it can take six to twelve months or more to market your business, find the right acquirer, and negotiate terms.

3-7 YEARS Transition Phase

Most sellers want 100% of their proceeds in cash at closing, but that type of deal is rare. Typically, an acquirer will tie you to the future success of your business through mechanisms like an earnout, rolling equity, or financing the buyer, meaning you'll remain involved in your business's success for some time after the sale.

A wide-angle photograph of a sandy beach at sunset. The sun is low on the horizon, creating a bright, golden glow that reflects off the water and illuminates the sand. Several footprints are visible in the sand, leading from the foreground towards the water. The overall mood is serene and contemplative.

You've built
something remarkable, and
now is your opportunity to ensure
a smooth transition to your
next chapter with confidence.
Let's dive in.

PART 1

Preparation

3 Questions to Answer in the Preparation Phase

1. What's your minimum number?
 2. What role do you want to play post-sale?
 3. What are your non-negotiable deal terms?
-

As you get ready to sell your business, preparation is everything. It's not just about putting your company on the market; it's about ensuring your company is in the best possible shape to attract the right acquirer and achieve the maximum value. That's where **the 8 Key Drivers of Company Value** come into play. These drivers form the foundation of what makes your business attractive to potential buyers. Addressing each one will help ensure a smooth, successful exit.

Consider this section a roadmap to the essential areas you need to focus on during the preparation phase. From tightening up your financials to building a management team that can run the business without you, the information below will help you understand the critical steps that increase the value of your business and make it more appealing to buyers.



1. Financial Performance

Clean Up Financial Records

Ensure your financial statements are clear, accurate, and up to date. Buyers want transparency, so work with an accountant to tidy up your records.

Boost Profit Margins

Look for ways to improve efficiency and cut unnecessary costs without sacrificing quality. Strong margins are attractive to buyers.



2. Growth Potential

Develop a Strategic Growth Plan

Outline clear growth opportunities for the business. Highlight new markets, products, or services that could drive future revenue.

Invest in Marketing & Sales

Ensure your sales and marketing efforts are consistent and scalable. Buyers look for a business with a solid lead-generation process in place.



3. The Switzerland Structure

Reduce Customer Concentration

Ensure no single customer makes up more than 15% of your revenue. This reduces dependency and makes your business more stable.

Secure Key Contracts

Lock down important contracts with customers, suppliers, and partners to show long-term stability and minimize risk for buyers.

Diversify Suppliers

Avoid being reliant on a single supplier. Spread your supply chain risk to ensure business continuity if one vendor falls through.

Reduce Key Person Risk

Document your standard operating procedures to reduce your dependency on any key employee(s).



4. The Valuation Teeter-Totter

Manage Cash Flow

Work on building a strong cash position. A positive cash flow strengthens the business's financial health and provides stability.

Negotiate Favorable Payment Terms

Extend payment terms with suppliers while shortening terms with customers to maintain liquidity and avoid cash crunches.



5. Recurring Revenue

Create Subscription-Based Services

Implement consistent revenue models, like subscriptions or service agreements, to create predictable income.

Build Long-Term Customer Relationships

Foster relationships with clients to ensure continued business. Implement retainer agreements or extended contracts.

Reduce One-Time Transactions

Shift away from one-off sales to focus on ongoing, repeatable revenue streams.



6. Monopoly Control

Narrow Your Focus

Specialize in a niche where you can dominate the market. Buyers are drawn to businesses that are known for doing one thing exceptionally well.

Differentiate Your Offering

Ensure your product or service stands out from the competition. Highlight what makes your business unique and irreplaceable in your market.

Protect Intellectual Property

If applicable, secure patents, trademarks, or copyrights that make it harder for competitors to replicate your success.



7. Customer Satisfaction

Measure Customer Satisfaction

Regularly gather feedback from your customers to measure satisfaction levels. Implement a Net Promoter Score (NPS) or similar metric.

Improve Customer Retention

Focus on keeping your customers happy and reducing churn. Buyers value businesses with loyal, repeat customers.



8. Hub & Spoke

Reduce Owner Dependency

Shift key responsibilities to your management team. Buyers want to see a business that can thrive without the owner's direct involvement.

Build a Strong Management Team

Develop and empower a team that can run the day-to-day operations without your oversight. Consider incentivizing them with performance-based compensation.

Preparing your business for sale is a significant undertaking, and you don't have to go through it alone. Engaging a professional advisor can make the entire process smoother, ensuring the best possible outcome. The 8 key drivers of company value form the foundation of the Value Builder Report, which is specifically designed to help you get your business ready for sale. The person who provided this eBook is the one who can provide your Value Builder Report, offering a score on each of these drivers and helping you navigate valuation, buyer negotiations, legal agreements, and more. Think of this advisor as your partner in the process, helping you save time, avoid pitfalls, and maximize the value of the business you've worked hard to build.



PART 2

Active Negotiations

3 Questions to Answer in the Active Negotiations Phase

1. Who is the ideal acquirer for your business?
 2. How much are you willing to disclose during early-stage discussions?
 3. What key elements do you want included in a Letter of Intent (LOI)?
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Negotiating the sale of your business is where the stakes get real. It's where deals are made or broken, and every decision can have a lasting impact on your future. Once you bring an M&A advisor on board, the real work begins. While it's natural to hope for a quick process, selling your business typically takes six to twelve months or more. There are multiple steps involved: finding the right buyer, structuring the deal, and ensuring both sides are aligned. Each stage is crucial to securing the best outcome for you and your business.

The Role of Your M&A Advisor

Every deal is unique, with its own specific components, but most follow a familiar pattern. Your M&A advisor (or business broker in the case of smaller transactions) will lead the process, guiding you through each stage, from identifying potential buyers to closing the deal. While the details may differ, here's an outline of the key steps and why they typically take time.

1. Developing a List of Potential Acquirers

One of the first tasks you'll collaborate on with your M&A advisor is creating a list of potential acquirers. This list may include strategic buyers, private equity firms, and individual investors. With your help, your advisor will research and compile a list of buyers that are most likely to be interested in your business.

Timeline

This step can take several weeks as you work with your advisor to narrow down the best targets.

2. Drafting an Anonymous Teaser

Next, your advisor will create a confidential, high-level summary of your business, often called an "anonymous teaser." This document will highlight key selling points without revealing the identity of your company. The teaser is designed to spark interest among potential buyers and is sent out to those on the target list. Note: If your business is on the small side (i.e., less than a million or two in revenue), your broker may also list your business on one or more of the popular "business for sale" listing sites.

Timeline

Drafting the teaser can take a week or two to get right to ensure it positions your business in the best possible light.

3. Gauging Buyer Interest

Once the anonymous teaser is distributed, your advisor will begin gauging interest from potential buyers. They will handle initial outreach, communicate with interested parties, and begin the process of narrowing down the list of serious contenders.

Timeline

This step can take anywhere from a few weeks to a couple of months depending on the level of interest and the complexity of your business.

4. Non-Disclosure Agreements (NDAs)

Interested buyers that want to learn more will need to sign a non-disclosure agreement (NDA) to ensure confidentiality. Once signed, your advisor will provide them with more detailed information about your business, such as financials, operations, and growth opportunities.

Timeline

Collecting NDAs and sharing detailed information usually takes a few weeks, but it varies depending on how quickly buyers respond.

5. Management Meetings

The next step is to hold management meetings with the most serious potential acquirers. These meetings allow potential buyers to meet with you and your team, ask questions, and gain a deeper understanding of how your business operates. It's also your chance to assess whether the acquirer is a good fit for your company.

Timeline

Scheduling and conducting management meetings can take several weeks or more depending on the availability of both parties and the number of buyers involved.

6. Soliciting Letters of Intent (LOIs)

After your management meetings, serious acquirers may submit a Letter of Intent (LOI) outlining their offer, including price, payment structure, and any other key terms. This is the formal step where acquirers show their intention to move forward with the purchase.

Timeline

Collecting and reviewing LOIs can take anywhere from a few weeks to a couple of months as buyers finalize their offers and terms.

7. Signing an LOI (with a "No Shop" Clause)

Hopefully you'll receive one or more offers in the form of a non-binding Letter of Intent. This is a relatively formal offer to acquire your business and outlines the proposed purchase price and key deal terms.

A few important things to keep in mind:

- An LOI is typically non-binding, meaning either party can walk away at any time without penalty, unless there's a breakup clause, which is rare in smaller acquisitions.
- Most LOIs include a "no shop" clause, which prevents you from negotiating with other potential buyers.

Signing an LOI with a "no shop" clause means you're giving up negotiation leverage, so it's crucial to be comfortable with the terms and confident the buyer is serious about moving forward. Talk to your lawyer before signing anything.

Timeline

Most M&A advisors will encourage prospective acquirers to submit their offers within a similar time-frame to maximize competitive tension. They'll also want you to review and provide feedback promptly to enhance the chances of generating tension and securing the best deal for your business.

8. Diligence

After signing an LOI, the diligence phase begins. This is where the acquirer conducts a thorough examination of your business, reviewing everything from financials to legal documents. They will want to confirm that everything is in order before moving forward with the final purchase.

Timeline

Due diligence can take anywhere from 30 to 90 days or more depending on the complexity of your business.

Why This Takes Time

Each of these steps is essential to securing the best deal for your business, and taking the time to do it right increases your chances of success. Buyers need time to fully evaluate the opportunity, while sellers have the chance to showcase their business at its best. With the support of an experienced M&A advisor, you can navigate each stage smoothly and confidently. Though the process may take six to twelve months (or more), the goal is to ensure you achieve the best possible outcome for your future.



PART 3

Transition

3 Questions to Answer in the Transition Phase:

1. How will you define success for yourself during this period?

2. How will you ensure a smooth transition for both you and the buyer?

3. How much risk are you willing to take on?

After selling your business, you might feel like you've crossed the finish line, but in reality, the transition is just beginning. Your acquirer is going to want to engage you to help them capitalize on what they have bought.

This phase, which can last anywhere from three to seven years (though in some cases it may be shorter), is when the full handoff takes place. All-cash deals, where the seller walks away immediately, are rare. Depending on how your deal is structured, you will likely remain involved with your business in some capacity, whether through an earnout, equity roll, or vendor takeback loan. Each of these options has its pros and cons, and how you manage them will shape your post-sale experience.

Let's break down the three most common ways an acquirer will tie you to the future success of your business under their ownership:

Earnout: Chasing the Carrot

An earnout gives you the chance to get more from the sale of your business. In an earnout, part of your acquisition payout is at risk and contingent on you achieving goals set out by the acquirer post-sale.

Earnouts are common in service businesses and help bridge the gap between what you want and what a buyer is ready to pay up front. It shows the buyer you're confident in the future while giving you the opportunity to benefit as your business continues to succeed under their ownership.

Pros

Higher Potential Payout

If the business thrives under new ownership, you stand to gain more than you would have with a straight cash deal.

Smooth Transition

Earnouts often encourage you to stay involved in your business, offering the buyer continuity and giving you the opportunity to ensure the company's success, at least for the short term.

Cons

Uncertainty

The downside to an earnout is that your payout hinges on factors you can't always control. A buyer may make decisions you wouldn't have, and these could impact the performance of your business.

Potential for Conflict

Earnouts can lead to disagreements between the acquirer and seller, especially if performance benchmarks aren't clearly defined and budgeted for so they can be achieved. It's important to outline specific terms up front to avoid any misunderstandings.

Earnouts work well if you're confident in your business's continued growth and are willing to stay on board, but they also come with risk

Earn Out Case Study

How Jeff Archibald Turned a 3x Offer into a 5x Win



When marketing firm ZGM approached Jeff Archibald with a **3x EBITDA offer**, he didn't just settle. He worked with the acquirer to design a unique earnout structure that minimized their collective downside while ultimately netting Jeff close to **5x EBITDA**. Jeff described his story in detail on the Built to Sell Radio podcast. Built to Sell Radio boasts more than three million downloads and is the ultimate insider's guide to approaching the most important financial transaction of your life. In this episode, Jeff shared the strategies he used to negotiate a better deal, the importance of a well-structured earnout, and how he aligned interests with his acquirer.

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Equity Roll: Retaining a Stake in the Future

With an equity roll, you sell your business but reinvest some of the proceeds into a new entity created by the buyer to house your company. Typically you'll also be expected to stay on and help grow your business post-sale, working alongside the new owners to drive future success and ensure the second tranche of your equity is sold at a higher value in the future.

Pros

Ongoing Involvement

Rolling equity lets you continue to benefit from your business's future success. If the company grows post-sale, the value of your retained equity increases, giving you a second potential windfall down the line.

Shared Goals

Because you still hold equity, your interests remain aligned with the buyer. Both parties are incentivized to ensure the business's growth and profitability.

Cons

Partial Exit

You're not completely free of your business. Depending on the buyer's vision, this may mean having less control while still bearing some financial and emotional ties to the company.

Takes Time to Pay Off

Equity rolls are typically used by private equity buyers, who usually hold onto a business for five to seven years. This means you'll likely need to stay on for at least that long to fully realize the value of the equity you've rolled into the new entity. If you're looking for a quick exit, this might not be the best option.

An equity roll can be a compelling choice if you believe in the future growth of your business and are prepared to stay actively involved in your company's success. In most cases, you'll be expected to continue leading your business and working alongside the new owners for several years.

Equity Roll Case Study

The Hidden Risks of Taking Stock as Payment from Your Acquirer



Pete Neubig started his entrepreneurial journey buying \$35,000 houses with small down payments. After amassing 60 homes, he realized there was more money in managing properties for others, so he shifted focus to building a property management company, handling maintenance and rent collection for over 1,000 homes.

When Pete and his business partner were approached by Mind Property Management—a rapidly growing, tech-enabled property management company—with a **\$4.6 million offer** valued at **1.75x revenue**, they accepted a deal that included 60% upfront cash, 20% deferred cash installments, and 20% equity in the acquiring company. Despite initial optimism, Pete's experience underscored the risks of an equity roll: While he expected future gains, the stock he received dropped to ten cents on the dollar, eroding its original \$900,000 value to around \$90,000.

In this episode of Built to Sell Radio, Pete discussed the highs and lows of his equity roll deal, including his approach to negotiating payout terms, the challenges of staying involved post-sale, and insights on why cash up front often beats deferred equity.

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Vendor Takeback Loan: Becoming the Lender

This route is a form of seller financing where you, as the seller, step in as the lender for part of the purchase price. Instead of receiving full payment up front, you offer financing to help the buyer complete the purchase, with an agreement for them to pay you back over time.

Pros

Facilitates the Sale

This approach can make it easier to secure a buyer, especially if they're struggling to obtain all the traditional financing needed. In many cases, the buyer will secure a loan from a bank for part of the price, while you, as the seller, finance the remaining portion that the bank won't cover.

Earn Interest

As the lender, you'll earn interest on your loan that's generally higher than what you'd get at a bank, providing you with a steady stream of income over the loan period in addition to the principal repayment.

Cons

Risk of Default

With a vendor takeback loan, the biggest risk is that the buyer might default on the loan, especially if the business struggles after the sale. If the buyer has also borrowed from a bank, the bank will be first in line to get paid in the event of a default. This means that if things go wrong, the bank will be repaid in full before you, the seller, receive anything.

Delayed Payout

Unlike a clean sale, a vendor takeback loan delays your full payout, meaning you won't walk away with the entire purchase price right away.

Becoming a lender works well if you're confident in the buyer's ability to succeed and want to provide them with the support they need to complete the transaction. However, you're taking on the risk of delayed or incomplete payment, so it's important to weigh this option carefully.

Vendor Takeback Loan Case Study

How Mac Lackey Used a Vendor Takeback Loan to Create a Flexible Exit



When Mac Lackey decided to transition ownership of his rapidly growing youth soccer business, iSoccer, to his younger partners, he used a vendor takeback loan to make the deal feasible. Lacking the resources for a full buyout, his partners benefited from this flexible arrangement, which allowed them to pay Mac in installments using the company's profits.

As Mac detailed on Built to Sell Radio, he negotiated for over 50% of the payout as cash at close, providing him with immediate liquidity, while the remaining amount was structured over five years as monthly installments. To motivate early repayment, he built in incentives that would reduce the overall cost if his partners accelerated payments. Additionally, he secured an equity ratchet, giving him the right to reclaim equity if the payments were not met.

This structure enabled Mac to exit smoothly while ensuring the business stayed financially stable, setting his partners up for long-term success.

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Conclusion

While it may feel like a race at times, selling your business is not a simple baton pass—it's more like a long, slow goodbye. Each phase is an essential step toward achieving your endgame. From laying the groundwork to preparing for negotiations and managing the transition, every choice you make shapes both your personal future and the future of your business.

And remember, you don't have to go through this journey alone. Engaging with the right professional advisor(s) can make all the difference. They'll help you avoid pitfalls, streamline the process, and work with you to secure the best possible deal. Getting help is one of the smartest decisions you can make.

If you haven't started already, the best time to start is right now. The next chapter of your life—and your business—is waiting, and with the right guidance, you can approach it with confidence, knowing you've made the right decisions for your future.

