



Seller's Readiness Checklist

As a business owner, the sale of your company will probably be the largest financial transaction of your life. Here are some key issues you should consider and discuss with an M&A Advisor:

Accounting Records. Very few middle-market companies have perfect, GAAP-compliant financial statements. However, you should have ready access to accurate, complete, and up-to-date financial data (e.g., QuickBooks files, Excel worksheets, and tax returns) which will allow a Quality of Earnings (QoE) analysis to be performed. Three to five years of history is typical. By identifying add-backs and making other favorable corrections, QoEs often increase Adjusted EBITDA levels, resulting in more attractive bids.

Succession. Think through a workable plan for post-transaction leadership of the company. That may include your (or current management's) desire to remain long term, or willingness to stay for a transition period until a suitable replacement can be hired. Retention terms are highly negotiable.

Upside Opportunities. If you have an M&A advisor who is an experienced executive, brainstorm ways a new owner could improve the business (derivative products to leverage existing designs, reducing cycle times to free up working capital, entering new market segments to boost revenue, streamlining production to improve gross margins, etc.). If properly presented in marketing materials, buyers will build these upside opportunities into their Discounted Cash Flow analyses and valuation models, leading to higher bids.

Unsolicited Offers. I'm sure you've been approached by people who want to buy your business. These inquiries often result in offers that are much lower than what the company could bring in a professional, competitive process run by an M&A expert. Don't sell yourself short.

Consideration. Buyers' offers often include multiple forms of consideration: cash, rollover equity, seller notes and earn-outs. Discuss with an M&A advisor the relative value and risks of each considering the particular buyer involved. While cash is king, many sellers have made handsome returns on rolled equity.

Legal Disputes. Outstanding legal problems should be settled or otherwise resolved. But if not, and the issues are not overly material, buyers will often accept an escrow at closing to protect against liability.

Tax and Wealth Management. The structure of the transaction will drive the tax treatment of the proceeds you receive. Consider that impact carefully and develop a plan for deploying your after-tax proceeds.

Personal Bandwidth. Selling a company requires a great deal of the owner's time and attention, more than most sellers anticipate. Make arrangements so you are prepared to commit to the process.

Selling your company can be a rewarding experience in a number of ways. Outcomes are strongest when owners engage in thoughtful preparation from the outset. To receive my bi-weekly newsletter with insights on running and selling a company, [email](mailto:kevingould@peakstone.com) me or go to kevingouldadvisory.com



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