MICHAEL LIGON RESOURCE LIBRARY

Preparing A Business For Sale

A practical guide for owners, founders, and operators preparing a company for strategic review, buyer conversations, partnership evaluation, or a possible sale.

IMPORTANT

This guide is general information only. It is not legal, tax, accounting, investment banking, valuation, securities, lending, or professional advice. No sale, buyer, valuation, review, response, partnership, or outcome is guaranteed.

HOW TO USE THIS GUIDE

Prepare before the business is placed in front of anyone.

A business can look stronger or weaker depending on how cleanly it is presented. Before a serious buyer, partner, investor, advisor, or strategic reviewer evaluates the company, the owner should understand what the business actually shows.

> **CORE PRINCIPLE**
>
> The goal is not to make the business look perfect. The goal is to make the business understandable, credible, organized, and ready for serious review.

1. OWNER GOALS
2. FINANCIALS
3. OPERATIONS
4. RISKS
5. BUYER FIT

01 Who this guide is for

Owners, founders, operators, and partners considering a sale, recapitalization, strategic partnership, buyer conversation, or outside review.

02 What it helps clarify

Readiness, numbers, systems, customer concentration, owner dependency, risks, value drivers, and the story a buyer will evaluate.

03 What it is not

It is not a valuation, broker opinion, legal review, accounting review, investment banking advice, tax advice, or offer to purchase.

04 Best first move

Organize the facts before beginning conversations. Confusion usually weakens leverage, confidence, speed, and buyer trust.

OWNER READINESS

The owner has to be clear before the market can be clear.

Many sale conversations become messy because the owner is not yet clear on the reason for selling, the desired outcome, the acceptable structure, or the role they want after a transaction.

A

Why are you considering a sale?

Retirement, burnout, partner conflict, capital needs, succession issues, growth pressure, health, risk reduction, or opportunity timing can all lead to different paths.

B

What outcome matters most?

Maximum price, speed, employee continuity, legacy, reduced responsibility, retained equity, seller financing, clean exit, or a strategic partner may all matter differently.

C

What role do you want afterward?

Some owners want to leave quickly. Some are willing to transition. Some want to stay and grow with a stronger partner. Buyers need to understand this early.

D

What would make you say no?

Before reviewing offers, define unacceptable terms, risky buyers, poor cultural fit, financing uncertainty, timing problems, or structures that create too much post closing exposure.

STRATEGIC NOTE

A business sale is not only about price. It is about price, terms, timing, certainty, control, transition, risk, and whether the buyer can actually close.

THE BUYER VIEW

A buyer is not only buying revenue.

A serious buyer will evaluate how the business makes money, how reliable that money is, how dependent it is on the owner, what can break, and whether the company can keep operating after a transaction.

1
Quality of earnings
Buyers want to understand whether earnings are real, repeatable, adjusted correctly, and supported by clean records.

2
Customer concentration
A business that depends on one or two customers may still be valuable, but the risk must be understood and explained.

3
Owner dependency
If the owner is the main salesperson, operator, relationship holder, and problem solver, the buyer will see transition risk.

4
Systems and people
Strong teams, repeatable systems, clear roles, documented processes, and clean management reporting make the company easier to trust.

BUYER QUESTION

If the owner stepped away for 60 days, what would still work, what would slow down, and what would break?

FINANCIAL CLARITY

Clean numbers create better conversations.

Financial confusion does not always kill a deal, but it almost always reduces confidence. A buyer, partner, lender, advisor, or reviewer needs to understand the company without guessing.

- Gather the last three years of profit and loss statements, balance sheets, tax returns, and year to date financials.
- Separate business expenses from owner personal expenses wherever possible.
- Identify one time expenses, unusual income, add backs, owner salary, related party payments, and discretionary spending.
- Review accounts receivable, accounts payable, inventory, debt, leases, contracts, and pending obligations.
- Understand gross margin, net margin, revenue trends, seasonality, customer mix, and cash flow timing.
- Prepare a simple explanation of why revenue or earnings increased, decreased, or changed over time.

REALITY CHECK

The cleaner the numbers, the easier it is for the right buyer to move with confidence. Messy numbers usually create discounts, delays, extra diligence, or lower certainty.

OPERATIONS REVIEW

A business becomes more valuable when it is less fragile.

Operational readiness is about showing how the company actually works. Buyers care about customers, employees, systems, workflow, vendors, contracts, technology, facilities, equipment, and what depends on the owner.

P

People and roles

List key employees, responsibilities, tenure, compensation, informal knowledge, management depth, and roles that would be hard to replace.

S

Customers and sales

Identify the top customers, referral sources, sales process, pipeline, contracts, renewal patterns, and who owns the relationships.

V

Vendors and supply chain

Document major vendors, pricing risk, supply risk, contract terms, backup sources, and relationships that affect delivery.

O

Systems and process

Review software, reporting, SOPs, passwords, workflows, fulfillment, scheduling, collections, inventory, compliance, and recurring operating routines.

VALUE DRIVERS

A stronger business story explains why the future is worth buying.

Buyers do not only study what happened. They study what can continue, what can improve, and what risk they are taking by stepping into the company.

R

Repeatable demand

Recurring customers, repeat purchases, contracts, referrals, renewal patterns, and steady market demand help support confidence.

T

Transferable systems

Processes, employees, management, software, reporting, and documentation make the business easier to transfer.

G

Growth levers

New markets, pricing power, underused capacity, additional services, better marketing, stronger sales systems, and operational improvements may support upside.

D

Defensible position

Reputation, niche expertise, location, customer trust, specialized labor, vendor access, licensing, or hard to copy systems can protect value.

STRATEGIC NOTE

A buyer usually pays more for a company when the future feels understandable, durable, and transferable.

RISK CLEANUP

Unresolved issues become buyer leverage.

Every business has risk. The question is whether the owner understands the risk, can explain it, and has cleaned up what can be cleaned up before the conversation becomes serious.

- Review lawsuits, threatened claims, employee issues, customer disputes, vendor disputes, tax concerns, licensing issues, and compliance problems.
- Identify unsigned agreements, expired contracts, handshake deals, unclear compensation plans, and undocumented customer or vendor arrangements.
- Review leases, equipment loans, debt, personal guarantees, liens, warranties, insurance coverage, and obligations that may transfer or remain with the seller.
- Check whether intellectual property, domain names, software access, customer lists, phone numbers, social accounts, and systems are properly controlled.
- Clean up avoidable issues before buyers use them to delay, discount, renegotiate, or walk away.

DO NOT HIDE RISK

Serious buyers expect risk. What damages trust is surprise risk, unexplained risk, or risk that appears only after the conversation has moved forward.

THE BUSINESS STORY

A buyer needs more than documents. They need a clear story.

The strongest sale preparation connects the numbers, operations, people, market position, and owner motivation into one coherent explanation.

Weak story	Strong story
The owner says the business is great, sends scattered documents, cannot explain changes in profit, and expects the buyer to figure everything out.	The owner explains how the business makes money, why the opportunity exists, where the risk is, what can improve, and what kind of buyer or partner fits.

1 What the business does

Explain the core product or service in plain language, including who buys it and why they keep buying.

2 Why it matters now

Explain why the owner is considering a transaction now and why the timing may make sense.

3 Where the upside is

Show realistic improvement areas without exaggerating, hiding risk, or pretending every idea is guaranteed.

4 What the buyer must understand

Point directly at the main strengths, risks, dependencies, and transition realities.

BUYER FIT

The best buyer is not always the highest first number.

A strong buyer fit depends on certainty, ability to close, industry understanding, respect for the transition, cultural fit, financing strength, and the structure being offered.

S

Strategic buyer

May value the business for market access, customers, team, location, systems, or expansion advantages.

F

Financial buyer

May focus on earnings, cash flow, management depth, risk, financing, and growth potential.

O

Operator buyer

May want to step into the business personally and continue operations with hands on involvement.

P

Partner or recap group

May allow the owner to retain a role, keep equity, reduce pressure, or grow with additional capital and structure.

FIT QUESTION

Does this buyer understand the business well enough to protect what has been built and close on terms that actually work?

PREPARATION CHECKLIST

What to organize before a serious conversation.

This checklist does not replace professional review, but it gives an owner a cleaner starting point before sharing the business with buyers, partners, advisors, or strategic reviewers.

- Three years of financial statements, tax returns, and year to date results.
- Revenue breakdown by customer, service line, location, product, or channel where relevant.
- Owner add backs, one time expenses, unusual revenue, personal expenses, and normalization notes.
- Employee list, key roles, compensation overview, management depth, and owner dependency notes.
- Customer concentration, contract status, sales process, referral sources, and pipeline summary.
- Vendor list, lease details, debt summary, insurance, licenses, systems, and important operating documents.
- Known risks, disputes, legal issues, tax issues, compliance concerns, and unresolved obligations.
- Owner goals, preferred timing, desired outcome, acceptable structure, and transition willingness.

IF YOU BRING THE BUSINESS FORWARD

A strong submission saves time and improves the quality of review.

If the company may be worth reviewing, the first submission should be direct, organized, and specific. You do not need to send everything at once, but the initial context should be useful.

A

Basic business details

Company name, industry, location, years operating, ownership status, number of employees, and general revenue range.

B

Reason for review

Explain whether the owner is considering a sale, partner, capital path, strategic review, acquisition conversation, or transition planning.

C

Financial snapshot

Provide a basic revenue and profit summary, key trends, and whether financials are clean enough for an initial review.

D

Main question

State what you are trying to figure out. Sale readiness, buyer fit, structure, value, risk, or whether the business belongs in a deeper conversation.

BEST SUBMISSION STYLE

Direct, specific, and honest. Serious opportunities are easier to review when the owner clearly explains what exists, what changed, and what decision is being considered.

ABOUT MICHAEL LIGON

Strategic capital investor, operator, real estate investor, stock trader, author, and founder.

Michael Ligon reviews opportunities through the lens of capital, structure, timing, risk, execution, and practical decision making. His work connects real estate, private business, capital strategy, operating companies, partnerships, public market discipline, and special situations.

For business owners, that perspective matters because a sale conversation is rarely just about a headline price. It involves readiness, buyer fit, structure, transition, risk, financial clarity, and the actual outcome the owner wants to create.

This guide is part of the Michael Ligon Resource Library and is intended to help serious owners prepare for better conversations before they move into deeper review.

PROFESSIONAL NOTE

This resource is intended to organize thinking before a serious conversation. Any transaction, sale, partnership, investment, or professional review should involve appropriate legal, tax, accounting, financial, and business advisors.

NEXT STEP

Prepare the business before the conversation defines it for you.

A business that is organized, clearly explained, and honestly reviewed is easier for the right buyer, partner, advisor, or strategic reviewer to understand.

RECOMMENDED NEXT MOVE

Gather the core documents, clarify the owner goals, review the checklist, then submit the situation through the proper opportunity path if the business may be ready for strategic review, sale discussion, partnership evaluation, or buyer conversation.

Bring an opportunity

Use the opportunity intake path when there is a serious business, real estate, capital, partnership, or special situation worth reviewing.

Website

MichaelLigon.com/resources

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Professional review

Consult qualified legal, tax, accounting, financial, business, and other professionals before relying on any major decision.