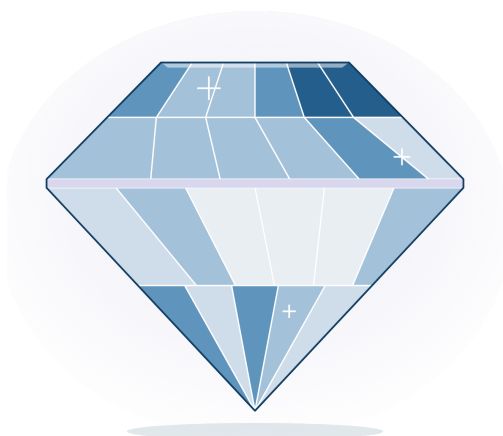


CEO TOOLKIT · FILLABLE WORKBOOK



Exit Readiness & Business Value Scorecard

Most owners I work with can tell me last month's revenue to the dollar. Far fewer can tell me what their business is worth, or why. For most of them, the business is the largest asset they own.

This scorecard looks at your company the way a buyer will. Value is created twice: once in your earnings, and again in the multiple a buyer puts on those earnings. You rate the 23 value drivers from my Owner's Guide to Business Value, build a rough value range, check your own readiness to leave, and lay out the tactics and timeline to close the gap.

Plan on 45 to 60 minutes. Have your last 12 months' income statement and balance sheet nearby. A completed example is in the appendix.

What you get

- ◆ A value-readiness score and level (1 to 5) on the 23 drivers buyers pay for, with red flags called out
- ◆ A rough value range: adjusted EBITDA times your multiple range, with your driver score placing you inside the range
- ◆ Your estimated net proceeds and the gap to your target number
- ◆ A personal readiness check, financial and emotional
- ◆ Your top value-building tactics with owners, timing and dollar impact
- ◆ A timeline to exit readiness against your planned exit date

How to use this form

Fill in every field right in this PDF using Adobe Acrobat Reader (free), then save. Scores calculate automatically in Acrobat Reader. Apple Preview and most browsers let you type and check boxes, but they do not run the calculations.

Online version: capacity-building.com/ceo-toolkit/tools/exit-readiness/

For planning and discussion. Confirm figures with your CPA or financial advisor. Not a formal valuation; consult a qualified valuation professional.

About this scorecard

Company

Owner

Date

1

PART 1 · VALUE DRIVERS

What would a buyer pay a premium for?

How to rate

Rate each statement 0 to 4, the way a demanding buyer would see it: 0 = Not true at all · 1 = Rarely true · 2 = Somewhat true · 3 = Mostly true · 4 = Fully true, a genuine strength. Mark N/A only if it truly doesn't apply. Then weight each driver: 1 = Nice to have, 2 = Important, 3 = Critical. Leave the weight blank and it counts as 2. Section scores fill in automatically in Adobe Acrobat Reader.

Financial Quality

Can a buyer trust the numbers, and do they turn into cash?

1	We can explain normalized (adjusted) earnings cleanly, and every add-back is documented and supportable.	0	1	2	3	4	N/A	Weight (blank = 2)	-	v
2	Profit converts into cash consistently; receivables, inventory and capital spending are well managed. Free cash flow margin = free cash flow ÷ revenue. DSO = receivables ÷ annual revenue × 365.	0	1	2	3	4	N/A	Weight (blank = 2)	-	v
3	Gross margin and EBITDA margin are stable or improving, and we know them by product or customer line. Gross margin = (revenue – direct costs) ÷ revenue.	0	1	2	3	4	N/A	Weight (blank = 2)	-	v
4	Monthly financials are accurate and delivered quickly enough to drive decisions.	0	1	2	3	4	N/A	Weight (blank = 2)	-	v
5	Revenue has grown consistently, rather than erratically, over the last three years. Revenue growth = (this period – prior period) ÷ prior period.	0	1	2	3	4	N/A	Weight (blank = 2)	-	v
6	We benchmark our margins and key ratios against our industry.	0	1	2	3	4	N/A	Weight (blank = 2)	-	v

Financial Quality: section score (weighted points)

Revenue Defensibility

Will the revenue still be there next year?

7	A meaningful share of revenue is recurring, contracted or reliably repeat. Recurring revenue % = recurring revenue ÷ total revenue.	0	1	2	3	4	N/A	Weight (blank = 2)	-	v
8	No single customer exceeds roughly 10–15% of revenue. Largest customer % = largest customer's revenue ÷ total revenue.	0	1	2	3	4	N/A	Weight (blank = 2)	-	v
9	Our top five customers are not a dominant share of revenue. Top-five customer % = top-five revenue ÷ total revenue.	0	1	2	3	4	N/A	Weight (blank = 2)	-	v

10	We retain customers well and can raise prices without losing them. Retention = (ending customers – new customers) ÷ starting customers.	0	1	2	3	4	N/A	Weight (blank = 2)	-	☐ ☐ ☐ ☐ ☐ ☐	☐
11	We have a real, owned moat (IP, process, brand, certification), not just low price.	0	1	2	3	4	N/A	Weight (blank = 2)	-	☐ ☐ ☐ ☐ ☐ ☐	☐
12	We have forward visibility (backlog, contracts, pipeline) into future revenue. Backlog coverage = months of committed work under contract.	0	1	2	3	4	N/A	Weight (blank = 2)	-	☐ ☐ ☐ ☐ ☐ ☐	☐

Revenue Defensibility: section score (weighted points)

Transferability

Can the business run without me?

13	The business would run smoothly if I were unreachable for 90 days. The vacation test: what would slow down, stack up or get nervous if I disappeared?	0	1	2	3	4	N/A	Weight (blank = 2)	-	☐ ☐ ☐ ☐ ☐ ☐	☐
14	We have a management team that owns decisions without escalating everything.	0	1	2	3	4	N/A	Weight (blank = 2)	-	☐ ☐ ☐ ☐ ☐ ☐	☐
15	Customer relationships belong to the company, not to me personally. Owner-originated revenue % = revenue tied to my relationships ÷ total revenue.	0	1	2	3	4	N/A	Weight (blank = 2)	-	☐ ☐ ☐ ☐ ☐ ☐	☐
16	Critical processes are documented in SOPs and actually followed. Process coverage = critical processes with SOPs ÷ all critical processes.	0	1	2	3	4	N/A	Weight (blank = 2)	-	☐ ☐ ☐ ☐ ☐ ☐	☐
17	We have credible backups or cross-training for every critical role.	0	1	2	3	4	N/A	Weight (blank = 2)	-	☐ ☐ ☐ ☐ ☐ ☐	☐
18	I work on the business more than in daily operations. Track my weekly hours in day-to-day work.	0	1	2	3	4	N/A	Weight (blank = 2)	-	☐ ☐ ☐ ☐ ☐ ☐	☐

Transferability: section score (weighted points)

Sale & Exit Readiness

Am I ready for a buyer's process?

19	We get an annual, independent view of our value and track the trend.	0	1	2	3	4	N/A	Weight (blank = 2)	-	☐ ☐ ☐ ☐ ☐ ☐	☐
20	We understand our likely buyer type (strategic or financial) and what they would value.	0	1	2	3	4	N/A	Weight (blank = 2)	-	☐ ☐ ☐ ☐ ☐ ☐	☐
21	Our records (financials, contracts, corporate documents) are organized and diligence-ready.	0	1	2	3	4	N/A	Weight (blank = 2)	-	☐ ☐ ☐ ☐ ☐ ☐	☐

22	We understand our likely deal structure and net-proceeds math (taxes, fees, working capital).	0	1	2	3	4	N/A	Weight (blank = 2)	-	
		☐	☐	☐	☐	☐	☐			
23	We are managing the business for value on a 24–36 month horizon, not just this year's taxes.	0	1	2	3	4	N/A	Weight (blank = 2)	-	
		☐	☐	☐	☐	☐	☐			

Sale & Exit Readiness: section score (weighted points)

1

PART 1 • RESULTS

My value-readiness score

Score = $\frac{\sum(\text{rating} \times \text{weight})}{\sum(4 \times \text{weight})}$. Levels: below 33.7% Level 1 Owner-Dependent · 33.7% Level 2 Stabilizing · 55.4% Level 3 Value-Building · 77.2% Level 4 Market-Ready · 90.2% Level 5 Premium-Ready. A Critical driver rated 0 or 1 is a red flag and moves the level down one.

Value-readiness score

Level

Red-flag check

Red flags

Two weakest sections

2

PART 2 · VALUE ESTIMATE

What might the business be worth?

How to fill this in

Enterprise value = adjusted EBITDA × exit multiple. Type whole dollars, with or without commas. Type multiples as a number (4.5) and the percent as a number (25 for 25%). This is a ballpark, not an appraisal.

Earnings, last 12 months

Annual revenue, last 12 months

Top line of your income statement. Used only for the adjusted EBITDA margin check.

\$

EBITDA, last 12 months

Net income + interest + taxes + depreciation + amortization, from your income statement. Your CPA can confirm it.

\$

Add-back: owner pay above a hired manager

What you pay yourself in salary, bonus and benefits, minus what you'd pay a hired manager to do your job.

\$

Add-back: personal or discretionary expenses

Personal vehicles, travel, family on payroll who don't work in the business. Only what you can document.

\$

Add-back: one-time or non-recurring costs

A lawsuit, a move, a system conversion: costs a new owner won't repeat.

\$

Adjusted EBITDA = EBITDA + add-backs

Add-backs ÷ adjusted EBITDA

Adjusted EBITDA margin (÷ revenue)

My multiple range

Low multiple (EV ÷ adjusted EBITDA)

From a valuation professional, an M&A advisor or recent deals in your industry. See the general ranges below.

x

High multiple (EV ÷ adjusted EBITDA)

The top of the range a well-prepared company your size could expect.

x

General ranges

General ranges from my Owner's Guide to Business Value (typical private-company EV/EBITDA, illustrative): adjusted EBITDA under \$500K, 2.0x–3.0x; \$1M–\$3M, 4.0x–5.5x; \$5M–\$10M, 6.0x–8.0x. General ranges; your industry and size may differ. SDE multiples run lower than EBITDA multiples, so don't mix them.

Where my adjusted EBITDA falls

Sale math and my target

Debt to pay off at sale

Loans, lines of credit and equipment notes on your balance sheet. Blank counts as \$0.

\$

Taxes and deal fees, % of sale price

A rough combined estimate from your tax advisor. Blank counts as 0%.

%

My target: cash I want after debt, taxes and fees

The after-tax amount your financial plan says you need. A wealth planner can help you set it.

\$

2

PART 2 · RESULTS

My value estimate

Where my score puts me in the range: applied multiple = low multiple + (high – low) × value-readiness score. A score of 0% sits at the low multiple, 100% at the high one. With no driver ratings yet, I use the midpoint.

Multiple range entered

Applied multiple

	Low	Mid (applied multiple)	High
Value (adjusted EBITDA × multiple)			
Net proceeds (value – debt – taxes and fees)			

Gap to my target at the mid value

Value needed to hit my target

Multiple needed at today's adjusted EBITDA

Adjusted EBITDA needed at my applied multiple

Net proceeds leave out the working-capital adjustment, deal structure (asset or stock sale) and how the price is allocated. Value needed = (target + debt) ÷ (1 – taxes-and-fees %). For planning and discussion. Confirm figures with your CPA or financial advisor. Not a formal valuation; consult a qualified valuation professional.

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PART 3 · OWNER READINESS

Am I ready to leave?

How to rate

A business can be ready before its owner is. Rate each statement 0 to 4 on the same scale. Mark N/A if it truly doesn't apply to you.

Financial readiness

Can I afford to leave, on terms I control?

F1	I know the after-tax amount I need from a sale to fund the next stage of my life.	0	1	2	3	4	N/A
		☐	☐	☐	☐	☐	☐
F2	I have a written personal financial plan built with a financial advisor or wealth planner.	0	1	2	3	4	N/A
		☐	☐	☐	☐	☐	☐
F3	I could reach my number with cash at close. I don't need an earn-out or seller note to work out.	0	1	2	3	4	N/A
		☐	☐	☐	☐	☐	☐
F4	My personal and estate documents are current: will, trusts, powers of attorney, insurance.	0	1	2	3	4	N/A
		☐	☐	☐	☐	☐	☐

Personal readiness

Am I ready to let go, and do I know what's next?

P1	I have a clear picture of what I'll do next, something that gives me purpose and energy.	0	1	2	3	4	N/A
		☐	☐	☐	☐	☐	☐
P2	My family and any co-owners agree with me on the timing and goals of an exit.	0	1	2	3	4	N/A
		☐	☐	☐	☐	☐	☐
P3	I'm already letting others make decisions and own key relationships, and I'm comfortable with it.	0	1	2	3	4	N/A
		☐	☐	☐	☐	☐	☐
P4	I can set my price and judge offers without letting market mood or my attachment to the business decide for me.	0	1	2	3	4	N/A
		☐	☐	☐	☐	☐	☐
P5	I protect my health and energy so I can run the business well through a long sale process.	0	1	2	3	4	N/A
		☐	☐	☐	☐	☐	☐

Owner readiness = $\frac{\sum \text{ratings}}{4 \times \text{statements rated}}$. 75% and up = Ready, 50% to 74.9% = Getting ready, below 50% = Not yet.

Financial readiness	
Personal readiness	
Owner readiness overall	
Band	

4

PART 4 · VALUE-BUILDING TACTICS

What will I do to close the gap?

How to fill this in

Pick up to five drivers from my Top Tactics list (the full list, with what high value looks like, is on the next pages). Give each an action, an owner, a phase and, where it adds earnings, the yearly EBITDA gain. Value impact = gain × applied multiple. De-risking tactics move the multiple, not EBITDA, so leave their gain blank.

Tactic 1

Value driver

-



What I will do

Owner

Timing

Status

Yearly EBITDA gain (\$)

Value impact





Tactic 2

Value driver

-



What I will do

Owner

Timing

Status

Yearly EBITDA gain (\$)

Value impact





Tactic 3

Value driver

-



What I will do

Owner

Timing

Status

Yearly EBITDA gain (\$)

Value impact





Tactic 4

Value driver

-



What I will do

Owner

Timing

Status

Yearly EBITDA gain (\$)

Value impact

-



-



Tactic 5

Value driver

-



What I will do

Owner

Timing

Status

Yearly EBITDA gain (\$)

Value impact

-



-


Total yearly EBITDA gain
Total value impact
After taxes and fees
Share of my gap these tactics could close

My Top Tactics list

From my TOP Tactics to Maximize Your Company's Value template. Each driver runs from Needs work to High value.

Driver	Needs work	High value looks like
Markets and Models		
Recurring revenue business model	One-time projects	Contracted or recurring revenue. Track customer and revenue retention every month. Buyers penalize value when you can't show it.
Growth and scalability	Early stage, customer problems	Established, large clients. Growth is the top value driver, as long as profit holds. Know your sector's growth rate.
Diversified customer base	Customer concentration	A diverse customer base. Know what share of revenue your top five and top ten customers carry.
Clear, sustainable competitive advantages	Unknown or no competitive advantage	A clear elevator pitch and profitable wins. Put a number on the return you deliver to customers. Better-than-average gross margins signal real differentiation.
Barriers to entry	Low barriers	Strategic barriers in place. List your top three barriers and which one worries competitors most.
Documented customer satisfaction and retention	Low, unknown or undocumented	Sustained repeat customers; churn below the industry. Know the standard of excellence for your sector.
Rising new-customer acquisition	Low or falling	Tracked and managed. Show new-client revenue as a share of annual revenue; the template cites 10–30% as best in class, depending on industry and size.
Valued brand and protected IP	Little brand value or unprotected IP	Registered marks; IP audit done with an attorney

Driver	Needs work	High value looks like
Operations		
Robust, documented key processes	Results depend on who does the job	Measured, predictable efficiency. Scalable, predictable processes are worth more than a team of big producers. Ask your best people to write down how they work.
Superior and rising operating margins	Selling more but earning the same or less	Tracking the most important customers and markets. Track profitability by product or service.
Accurate, timely accounting and budgeting	Disorderly or missing reports	Monthly reports, reviewed or audited by an outside CPA. Keep the books on GAAP. If you plan to sell within three years, consider a quality-of-earnings review.
Current, documented HR policies and records	Out of date or incomplete	Current HR policies and employee agreements. Employee agreements should say that what employees create belongs to the company. An IP dispute can derail a sale.
Scalable marketing and selling	Inconsistent	Marketing and sales that deliver predictable growth. Measure customer acquisition cost and lifetime value, and tie marketing spend to revenue in your CRM.
Supplier diversification	Supplier concentration	A diverse supplier mix that delivers predictable supply
Clean, orderly facilities	Dirty or disorderly	Clean, well-maintained facilities
Current, effective technology	Low or outdated	Upgraded technology. Use a CRM suited to your industry.
Documentation		
A compelling, written growth plan	The team doesn't know or believe the path	A team united and clear on the goals and the path. Can your leadership team explain your growth strategy? Buyers can tell when they can't.
Reviewed or audited financial statements	Compiled statements	Audited statements. Be able to show budget versus actual over 36 months.
Thorough, current business records	Missing, incomplete or out of date	Current operating or shareholder agreements; a clean ownership table
Assignable customer contracts	Customers must consent to a sale	All customer contracts are assignable. Institutional buyers back away if this is in doubt.
Current written agreements with key vendors	Out of date or handshake deals	Agreements protected if a vendor is acquired
People		
Owner not involved in day-to-day operations	Owner deep in sales, operations and customers	Owner can unplug from daily operations. You won't exit at a premium without a leadership team.
Complete leadership team of high performers	Open seats or average performers	High-performing leaders. Many buyers cut the price for each senior leader they must hire or replace; the template cites \$500K-\$1.5M per leader.
Clear roles and responsibilities	Roles undefined or assumed	Current written job descriptions
Measured employee performance	No reviews or standards	Current written performance standards, especially for top people. It's hard to convince a buyer you're a platform without this.
Retention plans for key people	Departures could derail a sale	Key people have formal incentives to build value and stay. A stay bonus paid from sale proceeds is a common answer.
Strong successor management	Some departures would cause major disruption	Potential successors who challenge you

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PART 5 · TIMELINE

When do I want to exit?

Years until I plan to exit

Your best estimate today, for example 4. Use 0 if you'd sell now.

yrs

Your level after any red-flag cap sets where you start in my four-phase plan. Your level (after any red-flag cap) sets where you start in my four-phase plan and the months to market-ready: Level 1, Phase 1, 36 months; Level 2, Phase 2, 30; Level 3, Phase 3, 24; Level 4, Phase 4, 12; Level 5, Phase 4, 6. Cushion = years to exit × 12 – months to market-ready. 12 months or more = On track, 0 to 11 = Tight, below 0 = Behind.

Phase	Focus	Months (starting in Phase 1)
Phase 1 — Establish the foundation	Credibility and clarity	0–6
Phase 2 — Strengthen the engines	Earnings and cash	6–18
Phase 3 — Build transferability	De-risk the business	12–30
Phase 4 — Position and realize	Sell from strength	24–36

I start in

Months to market-ready

Planned exit, months from now

Cushion

Status

My phases, months from now

- ◆ On track: You have at least a year of cushion. Use it: buyers trust improvements that show up steadily over 24 to 36 months.
- ◆ Tight: You can get there, with little room for slippage. Start the next phase now and review progress every quarter.
- ◆ Behind: At your current level, the work takes longer than the time you've given it. Give yourself more time or expect a lower multiple. Don't go to market until you've earned the multiple.

RESULTS

What I would do next

By level (my scoring key)

- ◆ Level 5 — Premium-Ready: A genuinely premium asset: clean evidence, low risk, self-sustaining. Focus on timing, buyer selection and competitive tension (Phase 4).
- ◆ Level 4 — Market-Ready: Strong, transferable, defensible. You'd attract several buyers and command an above-average multiple. Focus on diligence readiness and a competitive process (Phases 3–4).
- ◆ Level 3 — Value-Building: A solid, saleable company with real upside. You're moving both engines. Focus on the multiple: recurring revenue, diversification, management depth (Phases 2–3).
- ◆ Level 2 — Stabilizing: The fundamentals are forming but inconsistent. Real earnings exist, but risk (concentration, a thin team, cash conversion) is capping the multiple. Work your two lowest sections (Phases 1–2).
- ◆ Level 1 — Owner-Dependent: The business is largely you. Value is fragile and would be heavily discounted at sale. Start with financial credibility and reducing owner dependence (Phase 1).

For your two weakest sections

- ◆ Financial Quality: Tighten the monthly close, write a documented add-back policy, restate the last three to five years to normalized earnings, and attack cash conversion (DSO, inventory, payment terms). Buyers start by testing whether they can trust the numbers.
- ◆ Revenue Defensibility: Write a concrete plan to grow underweight accounts and segments so no customer tops 10–15%, move more revenue onto agreements or retainers, and run a pricing review to test your real pricing power.
- ◆ Transferability: Shift selling, operating and customer authority to your managers, give key customers several company contacts, document the handful of critical processes, set backups for every critical role, then run the four-week vacation test and fix what breaks.
- ◆ Sale & Exit Readiness: Get an annual independent valuation, start a data room now, name your deal team (M&A advisor, transaction attorney, tax advisor, wealth planner), and model net proceeds for an asset sale and a stock sale.

For owner readiness

- ◆ Ready: You've done the personal work most owners skip. Keep your plan current as the number and the timing firm up.
- ◆ Getting ready: Some of the personal pieces are in place. Close the gaps before a buyer's timeline starts setting yours.
- ◆ Not yet: The business may be ready before you are. Start with your number and your plan for what comes next; both take longer than owners expect.
- ◆ Fix red flags first. A Critical driver this weak caps what a buyer will pay. Use the Delegation Planner and the Succession Planner for owner dependence and backups.
- ◆ Document every add-back now. The first one a buyer can't verify makes them doubt the rest.
- ◆ Get an annual independent valuation and retake this scorecard every 6 to 12 months. Three rising data points are the evidence a buyer trusts.

REFERENCE

How scoring and the math work

- Value-readiness score. Rate each of the 23 drivers 0 to 4, or N/A. Weight each one 1 = Nice to have, 2 = Important, 3 = Critical; blank = 2. Score = $\sum(\text{rating} \times \text{weight}) \div \sum(4 \times \text{weight})$, shown as a percent. N/A and blank ratings are left out of both sums. Section scores use the same formula within each section.
- Level. My scoring key is out of 92 points (23 drivers $\times$ 4). With every weight at 2 the percent equals points $\div$ 92, so the cut-offs are 31, 51, 71 and 83 points: 33.7% and up is Level 2, 55.4% Level 3, 77.2% Level 4 and 90.2% Level 5. Below 33.7% is Level 1.
- Red flags. A Critical driver rated 0 or 1 (the bottom two of the five points) is a red flag. Any red flag moves the level down one, never below Level 1. One red flag or several, the level moves down once.
- Two weakest sections. The two sections with the lowest scores. Ties go to the section listed first. These are usually your highest-return work for the year.
- Adjusted EBITDA = EBITDA + owner pay above a hired manager + personal expenses + one-time costs. Blank add-backs count as \$0. Add-back share = total add-backs $\div$ adjusted EBITDA. Adjusted EBITDA margin = adjusted EBITDA $\div$ revenue.
- Multiples. You enter the low and high multiple. If high is below low, I swap them. Where my score puts me in the range: applied multiple = low multiple + (high – low) $\times$ value-readiness score. A score of 0% sits at the low multiple, 100% at the high one. With no driver ratings yet, I use the midpoint.
- Value range. Value = adjusted EBITDA $\times$ multiple: low uses the low multiple, mid uses the applied multiple, high uses the high multiple. If adjusted EBITDA is zero or negative, an earnings multiple doesn't work; the asset approach sets the floor.
- Net proceeds = value – debt – (value $\times$ taxes-and-fees %). This is rough: it leaves out the working-capital adjustment, deal structure and how the price is allocated.
- Gap to target = my target – net proceeds at the mid value. A negative gap means the mid value covers the target. Value needed = (target + debt) $\div$ (1 – taxes-and-fees %). Multiple needed = value needed $\div$ adjusted EBITDA. EBITDA needed = value needed $\div$ applied multiple.
- Tactics. Value impact = yearly EBITDA gain $\times$ applied multiple. De-risking tactics (owner dependence, documentation) move the multiple, not EBITDA, so leave their gain blank; they show up through a higher driver score. Share of gap closed = total value impact $\times$ (1 – taxes-and-fees %) $\div$ gap.
- Personal readiness = $\sum$ ratings $\div$ (4 $\times$ statements rated), unweighted, N/A left out. 75% and up = Ready, 50% to 74.9% = Getting ready, below 50% = Not yet.
- Timeline. Your level (after any red-flag cap) sets where you start in my four-phase plan and the months to market-ready: Level 1, Phase 1, 36 months; Level 2, Phase 2, 30; Level 3, Phase 3, 24; Level 4, Phase 4, 12; Level 5, Phase 4, 6. Cushion = years to exit $\times$ 12 – months to market-ready. 12 months or more = On track, 0 to 11 = Tight, below 0 = Behind.

Score	Points of 92	Level
90.2% to 100%	83 to 92	Level 5 — Premium-Ready
77.2% to 90.1%	71 to 82	Level 4 — Market-Ready
55.4% to 77.1%	51 to 70	Level 3 — Value-Building
33.7% to 55.3%	31 to 50	Level 2 — Stabilizing
0% to 33.6%	0 to 30	Level 1 — Owner-Dependent

General ranges from my Owner's Guide to Business Value (typical private-company EV/EBITDA, illustrative): adjusted EBITDA under \$500K, 2.0x–3.0x; \$1M–\$3M, 4.0x–5.5x; \$5M–\$10M, 6.0x–8.0x. General ranges; your industry and size may differ. SDE multiples run lower than EBITDA multiples, so don't mix them. For planning and discussion. Confirm figures with your CPA or financial advisor. Not a formal valuation; consult a qualified valuation professional.

REFLECTION

Take it further

Questions to sit with

- ◆ If a serious buyer looked closely at this business next quarter, what would they find, and what would I wish I'd started fixing three years ago?
- ◆ If I stepped away for 90 days, what would break first?
- ◆ If we lost our largest customer, would it be a difficult year or an existential one?
- ◆ Are customers staying because of the company, or because of their relationship with me?
- ◆ Would every add-back survive a skeptical buyer reading my own records back to me?
- ◆ What are we doing today that would increase buyer confidence three years from now?
- ◆ What conversations should I have now, with my family, my partners and my key people?
- ◆ What will I do the day after the sale that gives me purpose and energy?

My answers

Bring this to your next Vistage meeting or coaching session

Draft (fills in automatically in Acrobat Reader). Edit it into your own words below.

Template: My business scored ___% on the Exit Readiness Scorecard (Level ___). My rough value range is \$___ to \$___, and at my driver score I'm about \$___ short of my target. My weakest areas are ___. I plan to exit in ___ years and my timeline is ___. I want the group's help deciding which tactics to start first and holding me to them.

My issue statement

Related tools

- ◆ Succession Planner: build the bench that lets the business run without you.
capacity-building.com/ceo-toolkit/tools/succession-planner/
- ◆ Delegation Planner: move decisions and customer relationships off your desk.
capacity-building.com/ceo-toolkit/tools/delegation-planner/
- ◆ Financial Health Check: check the numbers a buyer will test first: margins, cash and collections.
capacity-building.com/ceo-toolkit/tools/financial-health-check/
- ◆ Sustainable Growth Calculator: see how fast you can grow earnings without running out of cash.
capacity-building.com/ceo-toolkit

- ◆ Scenario & Contingency Planner: plan for losing your largest customer or a key person before a buyer asks.
capacity-building.com/ceo-toolkit

Online version: capacity-building.com/ceo-toolkit/tools/exit-readiness/ · For planning and discussion. Confirm figures with your CPA or financial advisor. Not a formal valuation; consult a qualified valuation professional.

APPENDIX

Appendix: a completed example

Fifteenmile Managed IT is a fictional \$12.2 million managed IT services company. Its owner, Marcus Hale, wants to exit in about four years. Earnings are solid and much of the revenue is recurring, but Marcus still carries the key customer relationships and most big decisions. Use it to see how the scoring works, then fill in your own answers in the blank form.

Part 1: the owner's ratings and weights

#	Driver	Rating	Weight	Points / max
Financial Quality				
1	Clean, documented add-backs	3	2 Important (blank)	6 / 8
2	Profit turns into cash	3	3 Critical	9 / 12
3	Stable margins, known by line	3	2 Important (blank)	6 / 8
4	Timely, accurate financials	3	2 Important (blank)	6 / 8
5	Consistent revenue growth	3	2 Important (blank)	6 / 8
6	Industry benchmarking	2	1 Nice to have	2 / 4
Revenue Defensibility				
7	Recurring revenue	3	2 Important (blank)	6 / 8
8	No customer over 10–15%	2	3 Critical	6 / 12
9	Top five not dominant	3	2 Important (blank)	6 / 8
10	Retention and pricing power	3	2 Important (blank)	6 / 8
11	An owned moat	3	2 Important (blank)	6 / 8
12	Forward visibility	3	2 Important (blank)	6 / 8
Transferability				
13	Runs without me for 90 days	1	3 Critical	3 / 12 RED FLAG
14	Team owns decisions	3	2 Important (blank)	6 / 8
15	Customers belong to the company	1	3 Critical	3 / 12 RED FLAG
16	Documented processes	2	2 Important (blank)	4 / 8
17	Backups for critical roles	2	2 Important (blank)	4 / 8
18	I work on the business	1	2 Important (blank)	2 / 8
Sale & Exit Readiness				
19	Annual independent valuation	0	1 Nice to have	0 / 4
20	Know my likely buyer	2	2 Important (blank)	4 / 8
21	Diligence-ready records	3	2 Important (blank)	6 / 8
22	Deal structure and net-proceeds math	1	2 Important (blank)	2 / 8
23	Managing for value, 24–36 months	2	2 Important (blank)	4 / 8

Section scores, with the arithmetic

- Financial Quality: $(3 \times 2 + 3 \times 3 + 3 \times 2 + 3 \times 2 + 3 \times 2 + 2 \times 1) = 35$. Max $(4 \times 2 + 4 \times 3 + 4 \times 2 + 4 \times 2 + 4 \times 2 + 4 \times 1) = 48$. $35 \div 48 = 72.9\%$.
- Revenue Defensibility: $(3 \times 2 + 2 \times 3 + 3 \times 2 + 3 \times 2 + 3 \times 2 + 3 \times 2) = 36$. Max $(4 \times 2 + 4 \times 3 + 4 \times 2 + 4 \times 2 + 4 \times 2 + 4 \times 2) = 52$. $36 \div 52 = 69.2\%$.
- Transferability: $(1 \times 3 + 3 \times 2 + 1 \times 3 + 2 \times 2 + 2 \times 2 + 1 \times 2) = 22$. Max $(4 \times 3 + 4 \times 2 + 4 \times 3 + 4 \times 2 + 4 \times 2 + 4 \times 2) = 56$. $22 \div 56 = 39.3\%$.
- Sale & Exit Readiness: $(0 \times 1 + 2 \times 2 + 3 \times 2 + 1 \times 2 + 2 \times 2) = 16$. Max $(4 \times 1 + 4 \times 2 + 4 \times 2 + 4 \times 2 + 4 \times 2) = 36$. $16 \div 36 = 44.4\%$.

Value-readiness score: $(35 + 36 + 22 + 16) \div (48 + 52 + 56 + 36) = 109 \div 192 = 0.5677 = 56.8\%$. That is at least 55.4% and below 77.2%, so the raw level is Level 3 — Value-Building. Drivers #13 and #15 are Critical (weight 3) and rated 1, so they are red flags. The level moves down one, to Level 2 — Stabilizing. Two weakest sections: Transferability (39.3%) and Sale & Exit Readiness (44.4%).

Part 2: the numbers entered

Input	Example
Annual revenue, last 12 months	\$12,200,000
EBITDA, last 12 months	\$1,150,000
Add-back: owner pay above a hired manager	\$200,000
Add-back: personal or discretionary expenses	\$65,000
Add-back: one-time or non-recurring costs	\$85,000
Low multiple (EV $\div$ adjusted EBITDA)	4.0x
High multiple (EV $\div$ adjusted EBITDA)	5.5x
Debt to pay off at sale	\$900,000
Taxes and deal fees, % of sale price	25.0%
My target: cash I want after debt, taxes and fees	\$6,000,000
Years until I plan to exit	4 years

Value estimate, with the arithmetic

- Adjusted EBITDA = $\$1,150,000 + \$200,000 + \$65,000 + \$85,000 = \$1,500,000$.
- Add-back share = $\$350,000 \div \$1,500,000 = 23.3\%$. Adjusted EBITDA margin = $\$1,500,000 \div \$12,200,000 = 12.3\%$.
- \$1,500,000 falls in the guide's \$1M–\$3M band (4.0x–5.5x), so the 4.0x–5.5x range entered matches the general range.
- Applied multiple = $4.0 + (5.5 - 4.0) \times 0.5677 = 4.8516$, shown as 4.85x.
- Value: low $\$1,500,000 \times 4.0 = \$6,000,000$; mid $\$1,500,000 \times 4.8516 = \$7,277,344$; high $\$1,500,000 \times 5.5 = \$8,250,000$.
- Net proceeds at mid = $\$7,277,344 - \$900,000 - (\$7,277,344 \times 25\%) = \$7,277,344 - \$900,000 - \$1,819,336 = \$4,558,008$. Low \$3,600,000; high \$5,287,500.
- Gap to target = $\$6,000,000 - \$4,558,008 = \$1,441,992$.
- Value needed = $(\$6,000,000 + \$900,000) \div (1 - 25\%) = \$6,900,000 \div 0.75 = \$9,200,000$. Multiple needed = $\$9,200,000 \div \$1,500,000 = 6.13x$, above the 5.50x top of the range. EBITDA needed at the applied multiple = $\$9,200,000 \div 4.8516 = \$1,896,296$.

Part 3: owner readiness

#	Statement	Rating
F1	I know the after-tax amount I need from a sale to fund the next stage of my life.	3
F2	I have a written personal financial plan built with a financial advisor or wealth planner.	2
F3	I could reach my number with cash at close. I don't need an earn-out or seller note to work out.	2
F4	My personal and estate documents are current: will, trusts, powers of attorney, insurance.	3
P1	I have a clear picture of what I'll do next, something that gives me purpose and energy.	1
P2	My family and any co-owners agree with me on the timing and goals of an exit.	2

#	Statement	Rating
P3	I'm already letting others make decisions and own key relationships, and I'm comfortable with it.	1
P4	I can set my price and judge offers without letting market mood or my attachment to the business decide for me.	2
P5	I protect my health and energy so I can run the business well through a long sale process.	3

Financial readiness: $(3 + 2 + 2 + 3) = 10$. $10 \div 16 = 62.5\%$. Personal readiness: $(1 + 2 + 1 + 2 + 3) = 9$. $9 \div 20 = 45.0\%$. Owner readiness: $19 \div 36 = 52.8\%$. That is 50% to 74.9%: Getting ready.

Part 4: tactics

#	Driver	Action	Owner	Phase	Status	Gain	Value impact
1	People: Owner not involved in day-to-day operations	Hire a VP of Operations and hand off service-delivery decisions. Run the four-week vacation test by month 18.	Marcus (CEO)	Phase 3	In progress	Blank (de-risking)	–
2	Markets and Models: Recurring revenue business model	Convert our 40 largest project clients to managed-service agreements.	Dana, Sales Director	Phase 2	Not started	\$150,000	$\$150,000 \times 4.8516 = \$727,734$
3	Operations: Superior and rising operating margins	Reprice the bottom 20% of accounts and drop two unprofitable service lines.	Priya, Controller	Phase 2	In progress	\$120,000	$\$120,000 \times 4.8516 = \$582,188$
4	Markets and Models: Diversified customer base	Grow the healthcare and legal segments so no client tops 10% of revenue.	Dana, Sales Director	Phase 2	Not started	\$60,000	$\$60,000 \times 4.8516 = \$291,094$
5	Documentation: Reviewed or audited financial statements	Move to CPA-reviewed statements, document every add-back, and get a quality-of-earnings review before going to market.	Priya, Controller	Phase 1	Not started	Blank (de-risking)	–

Total yearly EBITDA gain = $\$150,000 + \$120,000 + \$60,000 = \$330,000$. Total value impact = $\$330,000 \times 4.8516 = \$1,601,016$. After taxes and fees: $\$1,601,016 \times 0.75 = \$1,200,762$. Share of gap closed = $\$1,200,762 \div \$1,441,992 = 83.3\%$.

Part 5: timeline

The level after the cap is Level 2 — Stabilizing, so I start in Phase 2 — Strengthen the engines with 30 months to market-ready. Schedule: Phase 2 — Strengthen the engines, months 0–12; Phase 3 — Build transferability, months 6–24; Phase 4 — Position and realize, months 18–30. Planned exit = $4 \times 12 = 48$ months. Cushion = $48 - 30 = 18$ months, 12 or more, so the timeline is On track. Tactic 5 is a Phase 1 tactic, so it moves into the first phase as a catch-up item.

Summary of results

Result	Example
Value-readiness score	56.8% · Level 2 — Stabilizing (raw Level 3 — Value-Building, moved down for red flags #13 and #15)
Section scores	Financial Quality 72.9% · Revenue Defensibility 69.2% · Transferability 39.3% · Sale & Exit Readiness 44.4%
Adjusted EBITDA	\$1,500,000
Value low / mid / high	\$6,000,000 / \$7,277,344 / \$8,250,000 (applied multiple 4.85x)
Net proceeds low / mid / high	\$3,600,000 / \$4,558,008 / \$5,287,500
Gap to target	\$1,441,992 short of \$6,000,000
Value needed / multiple needed / EBITDA needed	\$9,200,000 / 6.13x / \$1,896,296
Tactics	\$330,000 gain · \$1,601,016 value impact · 83.3% of the gap
Owner readiness	52.8% · Getting ready (financial 62.5%, personal 45.0%)
Timeline	On track: market-ready in 30 months, exit in 48, cushion 18

Issue statement: My business scored 56.8% on the Exit Readiness Scorecard (Level 2 — Stabilizing, moved down one for red flags). My rough value range is \$6,000,000 to \$8,250,000, with \$7,277,344 at my driver score, and I'm about \$1,441,992 short of my target. My weakest areas are transferability and sale & exit readiness. I plan to exit in 4 years and my timeline is on track. I want the group's help deciding which tactics to start first and holding me to them.

For planning and discussion. Confirm figures with your CPA or financial advisor. Not a formal valuation; consult a qualified valuation professional.