



# THE BUSINESS SALEABILITY SCORECARD





## Overview

This Business Saleability Scorecard has been developed based on our many years of experience as both founders of businesses, and as advisors working with hundreds of companies in M & A and financing transactions. It is primarily designed for small to mid-sized tech or tech-enabled companies although most of the metrics will apply to any type of business.

This scorecard is not intended to be a comprehensive assessment of your business. It is a simple tool that will give a business owner an indication of how ready their business is currently for a sale transaction and whether they may need to seek out professional help. It should only take about 15 minutes to complete and we hope you find it useful!

# How ready is your business to be sold?

YES

NO

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1

Are you emotionally ready to part with the business you have poured blood, sweat, and tears into and move on to the next stage of your career, without reservation?

2

Do you have realistic valuation expectations for the business that are based on market research for comparable companies?

3

Are you prepared to stay on with the business for a year or longer after it is sold to ensure a smooth transition?

4

Do you have a layer of strong senior management beneath you that can operate the business without you?

5

Do you have a strong team of professional advisors that you can lean on to help ready your company for a sale? (Answer Yes if you have spoken to an M & A advisor, a tax advisor, and an M & A lawyer to begin to plan for an exit)

6

Do you have an internal strategic plan that maps out the company's long-term growth strategy and identifies potential acquirers and/or an exit plan?

7

Have you done an internal assessment of how you might be able to align your product strategy, sales channels, revenue model, or technology platform (for tech or tech-enabled companies) to create synergies with your ideal buyer?

8

Do you have at least 3 years of historical "Review Engagement" financial statements with a mid to large-size accounting firm and do you follow GAAP accounting methods?

9

Do you have a structured annual budgeting process and forward-looking financial forecasts?

10

Is your Balance Sheet relatively clean with no uncollectible receivables, dead or obsolete inventory, personal loans, or non-arms' length liabilities?

11

Do you have a complete organizational chart showing the current organization and how it may evolve over time as the company grows? Do your employees have documented roles, responsibilities, and performance metrics, and do their compensation plans align with these key metrics? (Only answer Yes if it is true for both questions)

12

Do you have any major operational inefficiencies in the business that are eroding your bottom line such as excess overhead, unnecessary staff, legacy expenses, or major marketing or development initiatives that won't pay dividends in the short term?

13

Do you have any outstanding or potential legal issues that are unresolved (such as pending or potential lawsuits, regulatory issues, etc.) that could come up in due diligence?

14

Have you looked at your corporate share structure with your lawyer and your accountant to determine whether this has been constructed in the most tax-efficient manner?

15 Have your revenues grown consistently over the past 3 - 5 years?

16 Has your EBITDA (Earnings Before Interest, Tax, Depreciation & Amortization) grown consistently over the last 3 years?

17 Are you in an industry or business segment that is growing, and have you done any market research to validate growth rates and market size?

18 Does your business have a low customer concentration risk (i.e., one customer does not account for > 20% of revenues or a small number of customers (3 - 5) do not account for > 50% of revenues)?

19 Is there a recurring revenue component to your business or other longer term "sticky" revenue and is it something that can be grown over time?

20 Do you have an employee handbook, a documented employee onboarding process and established written policies and procedures for your most critical processes and functions?

TOTAL SCORE: / 30

Any score less than 24 means you may need to reassess whether your company is ready for a sale and whether you should hire professional advisors to assist with getting you ready.

Book a call with an Apex advisor

