

THE EXIT CONVERSATION MOST BUSINESS OWNERS NEVER HAVE

A Lever 6 Capital Transaction Readiness Briefing

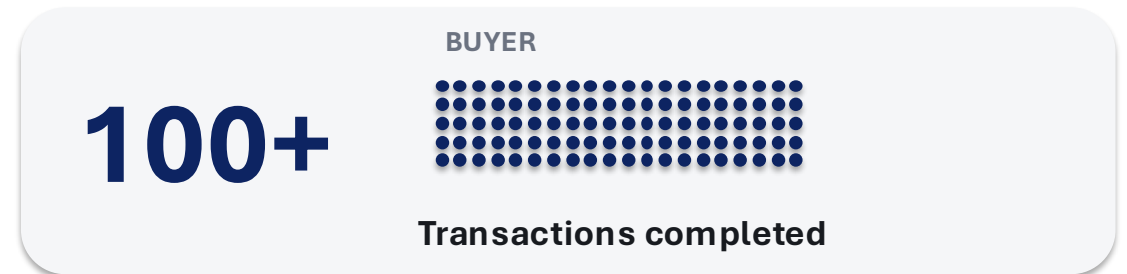
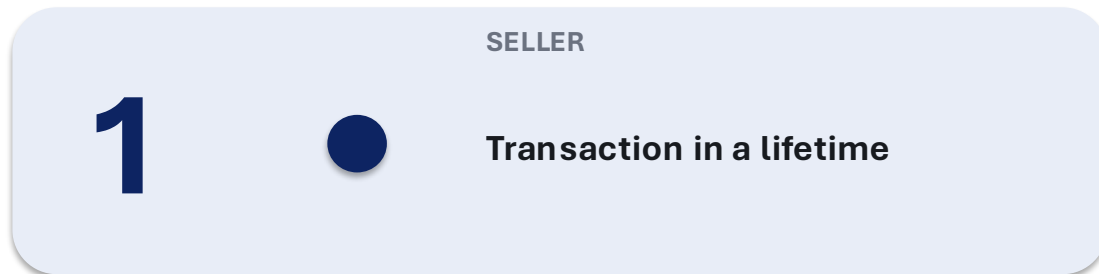
A practical guide to understanding buyer behavior, protecting value, and navigating the risks that determine your final outcome.

Why We Begin Here

Most business owners sell a company once in their lifetime.

The buyers across the table may have completed dozens — or hundreds — of transactions.

The difference between a good outcome and a great outcome is rarely determined by finding a buyer. It is determined by preparation, process discipline, negotiation strategy, and the ability to anticipate issues before they become problems.



The purpose of this briefing

To help you enter the process with a clear understanding of how sophisticated buyers think, where transactions create risk, and how to protect the value you have spent years building.

The Thesis of a Strong Exit

The best exit is not the one that simply finds a buyer.

It is the one that reaches the closing table with maximum value, the right terms, and no avoidable surprises.

STRONG EXIT



Maximum value

A process that creates leverage, validates market interest, and protects the headline price.



The right terms

Structure, timing, earnouts, escrows, working capital, and transition obligations matter as much as price.



No avoidable surprises

Diligence issues discovered late give buyers leverage to retrade or walk.

The Four Conversations Every Seller Must Have



1

The Market Reality

Why transactions fail — and how to avoid becoming one of them.



2

The Buyer Perspective

How sophisticated buyers evaluate risk, value, and opportunity.



3

How Your Company Is Actually Valued

The factors that increase or reduce what a buyer ultimately pays.



4

Beyond the Close

Planning for the financial and personal outcomes after the transaction.

PART I

The Market Reality

Why many sale processes fail — and what prepared sellers do differently.



Most Businesses Listed for Sale Never Close a Transaction

75% of businesses listed for sale never close a transaction



This is not simply bad luck. It is often a preparation problem.

Buyer standards

Many owners enter market before they understand buyer standards.

Leverage shift

Weaknesses surface after the LOI, when the seller has less leverage.

Preparation protects

Preparation protects both probability of close and the economics of the transaction.

Listing the business starts the clock. Preparing it changes the outcome.

Sources: BizBuySell Transaction Report; International Business Brokers Association; Exit Planning Institute.

Why Processes Fail

Most transactions fail for the same five reasons — and all are preventable.



Relative frequency across processes — illustrative

Root Cause 1: Owner Dependency

The business you built may not be a business someone can buy without you.



Owner-dependent businesses typically sell at a discount to peers — or do not sell at all.

Root Cause 2: Financials That Do Not Withstand Diligence

Buyers pay for what they can verify — not what the owner knows to be true.



Quality of Earnings gap

WHAT THE OWNER SEES

Adjusted EBITDA reflects normalization, one-time items, and reasonable owner comp.



WHAT THE BUYER SEES

QoE strips related-party items and excess add-backs — the verifiable number is lower.



Tax returns vs. management accounts

WHAT THE OWNER SEES

Management accounts reflect how we actually run the business.



WHAT THE BUYER SEES

Tax returns tell a different story — both numbers carry a discount until reconciled.



Missing or inconsistent records

WHAT THE OWNER SEES

We know the business — long customer relationships, steady cash flow.



WHAT THE BUYER SEES

Undocumented contracts, cash transactions, weak controls — we cannot verify what we are paying for.

Reconciled financials are not a compliance issue. They are a valuation issue.

Root Cause 3: Concentration Risk

Every dependency a buyer identifies becomes a discount they can justify.

TYPICAL VALUATION DISCOUNT RANGE



Customer Concentration



15-30%



Key Employee Dependency



10-20%



Supplier Concentration



10-20%



Seasonality Risk



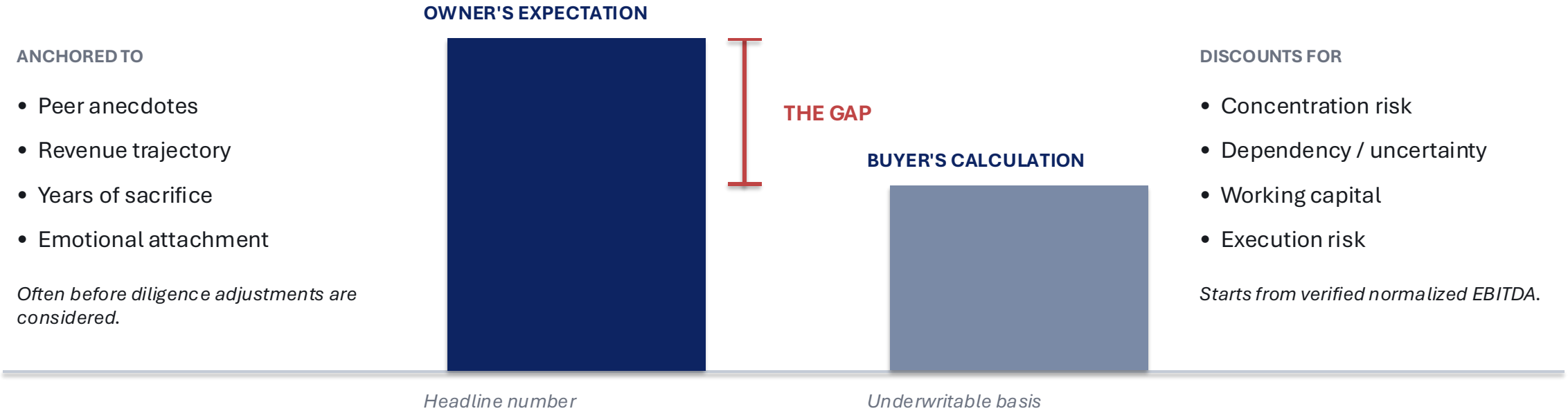
10-20%

Concentration risk doesn't kill a business — it kills a deal.

Ranges synthesized from M&A advisor benchmarks; actual discount varies by sector, contract terms, and concentration severity.

Root Cause 4: The Valuation Gap

What owners expect and what buyers will pay are rarely the same number.

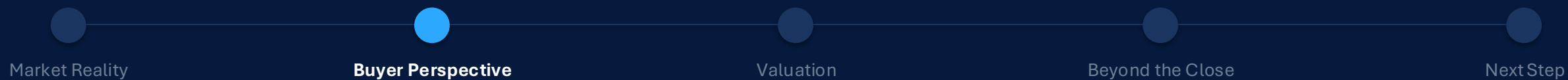


The gap between these two views is why many processes fail after an LOI — not before.

PART II

Inside the Buyer's Mind

How sophisticated buyers evaluate risk, value, and the path to return.







What Buyers Are Actually Buying

Not your history. Your future — and their confidence in it.

WHAT BUYERS BUY

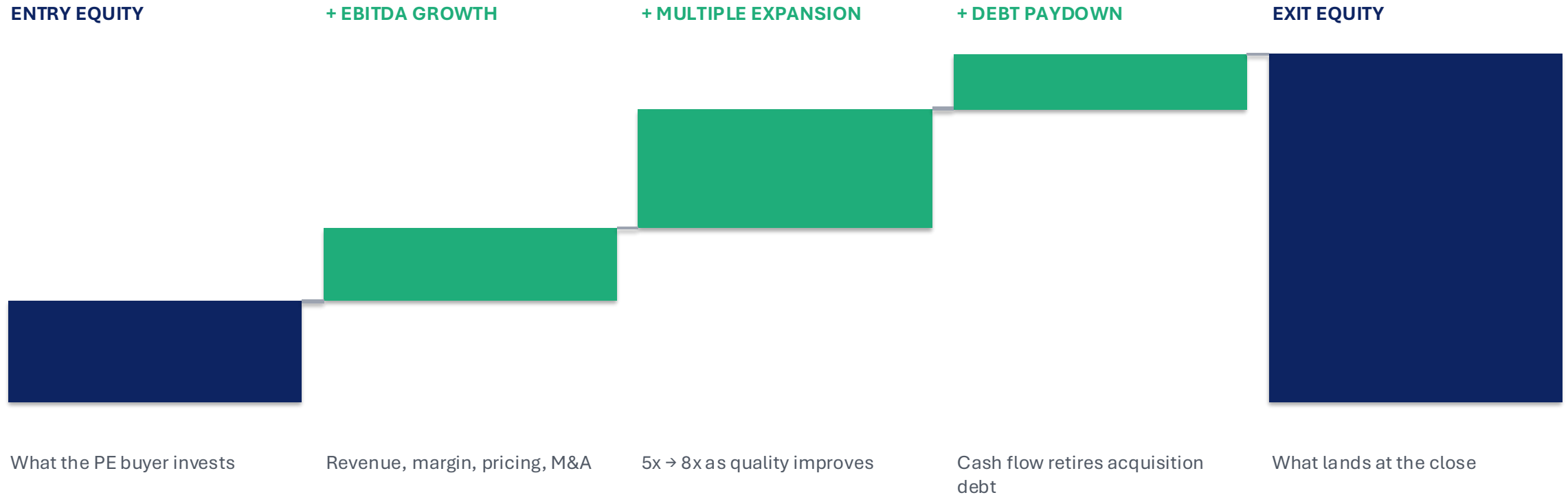
WHAT THEY DON'T CREDIT

 CASH FLOWS	✓ A future stream of predictable cash flows	✗ Your revenue history as a price anchor
 SCALABILITY	✓ A platform they can scale	✗ Your vision without proof of execution
 TEAM	✓ A team that can execute without the founder	✗ Relationships they assume may not transfer
 MARKET POSITION	✓ A defensible market position	✗ Your opinion of the company's value

The premium business is the one that makes the buyer's investment thesis easy to write.

The Three Levers of PE Value Creation

How PE firms generate returns — and why each lever changes what buyers pay.



Illustrative — relative magnitudes vary by deal

Each lever affects what buyers underwrite — and what they are willing to pay.

How Buyers Evaluate Your Management Team

The team is both the asset and the risk.

FOUR CAPABILITIES BUYERS UNDERWRITE — AND THE RISKS THEY OFFSET



Executable team

A team that runs the business without the founder in the room.

RISK IF MISSING

Every decision still defers to the founder.



Functional depth

Real seniority across sales, operations, and finance — not just one strong person.

RISK IF MISSING

No second-tier leadership behind the founder.



Aligned incentives

Managers with equity-like exposure to the outcome of the business.

RISK IF MISSING

Comp structures create retention risk at closing.



Accountability culture

Targets, metrics, and reviews that hold the team to outcomes.

RISK IF MISSING

Informal authority without documented accountability.

A buyer is not acquiring your involvement — they are acquiring the business that runs without it.

The Five Dimensions of Buyer Due Diligence

Surprises in any dimension of diligence give the buyer leverage to renegotiate everything.

1



Commercial

Market size, competition, concentration, pricing power, customer loyalty

2



Financial

QoE, EBITDA normalization, working capital, cash conversion, debt

3



Legal

Contracts, IP, litigation, regulatory compliance, change-of-control

4



Management & Operations

Team depth, founder dependency, processes, systems, reporting

5



Technology & IT

Infrastructure, cybersecurity, data quality, dependencies



Prepared sellers control the diligence narrative. Unprepared sellers respond to it.

Strategic Buyers vs. Financial Buyers

Who is across the table determines valuation, structure, and life after closing.

	Strategic Buyer	Financial Buyer / PE
OBJECTIVE	Synergies, market share, capability acquisition	Return on invested capital over a 4–7 year hold
VALUATION	Strategic premium when synergies are compelling	Disciplined multiple of normalized EBITDA
POST-CLOSE	Often integrates the business	Often wants founder and management to stay
BEST FIT	Upfront value, clean transition, strategic fit	Participation in the next phase of growth

BUYER POSTURE

Premium-to-base potential



Operational integration

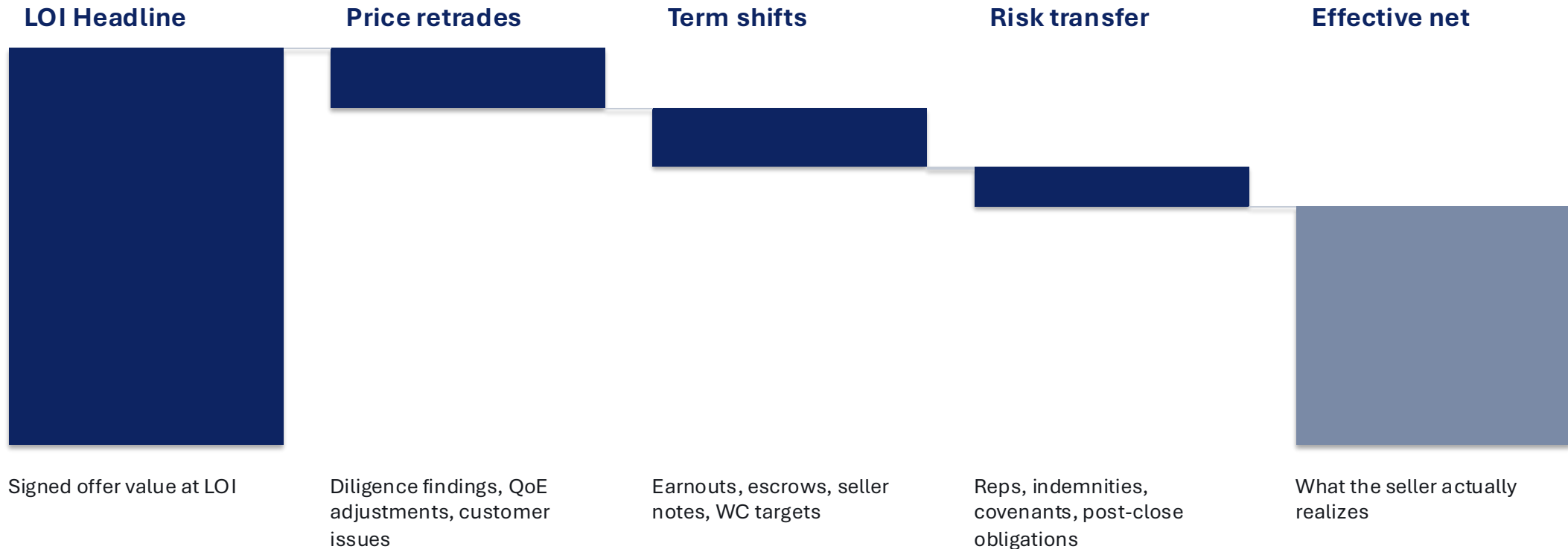


Higher = more pronounced

The best buyer is not always the highest bidder.

The LOI Is the Beginning of the Most Important Negotiation

Owners often believe an LOI means they have won. It is where leverage starts to move against them.



The number on the LOI and the number in the owner's account are rarely the same. Preparation before the process is what closes the gap.

PART III

How Your Company Is Actually Valued

The drivers that determine your multiple — and how buyers use them to price risk.



How Buyers Build the Bid

Profit sets the floor. The multiple builds the price.

ILLUSTRATIVE · \$2M EBITDA BUSINESS · GAP BETWEEN 4× AND 9× = \$10M IN ENTERPRISE VALUE



PUSHES THE MULTIPLE UP ▲

- Recurring or contracted revenue
- Diversified customer base
- Distributed leadership and depth
- Visible growth and pipeline

PUSHES THE MULTIPLE DOWN ▼

- Cash flow, customer, or supplier concentration
- Founder-dependent decisions
- Inconsistent or surprise-prone records
- Sector or market headwinds

Owners who optimize only for EBITDA capture half the opportunity.

The Operator's Blind Spot

The same P&L tells two completely different stories — only one sets the price.

SAME P&L LINE. TWO DIFFERENT QUESTIONS.

OPERATOR READS →

← BUYER ASKS

<i>“Strong, growing top line.”</i>	REVENUE	How concentrated is it — and does it transfer without the founder?
<i>“Healthy unit economics.”</i>	GROSS MARGIN	Sustainable at scale, or a favorable mix that won't repeat?
<i>“Profitable and growing.”</i>	EBITDA	What survives QoE? How much actually converts to cash?
<i>“Year-over-year momentum.”</i>	GROWTH	A repeatable engine, or favorable market timing?

The blind spot is not the numbers. It is the questions the numbers don't answer.

1. Your EBITDA Is a Starting Point, Not a Conclusion

A quality of earnings review tests your stated EBITDA — and often adjusts it downward.

FIVE COMMON QOE ADJUSTMENTS — AND WHICH WAY THEY MOVE EBITDA

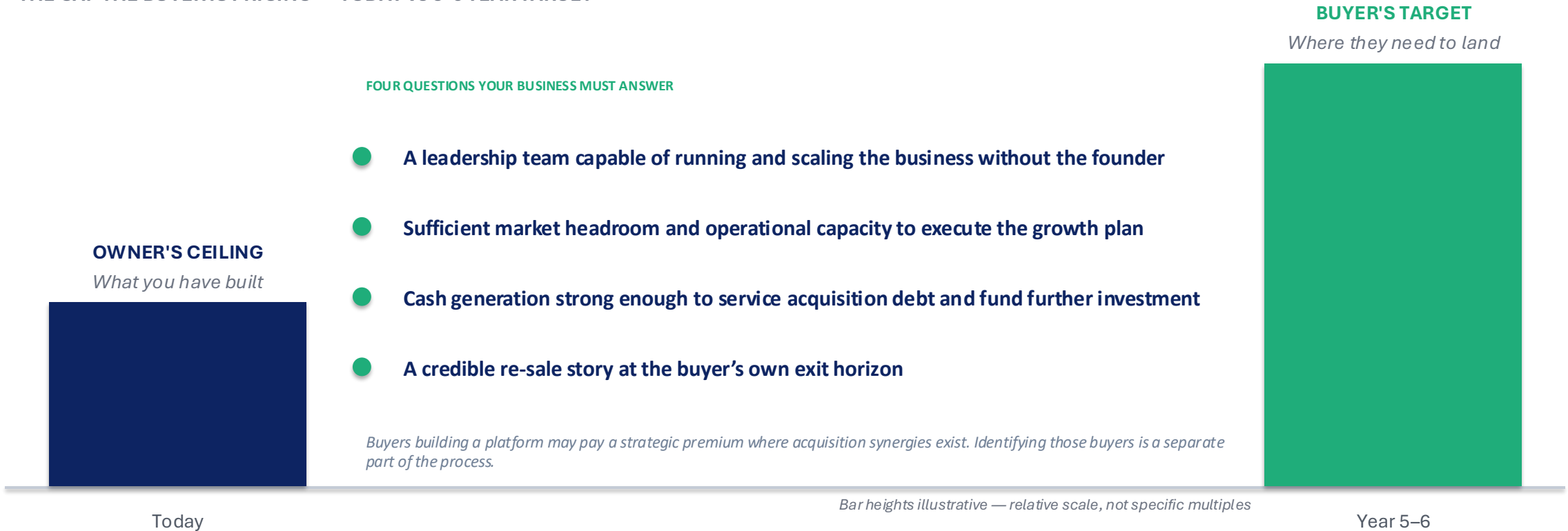
Owner compensation	↕ BOTH WAYS	Normalized to market — may add back excess pay or subtract a below-market wage.
Personal expenses	↑ UP	May increase EBITDA, but raise documentation and credibility questions if poorly supported.
One-time revenue	↓ DOWN	Excluded from run-rate earnings if not expected to recur.
Related-party transactions	↕ BOTH WAYS	Restated to market terms — pricing, rent, services with affiliated parties.
Aggressive revenue recognition	↓ DOWN	Deferred, reduced, or restated if not supportable under buyer accounting policies.

Not every adjustment lowers EBITDA — but every adjustment is on the table.

2. Your Ceiling Is the Buyer's Starting Line

For the buyer, the acquisition is the start of the investment — not the reward for building something.

THE GAP THE BUYER IS PRICING — TODAY vs 5-6 YEAR TARGET

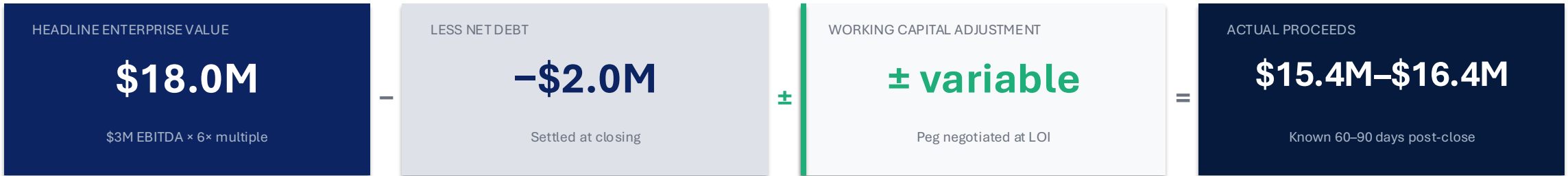


Answer all four to earn the top of the range. Leave any open, and the buyer uses them as leverage after LOI.

3. The Working Capital Trap

How you manage working capital determines your multiple — and how much of it you actually keep.

THE EV-TO-PROCEEDS BRIDGE



* Illustrative. Actual proceeds depend on deal structure, net debt, and working capital peg.

TWO OUTCOMES — SAME BUSINESS, SAME \$18M HEADLINE



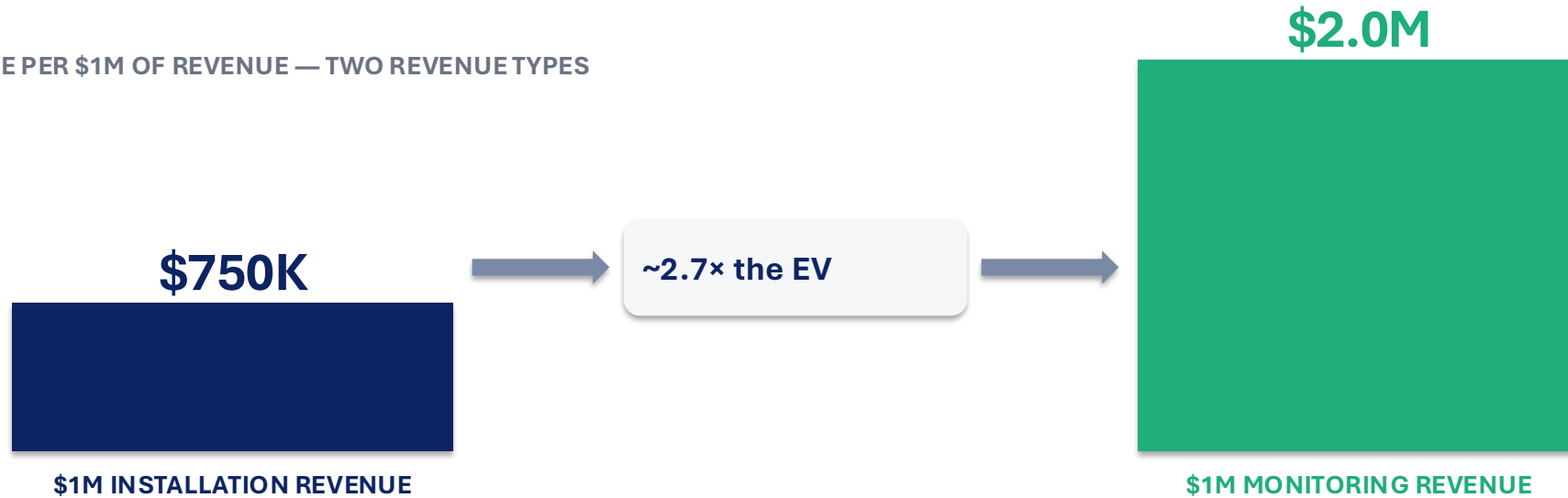
Same business. Same headline price. \$1.0M difference from working capital management alone.

The multiple determines the ceiling. Working capital determines what you actually clear.

4. Recurring Revenue

The single characteristic that most dramatically expands your multiple.

ENTERPRISE VALUE PER \$1M OF REVENUE — TWO REVENUE TYPES



THE SPECTRUM OF RECURRING REVENUE QUALITY

HIGHEST VALUE	Multi-year contracts and auto-renewal subscriptions
STRONG VALUE	High-switching-cost subscriptions and annual subscriptions
LOWER VALUE	Consumables, transactional, or project revenue

5. Differentiation or Commoditization

The market consistently rewards differentiation and discounts commoditization.

WHERE YOUR BUSINESS SITS DETERMINES THE MULTIPLE

COMMODITIZED

Multiple COMPRESSES

DIFFERENTIATED

Multiple EXPANDS

HOW BUYERS PLACE YOU ON THE SPECTRUM

Competes primarily on price

Controls pricing

Easy to replicate

Advantages hard to replicate

Margins under pressure

Defends premium margins

Customers can switch easily

High switching costs

Cannot articulate why customers pay more

Clearly explains 'why we win'

Buyers pay a premium for differentiation they can see, test, and believe will endure.

6. Customer Loyalty & Predictability

What buyers pay for is not customers — it is the probability they stay.

FOUR PROOFS OF LOYALTY BUYERS WILL ASK YOU TO PRODUCE

01

NPS

A useful measure of advocacy and customer sentiment.

02

Retention & renewal

Evidence that revenue is durable — not constantly resold.

03

Referral behavior

Proof that satisfied customers generate organic growth.

04

Cohort trends

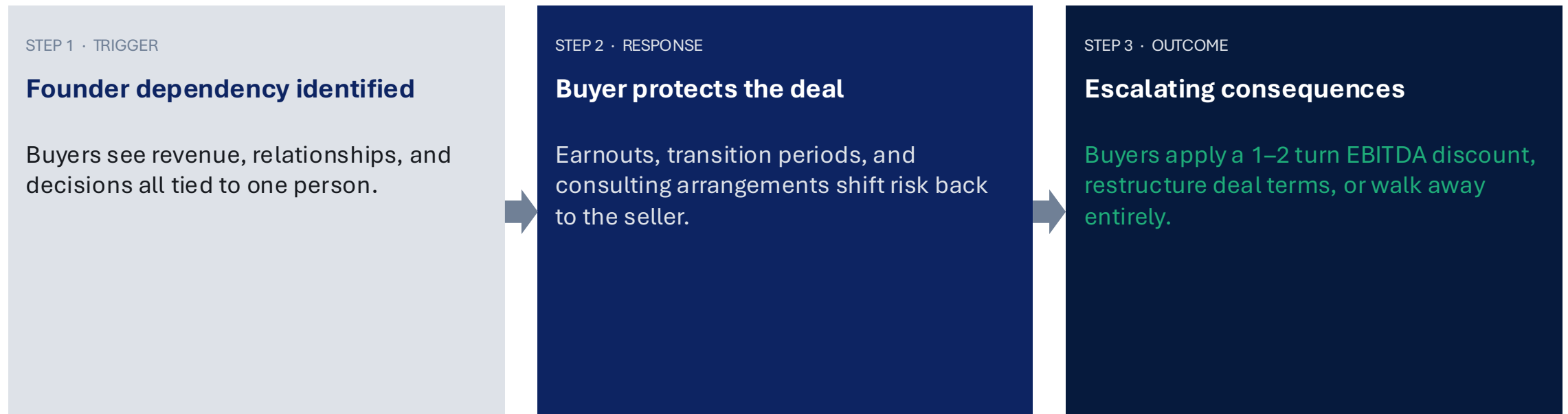
Evidence that loyalty is improving — or weakening — over time.

If you are not measuring customer loyalty today, start before buyers ask for the evidence.

7. Key-Man Risk

A founder-dependent business is not a business — it is a dependency.

“If you took a six-month sabbatical tomorrow with no notice — what would happen to revenue?”



A founder-dependent business can sell. It will sell cheaper, on worse terms, or not at all.

The Compound Effect

The gap between average and great is built before the sale.

71% higher multiple

for Value Builder Score of 80+

Average business

\$2M EBITDA × 4.0x



Value Builder 80+

\$2M EBITDA × 7.0x



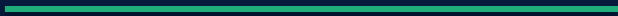
Difference: \$6.0M

The gap between average and prepared is not luck — it is the compounded result of improving the right drivers before going to market.

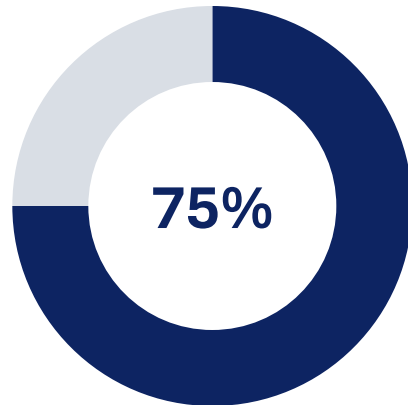
PART IV

Beyond the Close

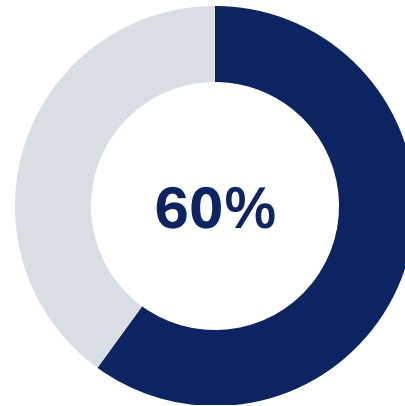
Financial and personal readiness for what comes after the transaction.



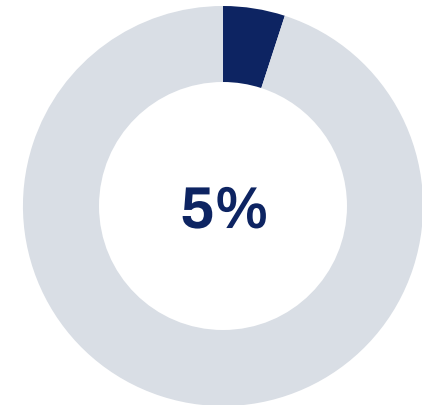
The Outcomes Owners Often Underestimate



report significant regret within one year of closing



of regretful owners had no formal personal plan after the sale



are satisfied with the net proceeds from their exit

The transaction may close. The question is whether the owner is satisfied with what comes after.

Readiness Area 1: Net Proceeds Reality

The number on the term sheet is rarely the number in the owner's pocket.

The tax reality



Federal and state taxes, deal allocation, and depreciation recapture can materially reduce proceeds.

The invisible income problem



Many owners extract value through benefits, vehicles, retirement, travel, meals, and distributions that disappear at closing.

The deal structure discount



Earnouts, seller notes, and escrows reduce day-one liquidity and shift risk back to the seller.

The net proceeds picture



We translate headline value into the cash that actually lands in your account — and when — across earnout periods, escrow releases, working capital, and tax timing.

Net proceeds — after tax, structure, and escrow — is not a footnote. It is the number.

Readiness Area 2: The Team You Built

For many owners, this question matters as much as price.

Sophisticated buyers may care deeply about retaining strong employees. However, their primary obligation is to execute the investment thesis and deliver returns to investors.

FOUR LEVERS BEFORE SIGNING



Negotiate protections

Retention pools, severance floors, and transition obligations written into the deal.



Vet buyer intentions

Including the buyer's track record with employees in prior acquisitions.



Define your priorities

Trade-offs across price, structure, timing, and employee continuity.



Build a transferable team

A team that runs without you is more valuable to the buyer — and safer for itself.

What happens to your team after close is not a post-signing question. It is a negotiating one.

Readiness Area 3: Planning the Arrival

“For most business owners, the company was not just what they did. It was who they were.”

PLANNING THE EXIT

Where focus naturally lands

- Deal terms
- Tax structure
- Successor selection
- Closing logistics

PLANNING THE ARRIVAL

Equally worth your attention

- **Daily structure**
- **Identity & purpose**
- **Wealth stewardship**
- **Relationships & community**

THREE QUESTIONS TO ANSWER BEFORE EXIT

Know your number

Precisely model net proceeds after tax, structure, and lifestyle needs.

Define what comes next

Purpose, commitments, and plans concrete enough to be motivating.

Assess personal readiness

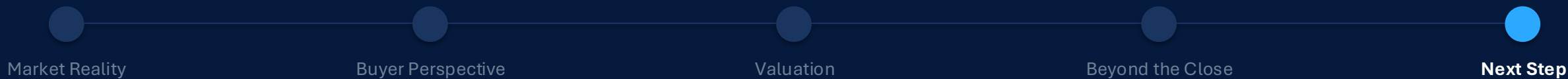
Financial and personal readiness are related — but not the same.

Planning the exit and planning the arrival are not the same work. Both deserve the same attention.

PART V

Your Next Step

Two diagnostics. Two dimensions of readiness. One transaction process.



Two Diagnostics. Two Dimensions of Readiness.

Understanding where you stand before the market tells you.

TWO COMPLEMENTARY DIAGNOSTICS — ONE FOR THE BUSINESS, ONE FOR YOU

THE VALUE BUILDER ASSESSMENT

How do sophisticated buyers see my business?

A confidential assessment across the drivers of enterprise value, producing a benchmarked score and prioritized areas for buyer profiling and owner positioning.

WHAT IT COVERS

- Team depth and transferability
- Margin quality and durability
- Customer, supplier, and cash flow diversification
- Recurring revenue & contracts

THE PRESORE™

Are you personally ready to exit?

An online questionnaire evaluating financial preparedness, identity and purpose, relationship implications, and transition planning.

WHAT IT COVERS

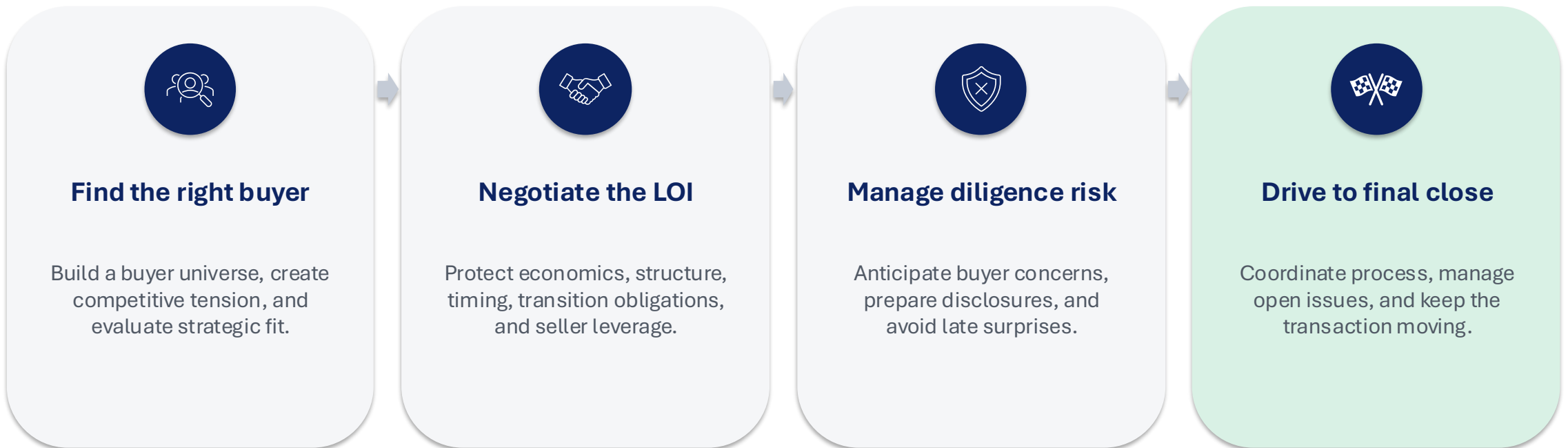
- Financial preparedness
- Purpose and identity
- Relationships and community
- Post-close planning

The right buyer requires knowing both the business and the owner.

How Lever 6 Supports the Transaction Process

The role is not simply to find a buyer. It is to manage the process that protects value through closing.

FOUR PHASES — FROM BUYER OUTREACH TO CLOSING TABLE



Each phase protects value the previous one created.

The Best Exits Are Not Accidents

They are the product of deliberate preparation, disciplined process management, and clear expectations before the pressure of a live transaction begins.



DELIBERATE PREPARATION

Knowing your number, your buyer, and your story before going to market.



DISCIPLINED PROCESS

Managing buyer outreach, diligence, and negotiation to protect leverage.



CLEAR EXPECTATIONS

Aligning on terms, timing, and trade-offs before the pressure of a live deal.

Business owners trust Lever 6 Capital because our methodology starts with them — surfacing the strengths, gaps, and goals that reveal the right buyer, not just the highest LOI.

The best exits start before the deal does. What happens next is up to you.