FOR OWNERS PREPARING TO SELL

The three findings buyers use to retrade your price, *found while you can still fix them.*

Run this before the process, not during it. Buyers rarely retrade a price because they found a problem. They retrade because you could not answer a question. This is the same screen a buyer's diligence team will run on your books. Run it on 24 months of revenue by customer, your payroll register, owner distributions, add-back schedule, and monthly balance sheets. Where the answer rests on memory instead of a ledger line, score the item amber until it is documented.

0–2 PTS	3–5 PTS	6+ PTS
▶ MARKET READY	▶ FIX FIRST	▶ WAIT
Go to market with a defensible file.	60–90 days of cleanup protects the price.	Fix before a buyer sees the books, or expect the price to move.

No. 1 ADD-BACK DOCUMENTATION

An add-back without a ledger line is a discount.

CALCULATE

- Every claimed add-back tied to a specific GL line and a receipt.
- Owner compensation against the market cost to replace the role.
- Personal expenses by account, with card-level detail behind each.

AMBER FLAGS · 1 PT

- Add-backs the buyer's team finds were listed from memory, not the ledger.
- Round-number estimates rather than actual booked amounts.
- Family members on payroll without documented duties.

RED FLAGS · 2 PTS

- Add-backs above 20% of EBITDA resting on narrative, not detail.
- Personal spend commingled across many company accounts.
- Related-party rent or fees never benchmarked to market.

No. 2 CONCENTRATION STORY

Every retrade starts as an unanswered question.

CALCULATE

- Top 1, top 3, and top 10 customer share by month for 24 months.
- Repeat-purchase or renewal rates by customer.
- Gross margin on each top customer versus the company average.

AMBER FLAGS · 1 PT

- Top-customer share rising with no contract behind it.
- Recent growth concentrated in one channel or product.
- Renewals handled informally or on verbal terms.

RED FLAGS · 2 PTS

- One customer above 25% of revenue on handshake terms.
- Recent churn offset by growth in a single account.
- Top-customer margin below company average and unexplained.

No. 3 WORKING-CAPITAL READINESS

The peg negotiation starts twelve months before the LOI.

CALCULATE

- Normalized working capital from twelve or more monthly balances.
- AR aging and the trend in collection days.
- Accrued liabilities for payroll, tax, and deposits, checked for completeness.

AMBER FLAGS · 1 PT

- AR days drifting up across the last several months.
- Inventory not physically counted in twelve months.
- Accruals trued up only at year-end, not monthly.

RED FLAGS · 2 PTS

- Collections lagging booked revenue by more than one cycle.
- Debt-like liabilities missing from the balance sheet.
- A closing peg the monthly balances cannot support.

SCORE IT BEFORE YOU GO TO MARKET

Readiness rubric

Two rows per screen. Assign 0, 1, or 2 points each, total the six rows, and fix every open item before a buyer opens the file rather than conceding on it at the table.

SCREEN	▶ GREEN · 0 PTS	▶ AMBER · 1 PT	▶ RED · 2 PTS
Add-back detail	Every add-back ties to a GL line and a receipt in one schedule.	Add-backs are listed but the supporting detail is incomplete.	Add-backs rest on your explanation, not the ledger.
Owner and family comp	Owner comp is near market and family roles are documented.	Replacement cost is material but you can quantify it.	Family payroll has no duties, or replacement erases the add-back.
Concentration	Top-customer share is stable and growth is broad-based.	Top-customer share is rising and the reason is not yet evidenced.	Recent growth depends on one customer, channel, or account.
Customer relationships	Top relationships are papered or backed by a clear renewal record.	Some relationships are contracted and others are verbal.	Your largest customer is on handshake terms.
Working-capital trend	AR, AP, and inventory days sit in line with your history.	One component is moving adversely and needs support.	Multiple components are deteriorating, or accruals are missing.
Peg readiness	Twelve or more monthly balances support a defensible peg.	Balances exist but accruals are trued up only at year-end.	The peg you want cannot be built from the monthly balances.

BEFORE YOU GO TO MARKET

- ☐ Tie every add-back to a ledger line and a receipt.
- ☐ Paper the top-customer relationships or document the renewal story.
- ☐ Move personal spend out of the business twelve months ahead.
- ☐ Document family-member roles, or remove them from payroll.
- ☐ Agree the peg methodology with your advisor before the LOI.

SELL-SIDE DATA ROOM STARTER SET

- ☐ Monthly P&L and balance sheet, last 36 months.
- ☐ Revenue by customer by month, last 24 months.
- ☐ Add-back schedule with GL references for each item.
- ☐ AR and AP agings as of the most recent month.
- ☐ Payroll register and related-party agreements.

> *Buyers do not retrade because they found a problem. They retrade because you could not answer it.*
>
> Every amber item on this page is cheaper to fix now than to concede at the closing table.

WHAT STRONG ANSWERS LOOK LIKE

Add-backs	A prepared seller hands over one add-back schedule where every line points to a GL account and a receipt.
Concentration	A prepared seller opens a contract file that shows the top relationships are papered, priced, and renewing.
Working capital	A prepared seller shows a peg built from twelve or more monthly balances, with accruals trued up each month.

This is the screen buyers will run on your books. Zenith Analysis runs it first, from your accounting file, and returns the findings with every flag tied to a ledger line, so the fix happens before the process instead of inside it. **zenithanalysis.com**