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THE FOUNDER'S PLAYBOOK

An Owner's Roadmap
for the Next Chapter

Executive Summary

Overview & Key Themes



Start Early or Pay Later

*The Best Exits Begin
Years in Advance*



Pitch Your Tent Before It Rains

*Don't Wait for Buyers to
Find the Problems*



Control the Process or It Controls You

*Your Team Determines
Your Outcome*



Congratulations, You're Not Done Yet

Transaction → Transition

Introduction

For most business owners, selling a company is the largest financial event of their lifetime—and one of the most important decisions they'll make.

Whether you built your business or inherited a family enterprise, the choice goes beyond financials. It's about timing, preparation, and legacy—and having the right team and strategy to guide you through a complex M&A process.

That's why we created *The Founder's Playbook*: a practical guide to help owners navigate every stage—from early planning and valuation drivers to positioning your business, evaluating buyers, and preparing for life after the transaction.

How to Use This

This Playbook is both an educational resource and a preparation checklist. Whether you are years from a sale or actively considering options, it will help you make informed decisions and prepare with confidence. Successful outcomes aren't built overnight—they result from planning, positioning, and experienced guidance.

Who We Are

Houlihan Capital is an employee-owned, FINRA registered investment bank and valuation firm. Our investment banking practice specializes in M&A and capital advisory for founders and family business owners.

PART 1

Start Early or Pay Later

The Best Exits Begins Years in Advance

1.1 The Exit Landscape — Why Timing is Everything

For many founders, a business is more than income — it's the product of years of sacrifice, persistence, and personal investment. Often, it's a family legacy or the largest contributor to personal net worth. Whether it was built from scratch or passed down, the business carries both sentimental and financial weight.

That's what makes selling so complex. It's not just a transaction — it's a life transition. And like any transition, success hinges on timing.

A Tidal Wave of Transitions

A generational shift is reshaping the lower middle market. Millions of baby boomers are reaching retirement — including many business owners without successors or with children who aren't interested in taking over. At the same time, private equity and other financial sponsors are competing for well-run, cash-flowing businesses.

But while buyer interest is surging, most founders aren't ready when the moment comes.

Why Proactive Sellers Have the Advantage

A common mistake is waiting too long to plan an exit. Owners often delay — until burnout sets in, sales dip, or life forces their hand. By then, the business may be less attractive, and they enter negotiations from a position of weakness.

The best time to plan is when things are going well — when growth, profits, and momentum are strong. That's when buyers pay a premium. Early planning shapes your story, addresses red flags, and creates a strategic path to exit.

Why This Matters Now

The convergence of aging ownership, buyer demand, and limited succession options has created a rare window of opportunity. But windows close. Interest rates, cycles, and industry shifts all impact valuations and buyer behavior.

Planning early gives you control, flexibility, and a better chance to maximize the value of your business with a buyer who will take care of your people. The most successful exits don't start at the negotiation table — they start years earlier with foresight and preparation.

Houlihan Insight: *“The best time to plan your sale is before you have to—because if you don't control the process early, the process will control you.”*

1.2 The Decision to Sell — Readiness Beyond the Numbers

For many business owners, the idea of selling begins quietly — a shift in priorities, news of a competitor’s deal, or talk of retirement. Other times it arrives suddenly — an unexpected offer, a partnership conflict, or a change in health or circumstance. Whatever prompts it, selling is one of the most personal and pivotal decisions a founder will face.

Why Owners Decide to Sell

There’s rarely a single reason — but familiar patterns emerge. Owners often begin thinking about a sale when they:

- Are approaching retirement and want to plan their next chapter
- Face succession gaps, especially in family businesses
- Receive an unexpected offer from a strategic or financial buyer
- Feel burned out and want more family or personal time
- Want to diversify wealth and take some chips off the table

The common thread? A growing sense that holding on may no longer be the best path forward.

Readiness Is More Than Just Financials

Deciding to sell takes more than a strong bottom line. It starts with readiness:

- **Personal Readiness:** Are you prepared to give up control? Do you know how much you need to retire comfortably — and can the business provide it today? What will life look like after the sale?
- **Business Readiness:** How involved are you in day-to-day operations? Are key relationships or handshake agreements at risk once you step away? Are your books and policies strong enough to withstand buyer scrutiny? Do you have a management team ready and willing to lead post-close?

Transferability drives value — buyers pay more for businesses with strong teams, recurring revenue, and systems that operate independently of the founder. That's why exit planning isn't about hitting a perfect window. **It's about being ready before the window opens — so you can move quickly when the timing aligns with your goals.**

Life After the Deal

Too many owners see the sale as the finish line. In reality, it’s a transition. Whether you retire, invest, or start something new, having a plan for what comes next is key. Define those goals early, and you’ll stay grounded when the process feels overwhelming — and better positioned when the right moment arrives.

Houlihan Insight: *“The best exits happen when both owner and business are ready—financially, operationally, and for life after the sale.”*

1.3 Before You Say Yes – Getting an Unsolicited Offer for Your Business

At some point, it happens to almost every successful business owner: a competitor, private equity firm, or strategic buyer reaches out unexpectedly. The offer sounds attractive, and selling without shopping it around might seem convenient. But convenience has a cost — and in M&A, taking the first offer usually results in a lower valuation. Without testing the market, you don't know what your business is worth, and that often leaves money on the table.

The Economics of No Competition

In its simplest form, a company's sale price is driven by supply and demand. You can't control how many similar businesses are on the market (supply), but you *can* influence demand — and that's where a structured process helps.

When a buyer approaches you directly, they're doing so for a reason. They want exclusivity. They want to avoid competition. And they know that if you don't bring other buyers to the table, they hold the negotiating leverage. In many cases, this leads to a discounted deal — one that favors the buyer, not the seller.

Why a Process Matters

A formal M&A process changes the equation. Instead of reacting to a single offer, you bring multiple qualified buyers to the table at the same time. This competitive environment:

- Drives up valuation and cash at close
- Creates leverage to negotiate better terms
- Helps identify the right cultural fit for your business

When buyers know they're not the only ones at the table, the conversation shifts. You're no longer just accepting an offer — you're selecting the best one.

This is where Houlihan gets involved. We guide owners through a structured process — highlighting value, qualifying buyers, managing outreach, and negotiating terms. By running each step efficiently, we turn an overwhelming experience into one that's controlled, competitive, and confident.

Don't Just Take the First Offer

An unsolicited offer can be flattering, but interest isn't the same as value. Options give you power. The best outcomes happen when you create a market for your business, not when you settle for the first offer.

Why Professional Guidance Matters

Solo negotiations often leave value on the table — buyers know when owners lack representation. Business owners hire brokers, accountants, and lawyers because they add more value than they cost and make the process easier. An investment banker is no different. We push for a higher price, better terms, and quarterback a complex process with moving parts. Our job is to level the playing field and protect what you've built.

Houlihan Insight: *“One offer is a starting point, not a market. In M&A, convenience favors the buyer—competition favors the seller.”*

PART 2

Pitch Your Tent Before It Rains

Preparing Your Business and Yourself for a Sale

2.1 What's Your Business Worth? Key Valuation Drivers Explained

One of the first questions every owner asks is: **“What’s my business worth?”**

The answer isn’t as simple as applying a multiple to last year’s earnings. Valuation is part art, part science — and knowing the drivers helps you see your company through a buyer’s eyes.

Valuation Methods: Three Lenses

Income Approach

- **How it works:** Forecasts expected cash flows and discounts them back to present value.
- **When it’s useful:** Most relevant for healthy, growing companies where future cash flows are reasonably predictable.
- **Drawbacks:** Sensitive to assumptions — growth rates, margins, and discount rate can significantly influence results.

Market Approach

- **How it works:** Compares your business to others that recently sold, using valuation multiples such as **EV/EBITDA** (enterprise value to earnings) or **EV/Revenue**.
- **When it’s useful:** Helpful for benchmarking valuation quickly.
- **Drawbacks:** Private deal data is limited, “comparable” transactions differ in scale, industry, or performance.

Asset Approach

- **How it works:** Values tangible assets minus liabilities.
 - **When it’s useful:** Most relevant for asset-heavy businesses, distressed situations, or companies with limited earnings.
 - **Drawbacks:** Often understates the worth of intangibles — people, brand, customer relationships, systems, and intellectual property.
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How Houlihan Helps

When we work with business owners, we look at value through multiple lenses — combining quantitative analysis with real-time market perspective. Our team helps determine which valuation approach best fits your business and where your company is likely to price in today’s market.

Before moving forward with a formal engagement, we provide valuation estimates to ensure alignment on expectations, giving owners confidence in the process and clarity on what drives value.

Key Value Drivers

Beyond the math, buyers weigh several qualitative factors that can move valuation significantly:

- **Revenue Quality:** Predictable, recurring revenue commands a premium. Businesses with repeat or contract-based revenue are typically more attractive than those driven by one-time or project-based work.
- **Customers:** Buyers look at customer mix, relationship tenure, and contract terms to understand stability and growth potential. A loyal, diversified customer base drives stronger valuations.
- **Profitability & Growth:** Steady margins and sustainable growth trends carry more weight than one-off spikes.
- **Market Position:** Competitive advantages, barriers to entry, and market share command premiums.
- **Key Man Risk:** Businesses that are highly dependent on the owner create risk. Buyers place a premium on management teams with the experience, ability, and willingness to lead post-transaction.
- **Industry Tailwinds:** Companies in growing or consolidating sectors naturally attract more buyer interest.
- **Capital Requirements:** Asset-light, scalable businesses are more attractive than models that require heavy CapEx to fuel future growth.
- **Technology & Equipment:** Modern tech stacks, systems, and equipment signal efficiency and reduce buyer upgrade costs. Outdated systems or equipment drag value down.
- **Longevity:** Companies with long track records demonstrate resilience and stability, reducing perceived risk.

Price vs. Terms: The Full Equation

Headline price gets the attention, but structure often matters just as much. Common deal terms include:

- **Cash at Close:** The most straightforward — and least risky — form of consideration.
- **Deferred Consideration:** Payments made over time, such as seller notes.
- **Rollover Equity:** Retaining a minority stake in the business to participate in future upside.
- **Contingent Consideration:** Earnouts tied to future performance benchmarks.
- **Escrow:** A portion of proceeds held back at closing (often 3–24 months) to cover potential post-close adjustments or claims.

Smart sellers weigh both price *and* terms to align outcomes with their goals and tolerance for risk.

Houlihan Insight: *“Valuation is in the eye of the buyer; our role is to make sure buyers see the full value of what you’ve built.”*

2.2 Getting Your House in Order — Financials, KPIs & Addbacks

Financial statements are the foundation of any valuation. They quantify the story of your business — and when a buyer is paying millions based on that information, the quality of the data matters.

Why Buyers Pay More for Clean Financials

Clean, accurate books should be a priority, but in the lower middle market, lean back-office operations often mean that's not the case. Fortunately, resources like accountants and fractional CFOs can lead accounting cleanups or prepare a Quality of Earnings (QofE) report.

While nothing replaces years of proper accounting, these steps add meaningful credibility and can have a disproportionate impact on how buyers evaluate your business.

But “getting your house in order” is about more than clean books. It's about presenting your business in its best light while maintaining credibility with sophisticated buyers.

Messy financials are very common for businesses in this part of the market. Houlihan works with clients to create clarity and consistency in their financials so that buyers can focus on the company's true performance, not its accounting gaps.

Financial Preparation Essentials

Normalizing EBITDA: Buyers focus on normalized EBITDA — earnings adjusted for one-time or non-recurring items. Common addbacks include:

- Owner compensation above or below market
- Non-market rent
- Family members who play a passive role yet receive compensation
- One-time legal or consulting fees
- Personal expenses run through the business
- Non-recurring gains or losses

Every adjustment must be well-documented and clearly explained.

Quality of Earnings Mindset: Buyers will scrutinize revenue recognition, customer concentration, seasonality, the sustainability of profits, and much more. If they successfully poke holes in your numbers, they gain justification to lower the purchase price. Addressing these questions proactively not only builds trust — it helps you preserve price.

Historical Trends: Buyers expect three to five years of financial history to evaluate growth and stability. Predictable, consistent performance is more valuable than sporadic peaks — it signals reliable future cash flows.

KPIs That Matter to Buyers

Beyond financial statements, buyers study the metrics that reveal the health, profitability, and scalability of your business:

- **Customer Metrics:** Strong retention, diversified accounts, key account growth, and manageable acquisition costs reassure buyers and support higher valuations.
- **Sales & Margin Metrics:** Clear visibility into sales and margins by service offering, customer, and region shows where there is room for growth.
- **Operational Metrics:** Buyers look for efficiency ratios that demonstrate scalability and disciplined operations.
- **Documentation & Systems:** Organized records reduce friction in diligence and reinforce credibility.

Documentation & Systems

Well-organized records not only ease diligence but also signal professional management. Key items include:

- Organizational documents and tax returns
- Employee census with detailed compensation history, handbooks, and org charts
- Customer lists and contract summaries
- Vendor and supplier agreements
- Insurance policies and compliance records

The easier it is for buyers to understand your business, the faster the process moves — the more credible you appear.

Houlihan Insight: *“Clean financials and organized records make diligence easier and give buyers confidence in what they’re buying. We help owners prepare early so their numbers withstand scrutiny while framing the business in the best possible light.”*

2.3 Planning Ahead — Tax, Estate & Deal Structure

The way a deal is structured can have a big impact on both your after-tax proceeds and your long-term wealth. The most effective strategies usually need to be in place before negotiations begin, which makes early planning essential.

Tax Optimization Strategies

- **Qualified Small Business Stock (QSBS):** If your business qualifies, you may be able to exclude up to \$10 million (or 10x your basis) from federal taxes. Rules around business type, holding period, and ownership are strict, so this needs to be evaluated early.
- **Trust Structures:** Certain trusts can reduce estate taxes, create income streams, and preserve some control — but they require advance planning to be effective.
- **Rollover Equity:** Many deals involve sellers keeping a minority stake. This can defer some taxes and offer future upside, but it also ties up capital and carries risk.

Estate Planning Integration

A sale is often the biggest liquidity event of an owner's life. It should be integrated with broader estate and legacy goals, including:

- Wealth transfer to family members
- Charitable giving strategies
- Trust funding for long-term preservation
- Generation-skipping considerations for larger estates

Timing & Advisors

Most tax and estate strategies work best when implemented well before negotiations. Once talks with buyers begin, your ability to make changes is limited.

Pre-sale planning requires alignment across all advisors — tax professionals, estate attorneys, wealth managers, and your transaction team. Early coordination ensures your strategies work together and serve your bigger picture goals.

When we work with clients, we leverage our experience and network to connect owners with the right resources and help structure transactions in a way that minimizes tax burden at sale.

Houlihan Insight: *“A successful exit isn’t just about the price — it’s about what you keep. We help business owners align tax, estate, and deal strategies to safeguard what they’ve built and set their family up for lasting success.”*

PART 3

Control the Process or it Controls You

Your Team Determines Your Outcome

3.1 The Management Team — Reducing Owner Dependency

In any M&A transaction, the strength and depth of the management team are critical drivers of value — especially when the owner plans to step back after the sale. As discussed earlier, **transferability drives value**. Buyers pay a premium for companies that operate smoothly without the owner’s daily involvement, as it signals stability.

Key-Man Risk, and How It Affects Value

When an owner is deeply involved in the business — overseeing daily operations, driving sales growth, and managing key relationships — it creates what’s known as **key man risk**. In these cases, a buyer sees the business’s success as tied too closely to one individual.

Consider a hypothetical business – John’s HVAC Company. John holds the licenses, manages the company’s largest accounts, negotiates directly with suppliers, and appears in many of the company’s online reviews. The business performs well, but it’s clear that much of its success is tied to John personally. If John leaves after the sale, there’s a real chance that business performance may take a hit. In valuation terms, that dependency translates into risk — and risk means a discount.

Now compare that to a business where the owner has stepped back from daily operations. The company is led by a capable management team with longstanding tenure, trusted relationships, and clearly defined roles. They are viewed as leaders inside the organization, and their loyalty gives buyers confidence that performance will continue post-close. Those qualities — strong leadership, stability, and continuity — command a premium.

The Management Team’s Role in the Process

A strong management team not only drives value but also plays a pivotal role throughout the transaction itself. They help gather financial and operational information, answer buyer questions, and serve as reliable points of contact for advisors and investors. During diligence, buyers will identify key individuals and often require new employment agreements with them as a condition to closing. To retain and motivate key management, buyers may offer retention bonuses, profit-sharing, or equity incentives tied to future growth.

In short, the more capable and empowered your management team, the less the business depends on you — and the more attractive, transferable, and valuable it becomes.

Houlihan Insight: *“Buyers pay for continuity. We help owners tell the story of a business that’s built to perform — with or without its founder.”*

3.2 Your Advisory Team — Why Experience Pays Off

A successful transaction takes more than a willing buyer and seller — it takes the right team behind you. M&A deals are complex, fast-moving, and filled with financial, legal, and emotional decisions. The best outcomes happen when you surround yourself with experienced advisors who know how to navigate those complexities, protect your interests, and help you capture full value for what you’ve built.

The Investment Banker: Quarterbacking the Process

Your investment banker plays the central role in any sale. They prepare and position your business for market, create competition among qualified buyers, and drive demand to achieve the best price and terms. Just as important, they act as the quarterback of the process — managing details, coordinating advisors, and allowing you to focus on running the business when performance matters most. A skilled banker also leads negotiations, filters buyer feedback, and guides the deal to a successful close.

The Attorney: Protecting Your Interests

A strong M&A attorney protects you from unnecessary liability and ensures deal terms align with your goals. The best attorneys are pragmatic — they know how to “**play nice in the sandbox**” with opposing counsel while still safeguarding your position. Experience matters; a general business lawyer may not anticipate the nuances and risks that come with a transaction.

The Accountant: Credibility and Clarity

Your accountant tells the financial story behind your business. Clean, accurate financials give buyers confidence in what they’re buying. During diligence, your accountant helps explain methodologies and resolve inconsistencies before they become problems. Their credibility and familiarity with your numbers help maintain buyer trust.

The Wealth Advisor: Preserving Your Wealth

A sale is often the largest liquidity event of a founder’s life. A wealth advisor helps position you to manage that liquidity effectively — structuring assets, aligning tax strategies, and developing a plan that fits your long-term goals. Their guidance helps you preserve what you’ve earned and plan for what’s next.

Why Experience Matters

Some owners view advisory fees as an expense, but the most successful see them as an investment. The right advisors uncover value, prevent mistakes, and create leverage in negotiations. By contrast, owners who try to go it alone often face lower valuations, greater risk, poor deal structure, and declining company performance as attention shifts from operations to the transaction. Surrounding yourself with the right team allows you to protect value, stay focused, and close with confidence.

Houlihan Insight: *“The more people invested in your success, the more likely you are to be successful.”*

3.3 Who's Buying Your Business? Strategic vs. Financial Buyers

Understanding who's on the other side of the table — and what they value — is key to positioning your business and maximizing value. Most buyers fall into two main categories: **strategic** and **financial**, each with distinct motivations, structures, and deal dynamics.

Strategic Buyers

Strategic buyers are companies in your industry or adjacent markets acquiring to strengthen their competitive position. They look for **synergies** — cost savings, new customers, geographic expansion, or complementary capabilities — that make the combined business stronger than the sum of its parts. Because of those synergies, strategics can often justify **higher purchase prices** than financial buyers.

Their diligence process is typically faster since they already understand your market, but it carries risk: sharing confidential information with a potential competitor can be harmful if the deal doesn't close. An experienced advisor helps manage these sensitivities, controlling what and when information is shared. Strategic buyers also tend to purchase **100% of the business**, fully integrating it into their operations. This creates a clean exit for the seller but often brings post-close changes to culture, structure, or branding.

Financial Buyers

Financial buyers — private equity firms, family offices, and independent sponsors — invest to generate returns. **Private equity firms** raise capital from institutions and high-net-worth investors and typically hold businesses for **four to six years**, improving performance before selling at a higher valuation.

Within private equity, firms pursue **platform and add-on strategies**. A platform serves as the entry point into a new industry or geography, while **add-on acquisitions** expand market share and create efficiencies. Once the platform and its add-ons are scaled, the combined company is usually sold to a larger PE firm or strategic buyer.

Financial buyers often structure deals with **rollover equity or earnouts** to align interests. This allows sellers to retain a minority stake and participate in potential future upside while reassuring buyers that leadership remains engaged.

Family offices invest their own capital — often from a single ultra-high-net-worth family — and typically hold longer, prioritizing **stability and wealth preservation** over short-term gains. **Search funds and independent sponsors** generally target smaller businesses and often take active management roles post-close.

Finding the Right Fit

Each buyer type has advantages and tradeoffs. Strategics may pay more but seek full control. Financial buyers may preserve leadership and offer upside but share risk through deal structure. The goal is to approach a broad universe of buyers to find the one who will **pay a strong price, care for your people, and carry forward the legacy of what you've built**.

Houlihan Insight: *“The strongest deals come from choice. We create options so you can choose the buyer who delivers both value and alignment.”*

PART 4

Congratulations, You're Not Done Yet

Transaction → Transition

4.1 Going to Market — How the Sale Process Really Works

Once you've assembled your advisory team, the formal sale process begins. While no two transactions are identical, most follow a similar rhythm — three key phases that move from preparation, to marketing, to closing. Understanding what happens at each stage helps set expectations, reduce surprises, and keep you focused on the bigger picture.

Phase One: Preparation — Setting the Stage

Before a single buyer is contacted, significant groundwork takes place behind the scenes. This stage can make or break your outcome, because a well-prepared process gives buyers confidence in the information they're reviewing and sets the tone for negotiations later on.

Your investment banker (or sell-side advisor) will work with you and your team to gather the data, financials, and operational information needed to build your company's marketing package. This includes:

- **Financial Model:** A dynamic projection showing both historical performance and future growth potential.
- **Confidential Information Memorandum (CIM):** A comprehensive document that tells your company's story — its history, sales mix, operations, markets served, management team, and financial profile.
- **Data Room:** A secure digital library of supporting information — contracts, financial statements, and organizational materials — that buyers will review during due diligence.
- **Buyer List:** A curated universe of qualified potential acquirers, including both strategic and financial buyers, tailored to your size, sector, and goals.

A thoughtful preparation phase ensures that your materials reflect the true quality of your business and that your company is positioned clearly and credibly when it reaches the market.

Phase Two: Marketing — Creating Competition and Driving Demand

Once materials are complete, your advisor brings your business to market. The objective here is simple: **generate competition among qualified buyers to drive value and terms in your favor.**

The process typically begins with a one-page “teaser” or investment summary, which provides a high-level overview without revealing your company's name. Interested buyers sign a **non-disclosure agreement (NDA)** before receiving the full CIM. From there, your banker manages communication, fields buyer questions, and gauges interest.

Over the following weeks, serious buyers submit **Indications of Interest (IOIs)** — non-binding proposals outlining how they would value your business, key deal terms, and potential next steps. Reviewing these side by side allows you and your team to narrow the buyer pool to those who are both financially capable and strategically aligned.

Next comes **management meetings**, where you meet top buyers — often in person — for deeper discussions about your business, its growth story, and their vision for it post-close. These sessions are critical: they allow buyers to see the people behind the numbers and give you a feel for who might be the best fit to carry the business forward.

After those meetings, selected buyers submit **Letters of Intent (LOIs)** — formal proposals that include price, structure, financing sources, and preliminary deal terms. The LOI also introduces **exclusivity**, a short period where you agree to negotiate in good faith with one buyer while they complete confirmatory diligence.

Phase Three: Due Diligence and Closing — From Intent to Execution

The diligence and closing phase brings your deal from handshake to signature. This period often lasts 45–90 days but can extend well beyond that, depending on the complexity of the business and the buyer’s process. It’s a deep verification of everything presented earlier — financial, legal, operational, and tax.

Buyers may engage third-party firms for **Quality of Earnings (QofE)** reviews, legal diligence, or operational assessments. During this phase, key negotiation points — purchase price adjustments, working capital targets, and final legal language — are refined and agreed upon.

While this stage can feel demanding, your advisors shoulder much of the work. Your focus should remain on running the business. Maintaining strong performance during diligence reinforces buyer confidence and protects valuation. Deals often stall or reprice when performance dips mid-process.

Once diligence is complete and documents are finalized, funds are wired, papers are signed, and the transaction closes — marking the beginning of a new chapter for you and your company.

The Big Picture

From start to finish, a typical sale process takes **six to twelve months** — though preparation often begins long before that. Each phase builds on the last: preparation creates credibility, marketing builds competition, and disciplined execution gets you across the finish line.

Selling a business is as much an emotional journey as it is a financial one. The best outcomes come when owners stay focused on running the company, while a trusted team manages the process, protects value, and ensures that years of work culminate in a successful, well-earned outcome.

Houlihan Insight: *“Selling your business is a process, not an event. We guide owners through each stage to protect value and deliver results.”*

4.2 Negotiating the LOI and Surviving Due Diligence

Reaching a Letter of Intent (LOI) is a meaningful milestone in any sale process. It signals that a buyer has completed serious review, often met with management, and is ready to move forward. But while it's a major step, it's also the start of the most demanding phase of the transaction.

What the LOI Really Means

Unlike an Indication of Interest (IOI), which outlines a value range, an LOI provides a **specific price** and key deal terms. It establishes the framework for the final purchase agreement and defines how value will be paid. Beyond price, the LOI spells out how the seller will be paid — whether through cash at close, deferred payments, rollover equity, earnouts, or escrow. These concepts are covered more fully in Section 2.1 (page 7 – *Price vs. Terms: The Full Equation*).

It also outlines **sources of capital**, potential **employment terms**, and often addresses **real estate** arrangements.

A key feature of every LOI is **exclusivity** — a period where you agree not to engage with other buyers while the selected party completes diligence. Because exclusivity removes competition, terms must be clear before signing. Your attorney typically becomes more involved here, reviewing language and ensuring the LOI reflects your interests.

The Reality of Due Diligence

Once the LOI is signed, diligence begins. Buyers verify the key aspects of your business to confirm what they've been told and identify risks that could affect price or structure. Expect detailed requests for:

- Financials and tax filings
- Customer and supplier contracts
- Employment, insurance, and compliance records

This phase often lasts 45–90 days and demands time from management. Strong advisors help organize data, manage requests, and keep you focused on performance — since consistent results protect valuation.

The Big Picture

The LOI marks the shift from selling the story to proving it. This is where preparation, organization, and transparency truly pay off. A well-managed diligence process should confirm what buyers already believe about your business — not give them reasons to question it. With experienced advisors guiding the process and keeping momentum, diligence becomes validation rather than negotiation. It's the bridge between intent and execution — the point where the value you've built over years is tested, protected, and ultimately realized.

Houlihan Insight: *“The best defense in diligence is preparation. We help owners stay organized, anticipate issues, and maintain leverage when it matters most.”*

4.3 After the Close — Integration, Legacy, and What’s Next

Closing the sale of your business marks the end of one chapter and the beginning of another. Whether you’re staying on through a transition period, retiring, or pursuing new ventures, life after a transaction brings new opportunities — and new considerations. Planning for what comes next is just as important as preparing for the sale itself.

Integration and Transition

If you’re remaining with the business post-sale, understanding the integration process is key to a smooth handoff. Every organization has its own culture, systems, and pace of decision-making. Aligning expectations early helps both you and the buyer avoid friction. Operationally, expect some changes — reporting structures, systems, and processes often evolve under new ownership.

The same goes for your team. Employees naturally feel uncertainty when ownership changes, so communication is essential. Sharing what you can — about the buyer’s vision, the company’s direction, and their role in it — helps maintain trust and stability during the transition. Buyers value continuity, and the tone you set post-close can influence how smoothly integration unfolds.

The Personal Transition

For most founders, selling their business represents more than a financial event — it’s a personal transformation. The shift from owner to advisor, employee, or retiree can take time to process. Many founders find purpose again through mentoring, investing, or giving back, while others take time simply to recharge after years of building and leading.

A liquidity event also creates a new set of financial considerations. Managing and preserving wealth requires thoughtful planning — investment strategy, tax efficiency, and estate updates all become central priorities. Surrounding yourself with trusted advisors ensures that your financial decisions reflect both your goals and your values.

Protecting Your Legacy

For many business owners, ensuring the company’s continued success and protecting their legacy are as meaningful as the sale proceeds themselves. The buyer you choose can shape that legacy — how employees are treated, how customers are served, and how the business continues to impact its community.

If preserving company culture, employee opportunity, or community engagement matters to you, those priorities should guide your decision-making well before closing. The best outcomes happen when financial success and legacy alignment go hand in hand.

Looking Ahead

Selling your business is an accomplishment few achieve. Whether you use this new chapter to invest, give back, or finally take a breath, the key is to move forward with intention. The deal may close, but your impact — and your legacy — continue to grow.

Houlihan Insight: *“The best exits balance value today with vision for tomorrow. We help founders move into their next chapter with purpose and clarity.”*

PART 5

Closing Thoughts

Key Takeaways and Next Steps

5.1 Conclusion — Key Takeaways

Selling your business isn't a single event — it's a process that rewards foresight, preparation, and partnership. The most successful exits aren't about perfect timing; they're about being ready when the timing is right.

Plan Early, Not When You're Ready to Leave.

Exit readiness starts years before a sale. Addressing financial reporting, owner dependency, and succession planning early gives you control, options, and leverage when it matters most.

Positioning Drives Value.

Buyers pay for what they can see, understand, and believe in. A clear story, professional materials, and clean financials all help command stronger valuations and better terms.

Process Creates Competition.

The difference between a fair deal and a great one often comes down to process. A structured, competitive sale generates demand, drives price, and ensures you choose — not chase — the right buyer.

Experience Protects Value.

The right team of advisors doesn't just guide you — they protect you. They help you navigate complex decisions, avoid costly missteps, and maintain focus on running the business through closing.

Think Beyond the Deal.

A successful exit isn't only measured in proceeds — it's about what comes after. The best outcomes align financial results with personal goals, employee stability, and lasting legacy.

5.2 Next Steps — Start the Conversation

Every successful exit starts with a single step: understanding where you stand today. Whether you're planning years ahead or simply curious about your options, an informed conversation is the best way to begin.

How Houlihan Capital Can Help

At Houlihan Capital, we guide business owners through every phase of the M&A journey — from positioning and valuation through negotiation and close.

Our value-add combines:

- **End-to-End Advisory:** We provide the resources of a full-service investment bank to a segment of the market that's typically underserved — delivering institutional-quality process, execution, and expertise to lower middle market business owners.
- **Tailored Process:** Every business is unique. We shape the strategy, buyer outreach, and timing to fit your goals — not a template.
- **Proven Outcomes:** We've helped owners achieve successful exits, preserve their legacy, and move into their next chapter with confidence.

Your Next Step

Schedule a **confidential, no-obligation conversation** about your goals and options.

- No cost for initial discussion — our goal is to educate, not sell.
- Complete confidentiality — your inquiry remains private.
- Personalized insight — learn what today's market means for your business.

The best time to start planning is before you need to.

Let's begin the conversation today.



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