



BUSINESS SELLING PREPARATION GUIDE

**A practical value-building guide for owners of
business enterprises**

THE OBJECTIVE Build a company buyers can understand, trust, finance and operate without you.

If you are considering selling your business in the next 6 months to 5 years, this guide will assist you in maximizing your value and helping the process work better for you.

ROCK ROYAL | CONFIDENTIAL CLIENT GUIDE

Exit readiness is a business operating system

This guide is designed to produce better decisions now—not merely a cleaner sale process later.

A premium exit is rarely created in the final negotiation. It is accumulated through repeatable revenue, dependable leadership, credible records, low concentration risk and a clear growth story. Those same characteristics also make the company easier to lead and more resilient if the owner ultimately chooses not to sell.

WORKING PRINCIPLE Enterprise value rises when future cash flow becomes more believable and less dependent on any one person, customer, channel or event. CASH FLOW is the number one driver of business value and transferability.

Use the guide in a 90-day cycle

WEEK	FOCUS	OUTPUT
1	Score readiness	Choose the three largest value gaps.
2-4	Assign owners	Name one accountable leader and one metric per gap.
5-10	Build evidence	Install the process, run it and retain proof.
11-12	Review	Measure progress, resolve exceptions and reset priorities.

A simple readiness score from Checklist at the back of the Guide

- Green: buyer-ready, consistently followed and supported by evidence.
- Amber: partially built or reliant on informal knowledge.
- Red: absent, unreliable or controlled only by the owner.

Action steps

	COMMIT BEFORE THE NEXT REVIEW
1	Complete the 50-point checklist with your leadership team; compare scores, not opinions.
2	Select three red items that could materially affect valuation or deal certainty.
3	Schedule a monthly or weekly exit-readiness review, even if a sale is years away.



Adopt the exit mindset

Shift from owning a demanding job to owning a transferable asset.

EXIT LENS Run every improvement through one question: would a capable buyer pay for this result if the founder or present owner were unavailable?

Separate identity from enterprise

Owners often confuse personal indispensability with business strength. Buyers typically see the opposite: concentration of knowledge, relationships or approvals in the owner creates transition risk.

Define the target before the tactics

Clarify desired timing, proceeds goal, preferred role after closing, non-financial priorities and acceptable buyer types. This prevents contradictory investments and rushed decisions.

Think like an acquirer

A buyer is purchasing future performance/cash flows and the confidence that it will transfer. Make risk visible, then reduce it systematically. Treat emotional attachment as context—not valuation evidence.

- Replace heroic problem-solving with documented management routines.
- Track leading indicators, not only historical revenue and profit.
- Create options: strategic sale, financial buyer, internal transfer or continued ownership.

Action steps

	COMMIT BEFORE THE NEXT REVIEW
1	Write a one-page owner exit brief covering timing, money, role and legacy.
2	Identify the five decisions only the owner can make today; delegate one within a week to 30 days.
3	Set a monthly or quarterly owner-dependence target and review it with the leadership team.



Increase transferable value

Convert know-how, relationships and performance into assets that survive a change in ownership.

EXIT LENS Value is transferable when a new owner can reproduce the economics without relying on undocumented history or founder intervention.

Build the transferability stack

Strong companies combine a focused offer, defined customer profile, repeatable delivery, documented controls, protected intellectual property and evidence that each system is actually used.

Productize where practical

A narrower, well-defined offer is easier to sell, price, train, measure and scale than a collection of custom promises. Standardization does not eliminate flexibility; it creates a profitable default.

Create proof, not binders

Policies matter only when operating evidence supports them.

- Current process owners and version dates.
- System reports showing compliance and outcomes.
- Training records, exception logs and corrective actions.
- Contracts, licenses and IP assignments in the correct legal entity.

Action steps

	COMMIT BEFORE THE NEXT REVIEW
1	Map the customer journey from first contact through renewal; mark every founder touchpoint.
2	Select one high-volume service and define its standard scope, price logic and delivery steps.
3	Create a transferability evidence index linking each critical process to its owner and proof.



Reduce owner dependence

Make the owner valuable by choice, not necessary by design.

EXIT LENS The aim is not an absent owner; it is a business that performs predictably if the owner steps away.

Measure the dependency

Track founder-controlled revenue, approvals, customer relationships, technical knowledge and problem escalation. Use a decision log for 30 days to expose hidden dependence.

Install decision rights

For recurring decisions, define who recommends, decides, executes and must be consulted. Pair authority with thresholds and a clear escalation path.

Test the system

Run graduated absence tests and study the exceptions.

- 48 hours with no operational decisions.
- One full week with only scheduled updates.
- Two weeks with no direct customer or employee intervention.
- A board-style review led by the management team.

Action steps

	COMMIT BEFORE THE NEXT REVIEW
1	Create a founder-dependency heat map across sales, operations, finance, people and product.
2	Move three recurring approvals to named leaders with written thresholds.
3	Schedule a one-week absence test within 90 days and record every breakdown.



Prepare financials buyers can trust

Turn reported performance into defensible, decision-useful evidence.

EXIT LENS Clean financials do not guarantee a premium; unclear financials can prevent one.

Close quickly and consistently

Use accrual accounting where appropriate, a disciplined monthly close and documented reconciliations. Compare actuals to budget and explain variances.

Separate performance from adjustments

Maintain a conservative schedule of owner compensation, discretionary items, nonrecurring costs and unusual gains. Each adjustment needs a business rationale and supporting documentation. The fewer the add backs, the fewer the potential risks for a buyer.

Expose unit economics

Buyers want to understand how growth converts to cash.

- Revenue and gross margin by customer, offer and channel.
- Backlog, bookings, churn, retention and recurring revenue where relevant.
- Working-capital seasonality and capital expenditure needs.
- Cash conversion, aged receivables and deferred revenue.
- Physical inventory counts reconciled to the ledger, with obsolete and slow-moving items identified.

Action steps

	COMMIT BEFORE THE NEXT REVIEW
1	Shorten the monthly close to 15 days or less, then target 10.
2	Build a trailing-36-month quality-of-earnings bridge with supporting documents.
3	Create a monthly dashboard for revenue quality, gross margin, working capital and cash conversion.



Build growth systems

Make growth a repeatable mechanism rather than a forecast built on optimism.

EXIT LENS A credible growth story links a defined market, a repeatable acquisition engine, capacity and measurable economics.

Choose the constraint

Growth is often limited by one dominant bottleneck: demand, sales conversion, delivery capacity, talent, working capital or leadership bandwidth. Solve the current constraint before spreading effort.

Create a growth equation

Translate strategy into measurable drivers.

Compound modest gains

Small, measured improvements across several commercial drivers can multiply rather than merely add. Test improvements against gross profit, cash needs and operational capacity—not revenue alone.

- Track lead volume and source quality.
- Improve conversion and average transaction value.
- Increase customer lifetime value, referrals and retention.
- Use a centralized sales system with clear stages and follow-up rules.
- Maintain a capacity plan before committing to growth.

Action steps

	COMMIT BEFORE THE NEXT REVIEW
1	Baseline the commercial drivers and select no more than two target areas for the next 90 days.
2	Build a 12-month driver-based forecast with base, upside and downside cases.
3	Stop or redesign one initiative that does not reinforce the proven core.



Strengthen the leadership team

Create a team capable of carrying strategy, accountability and change through a transaction.

EXIT LENS A buyer pays more when leaders own outcomes, understand the numbers and intend to stay.

Fill roles, not titles

Define each leadership role by outcomes, decision authority, metrics and critical interfaces. Avoid designing the organization around current personalities.

Create operating cadence

A practical rhythm includes weekly operating reviews, monthly financial reviews, quarterly priorities and an annual strategic reset. Meetings should produce decisions, owners and dates.

Protect continuity

Address retention and succession before a sale is announced.

- Identify key-person risk and at least one successor for every critical role.
- Use market-aligned compensation and carefully designed retention incentives.
- Document employment, confidentiality, invention-assignment and non-solicitation terms as legally appropriate.
- Assess whether leaders can present the business without the owner.

Action steps

	COMMIT BEFORE THE NEXT REVIEW
1	Write one-page role scorecards for every leadership position.
2	Run next month's financial review with leaders presenting their own metrics and corrective actions.
3	Create a confidential key-person retention and succession plan with qualified legal and tax advisors.



Diversify customers and revenue

Reduce the chance that one relationship can change the outcome of the deal.

EXIT LENS Concentration is not merely a percentage; it is the combined risk of revenue, margin, contract strength and relationship transferability.

Measure concentration honestly

Review revenue and gross profit by customer, channel, product, geography and supplier. Show trends over at least three years and identify correlated risks.

Improve revenue quality

Recurring, contracted or highly repeatable revenue is usually easier to underwrite when retention, pricing and delivery obligations are clear.

Transfer relationships

Institutionalize important accounts.

- Assign executive sponsors and operational contacts beyond the owner.
- Maintain current contracts, renewal dates, pricing history and service commitments.
- Track net retention, churn reasons, customer health and reference ability.
- Build a targeted pipeline that dilutes concentration with attractive-fit revenue.

Action steps

	COMMIT BEFORE THE NEXT REVIEW
1	Calculate top-1, top-5 and top-10 customer percentages for revenue and gross profit.
2	Create a transition plan for every relationship where the owner is the primary contact.
3	Set a 12-month concentration-reduction target that protects margin quality.



Get due-diligence ready

Build a clean, searchable record of the company before a buyer controls the timetable.

EXIT LENS Good diligence preparation does more than accelerate a deal: it finds issues while the owner still has time and leverage to fix them.

Create a controlled data room

Use an indexed repository with permissions, naming conventions, document owners and review dates. Do not upload inconsistent drafts or unsupported schedules.

Resolve defects early

Common problems include expired contracts, undocumented related-party transactions, missing IP assignments, worker classification questions, sales-tax exposure, privacy gaps and inconsistent employment files.

Prepare management for scrutiny

Every important claim should reconcile across the financials, operating reports, contracts and management narrative.

- Corporate records and ownership history.
- Financial, tax, debt and working-capital records.
- Customer, vendor, employee and benefit documents.
- Legal, regulatory, insurance, cybersecurity and IP materials.
- Commercial pipeline, pricing, operations and strategy evidence.
- Physical assets and inventory that agree with records and fair-market condition.

Action steps

	COMMIT BEFORE THE NEXT REVIEW
1	Create a diligence index and assign an owner and freshness date to every category.
2	Ask legal, tax and insurance advisors to conduct a targeted pre-sale risk review.
3	Reconcile the top 20 management metrics to source systems and financial statements.



Understand valuation drivers

Manage the variables that shape price, structure and certainty—not just the headline multiple.

EXIT LENS Enterprise value is a negotiation about durable cash flow, risk, growth and the buyer's alternatives.

Focus on normalized economics

Buyers typically begin with maintainable earnings or cash flow, then test the quality, capital needs and risks behind it. Aggressive adjustments can weaken credibility.

Know the premium drivers

The most defensible premiums combine attractive growth with low execution risk.

- Consistent organic growth and resilient margins.
- High retention, recurring revenue and favorable contract terms.
- Low owner, customer, supplier and employee concentration.
- A credible management team and scalable capacity.
- Clean records, defensible IP and limited contingent liabilities.

Price is only one term

Evaluate cash at close, rollover equity, earnouts, working-capital targets, escrows, representations, tax treatment and transition obligations together. If seller financing is considered, underwrite the buyer, collateral, guarantees, rate, term and downside recovery with qualified advisors.

Action steps

	COMMIT BEFORE THE NEXT REVIEW
1	Build a valuation range using multiple methods and conservative assumptions with a qualified advisor.
2	Rank the five value drivers most likely to change price or deal structure in your business.
3	Create a personal proceeds model that estimates taxes, debt repayment, fees and contingent consideration.



Protect deal readiness and confidentiality

Prepare the company to absorb a process without distracting the business.

EXIT LENS The best sale process preserves performance while information demands, emotion and uncertainty increase.

Build a small transaction team

Define the owner, internal coordinator, M&A advisor, transaction counsel, tax advisor and wealth advisor roles before launch. Limit knowledge to those who need it.

Control the narrative

Prepare accurate, consistent explanations for historical results, anomalies, customer concentration, growth investment and the owner's transition.

Maintain operating discipline

A missed quarter during a process can change both price and leverage.

- Separate transaction work from weekly operating reviews.
- Use secure communications and controlled document access.
- Prepare contingency plans for leaks, key-person departures and buyer delays.
- Keep investing in the business until a transaction is certain.

Action steps

	COMMIT BEFORE THE NEXT REVIEW
1	Name the internal transaction coordinator and define confidentiality protocols.
2	Draft a two-page management narrative covering history, strategy, results, risks and opportunity.
3	Create a downside operating plan that protects cash and customer service during a prolonged process.



Design the owner's transition

Align business readiness with personal, financial and leadership readiness.

EXIT LENS A technically successful sale can still fail the owner if life after closing, liquidity and purpose were left undefined.

Plan the transition role

Clarify what the company needs after closing and what the owner is genuinely willing to provide. Consider time, authority, compensation, restrictive covenants and emotional fit.

Coordinate wealth and tax planning early

Some planning opportunities require meaningful lead time and must be evaluated before a transaction is imminent. Work with qualified advisors; avoid letting tax strategy distort business fundamentals.

Prepare for the identity shift

Create a post-exit calendar, decision framework and support network.

- Define family and legacy priorities.
- Test advisory, investing, philanthropic or operating roles before closing.
- Set boundaries for buyer communications and former-employee relationships.
- Build a 12-month personal transition plan.

Action steps

	COMMIT BEFORE THE NEXT REVIEW
1	Write the ideal and maximum acceptable post-close role in specific terms.
2	Convene the tax, estate and wealth team well before accepting an offer.
3	Schedule three post-exit experiments that test purpose without creating a permanent commitment.

Choose the path that matches your runway

The shorter the timeline, the more ruthlessly the work must focus on deal certainty and material risk.

RUNWAY	PRIMARY AIM	PRIORITIES
6 months	Protect certainty	Clean financials; resolve legal/tax defects; data room; management narrative; customer and key-person retention; advisor team.
1 year	Improve evidence	Complete 12 months of disciplined closes and KPI history; transfer relationships; install leadership cadence; demonstrate forecast reliability.
3-5 years	Compound value	Redesign the offer; diversify revenue; build leadership depth; invest in systems and recurring economics; create multiple strategic options.

90-day sprint worksheet

PRIORITY	BASELINE	90-DAY TARGET	OWNER
1. _____	_____	_____	_____
2. _____	_____	_____	_____
3. _____	_____	_____	_____
4. _____	_____	_____	_____

DECISION RULE If an initiative does not improve future cash flow, reduce material risk, strengthen transferability or increase strategic options, challenge its place in the exit plan.

Action steps

	COMMIT BEFORE THE NEXT REVIEW
1	Select the correct runway and circle the five priorities that matter most.
2	Translate each priority into a metric, accountable owner and evidence requirement.
3	Review progress monthly; re-score the checklist every quarter.

Buyer confidence narrative

Prepare concise, evidence-backed answers before management meetings begin.

Why does this company win?

Customer problem, differentiated promise, proof and defensibility.

Why will growth continue?

Market, pipeline, conversion, capacity and economics.

Why will customers stay?

Retention history, contracts, switching costs, service model and relationship depth.

Why can the team operate without the owner?

Decision rights, leadership results, succession and absence-test evidence.

Why are the numbers trustworthy?

Close process, reconciliations, source systems, adjustments and forecast accuracy.

What could go wrong?

Concentrations, legal/tax issues, cyclicalities, key people and mitigation.

Action steps

	COMMIT BEFORE THE NEXT REVIEW
1	Draft each answer in no more than 75 words.
2	Attach at least one objective proof source to every material claim.
3	Have a leader—not the owner—present the narrative and answer follow-up questions.



Premium exit readiness score

Mark G (green), A (amber) or R (red). Add evidence—not optimism.

Green = 2 points | Amber = 1 point | Red = 0 points

#	AREA	READINESS TEST	G/A/R
1	Strategy & owner readiness	Written exit objectives cover timing, proceeds, role and legacy.	—
2	Strategy & owner readiness	Shareholders agree on decision rights and major transaction priorities.	—
3	Strategy & owner readiness	Owner has an after-tax proceeds model and personal financial plan.	—
4	Strategy & owner readiness	Likely buyer types and transaction paths have been evaluated.	—
5	Strategy & owner readiness	A qualified advisory team can be activated without delay.	—
6	Transferability & owner independence	Core offers, pricing logic and delivery standards are documented.	—
7	Transferability & owner independence	Critical processes have named owners and operating evidence.	—
8	Transferability & owner independence	Founder-controlled approvals have defined delegation thresholds.	—
9	Transferability & owner independence	Key customer and supplier relationships extend beyond the owner.	—
10	Transferability & owner independence	The company has successfully passed a one-week owner absence test.	—
11	Financial quality	Monthly accrual financial statements close within 15 days.	—
12	Financial quality	Balance-sheet accounts are reconciled and reviewed monthly.	—
13	Financial quality	Three years of statements, tax returns and trial balances reconcile.	—
14	Financial quality	Owner and nonrecurring adjustments are conservative and supported.	—
15	Financial quality	Revenue, gross margin and contribution are visible by meaningful segment.	—
16	Growth & commercial engine	Ideal-customer criteria and disqualifiers are documented.	—



#	AREA	READINESS TEST	G/A/R
17	Growth & commercial engine	Pipeline stages, conversion rates and sales-cycle length are measured.	—
18	Growth & commercial engine	Growth forecasts are driver-based and capacity-tested.	—
19	Growth & commercial engine	Pricing governance and discount authority are consistently applied.	—
20	Growth & commercial engine	Retention, churn and expansion are measured where relevant.	—
21	Leadership & people	Leadership roles have outcomes, metrics and decision authority.	—
22	Leadership & people	Weekly, monthly and quarterly operating cadences are established.	—
23	Leadership & people	Successors or contingency coverage exist for critical roles.	—
24	Leadership & people	Key-person retention risks and incentives have been reviewed.	—
25	Leadership & people	Employment, confidentiality and IP agreements are current.	—



Premium exit readiness score

Mark G (green), A (amber) or R (red). Add evidence—not optimism.

#	AREA	READINESS TEST	G/A/R
26	Concentration & resilience	Top-1, top-5 and top-10 customer concentration is tracked.	—
27	Concentration & resilience	Customer concentration is measured on revenue and gross profit.	—
28	Concentration & resilience	Supplier, channel, geography and employee risks are assessed.	—
29	Concentration & resilience	Material customers have current contracts and renewal plans.	—
30	Concentration & resilience	Insurance coverage and business continuity plans are current.	—
31	Legal, tax & compliance	Corporate records, ownership and capitalization are accurate.	—
32	Legal, tax & compliance	Material contracts are signed, current and readily searchable.	—
33	Legal, tax & compliance	IP is owned by the proper entity with assignments on file.	—
34	Legal, tax & compliance	Tax filings, nexus exposure and worker classifications were reviewed.	—
35	Legal, tax & compliance	Litigation, regulatory, privacy and cybersecurity issues are documented.	—
36	Diligence readiness	A controlled data room follows a complete diligence index.	—
37	Diligence readiness	Every data-room category has an owner and freshness date.	—
38	Diligence readiness	Management KPIs reconcile to source systems and financials.	—
39	Diligence readiness	Known issues have remediation plans, owners and deadlines.	—
40	Diligence readiness	Management can explain historical results and anomalies consistently.	—
41	Valuation & deal structure	A credible valuation range uses normalized economics.	—
42	Valuation & deal structure	The five largest value drivers have measurable improvement plans.	—
43	Valuation & deal structure	Working-capital seasonality and a	—



#	AREA	READINESS TEST	G/A/R
		likely peg are understood.	
44	Valuation & deal structure	Debt, liens and change-of-control provisions are documented.	—
45	Valuation & deal structure	Price, rollover, earnout, escrow, tax and transition terms are modeled.	—
46	Transaction execution	A confidential internal transaction team is designated.	—
47	Transaction execution	Customer and employee communication scenarios are prepared.	—
48	Transaction execution	Management can lead buyer presentations without the owner.	—
49	Transaction execution	The operating plan protects performance during a sale process.	—
50	Transaction execution	The owner has clear walk-away terms and decision criteria.	—

Score and prioritize

Green = 2 points | Amber = 1 point | Red = 0 points. Total: _____ / 100

INTERPRETATION 85-100: strong foundation | 70-84: targeted improvement | 50-69: material readiness gaps
| Below 50: build value before launching a process.



Build optionality before you need it

The strongest exit plan is also a stronger operating plan.

A premium outcome is never guaranteed. Markets change, buyers price risk differently and deal structure can matter as much as headline value. Yet owners can materially improve their position by building a company that produces reliable results, develops leaders, distributes knowledge and maintains decision-quality records.

ROCK ROYAL PRINCIPLE Do the work that makes the company worth owning. The sale process should reveal that value—not manufacture it.

Leadership commitment

Our three priorities

Executive sponsor

90-day review date

Evidence we will produce

Conceptual influences and professional-use note

This guide uses original wording and synthesizes broadly recognized value-building, specialization, scaling and exit-readiness principles associated with John Warrillow’s Built to Sell; Benjamin Hardy’s The Science of Scaling; and other business transition guides. It does not reproduce proprietary passages, examples or worksheets.

This guide is educational and is not legal, tax, accounting, investment or valuation advice. Engage qualified advisors for decisions specific to your company, owners and jurisdiction.



Build value. Create options. Exit on purpose.



ROY STEPHENS

Founder | M&A Advisor | Rock Royal

Business owners typically have one opportunity to sell the company they have spent decades building. Roy believes that moment deserves more than a broker—it deserves a trusted advisor, disciplined strategist, and experienced negotiator committed to protecting both the financial outcome and the owner's legacy.

Before founding Rock Royal, Roy built more than 35 years of experience in finance, investment management, and business advisory services with organizations including Goldman Sachs, Merrill, and Sunbelt Business Brokers. A Princeton University graduate, he evaluates transactions from the perspectives of business owners, investors, lenders, and buyers, combining financial sophistication and understanding of each party's priorities.

Clients value Roy for his calm, analytical approach and his ability to navigate complex negotiations without losing sight of the people behind every transaction. He believes successful deals are built on preparation, thoughtful listening, and earning trust long before signatures are placed on closing documents. When not working, Roy enjoys pickleball, golf, hunting, and time, including traveling, with his wife, daughter, and son.

Credentials and history include:

CERTIFIED FINANCIAL PLANNER™ (CFP®)

Certified Main Street Business Broker (CMSBB)

Certified Valuation and Exit Planning Professional (CVEPP)

Enrolled Agent authorized by the Internal Revenue Service

FINRA Registered Investment Adviser Representative

Arkansas Real Estate License

Nevada Private Investigator License (inactive)

National Security Clearance regarding the B-2 Spirit Stealth Bomber program with Northrop Grumman

Roy founded Rock Royal on a simple principle: **business owners deserve to be treated like royalty.** Every engagement reflects that commitment through objective advice, unwavering confidentiality, and rock-solid negotiation designed to help owners realize the full value of what they have built.

