STRATEGIC TRANSITION PARTNERS

FOR FOUNDERS & BUSINESS OWNERS

A FOUNDER'S GUIDE

Selling to private equity: what to expect.

A plain-English look at how the process works, what buyers care about, how deals are structured, and how to get ready, written for owners who have never done this before.

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STEP BY STEP

From first conversation to closing

Most sales to a private equity partner follow the same six steps. Here is what happens at each one, and what is asked of you.

1

A conversation

We talk about your business, your goals and your timing. No paperwork and no pressure. You decide whether exploring options makes sense for you.

Week one

2

A confidential introduction

With your OK, we share an anonymous profile with a short list of partners that fit your industry and goals. Your name stays private until you choose to share it.

First few weeks

3

Getting to know each other

Calls and meetings with interested partners. It is as much about people and vision as numbers: how they would run the business, what they would change, and what they would leave alone. Be ready to share some basic information under an NDA, such as your last three years of financials and your current backlog.

A few weeks to a few months

4

The letter of intent (LOI)

A written offer covering price, how it is paid, your role afterward, and exclusivity, a window where you agree to negotiate only with them. The terms matter as much as the headline number.

Exclusivity often 45 to 60 days

5

Due diligence

The buyer verifies everything: financials (often with a quality of earnings review), customers, contracts, people, legal and insurance. Organized, fast answers keep momentum and trust. We can introduce experienced M&A accountants who help owners prepare and present their financials to the buyer.

Often 60 to 120 days from LOI to close

6

Closing and the first 100 days

Final agreements are signed and funds move. Then the real work starts: a plan with your new partner for growth and for what your role looks like.

Close

6 to 12 **months is a common range for a full process**, and getting organized beforehand can add time. Timing varies by deal size and complexity. The biggest lever you control is how prepared you are before you start.

WHAT MATTERS

What buyers look for, and how value is set

WHAT PRIVATE EQUITY LOOKS AT

Recurring or repeat revenue
Contracts, maintenance and customers who come back. Predictable revenue is worth more than one-off projects.

A team beyond the owner
Managers who can run day-to-day without you. The less the business depends on one person, the more a buyer can pay.

A balanced customer base
Buyers call this low customer concentration: no single customer, or small group, that could sink the business if they left.

Healthy, steady margins
Consistent profitability and cash flow over several years, not one great year.

Clean, trustworthy financials
Numbers that tie out. Buyers pay for earnings they can verify.

Room to grow
New markets, new services, or add-on acquisitions a partner can help you pursue.

HOW THE PRICE IS BUILT



Illustration only. Real numbers and multiples vary widely by industry, size, growth and quality of earnings.

Add-backs are worth a lot
At a 5× multiple, every $100K of accepted add-backs adds $500K to the price.

But only if they hold up
Buyers' accountants test each one against bank statements and invoices. Unsupported add-backs get removed, sometimes late.

The multiple follows quality
Recurring revenue, depth of team and clean books earn higher multiples. Each industry and deal size has its own range.

What is a quality of earnings (QoE) review? The buyer's accountants rebuild your earnings from source records to confirm they are real and repeatable. It is routine, and a prepared owner usually finds it a non-event.

YOUR OPTIONS

How deals are structured

'Selling to private equity' can mean very different things. The right structure depends on what you want.

Full sale

You sell all of the business.

CASH AT CLOSE
All or most of the price

YOUR ROLE
Usually a transition period, then you step away

UPSIDE LATER
None, apart from any earn-out

BEST IF
You are ready to step back and want a clean break

Majority recapitalization

You sell a majority stake and keep a meaningful minority (the rollover).

CASH AT CLOSE
A large share of the value

YOUR ROLE
Typically you stay involved, with a partner and resources behind you

UPSIDE LATER
A second payout when the partner sells, often in 3 to 7 years

BEST IF
You want liquidity now and still believe in the growth

Minority growth investment

You sell a minority stake and stay in the driver's seat.

CASH AT CLOSE
Partial: some liquidity and/or growth capital

YOUR ROLE
You stay in control, with a partner at the table

UPSIDE LATER
You keep most of the future upside

BEST IF
You want capital and a partner to grow, not an exit

How long you stay is negotiable. Most buyers prefer the owner to stay on for a defined transition period. Some will accommodate a full exit, especially if you have strong management behind you.

TERMS YOU WILL HEAR

Rollover equity
Reinvesting part of your proceeds into the new company. Often 10 to 30% of the equity, though it varies widely. It is the 'second bite of the apple'.

Earn-out
Part of the price paid later, if the business hits agreed targets. Worth understanding exactly how results are measured.

Escrow or holdback
A slice of the price held back for a period to cover any surprises after closing.

Working capital peg
A target level of day-to-day cash tied up in the business, adjusted at closing. A common source of price changes late in a deal.

Exclusivity
A period after the LOI when you negotiate only with one buyer. Keep it limited, with clear milestones.

Equity class
What you actually hold when you roll. The type of equity and its rights matter more than the percentage.

QUESTIONS TO ASK ANY BUYER

- What experience do you have in my sector?
- How long do you hold a company?
- Who works with me day to day?
- What rollover equity would I hold, with what rights?
- What value beyond capital do you bring?
- How will this be funded, and with how much debt?
- What changes for my team and customers?

SELF-CHECK

Are you ready?

You do not need to check every box to start a conversation, but the more you can check, the smoother a process tends to be.

- [ ] **Three years of financial statements**
  Ideally reviewed or audited, and consistent.
- [ ] **Add-backs documented**
  Each one-time or owner expense, supported.
- [ ] **A second layer of management**
  People who can run the business without you.
- [ ] **No dominant customer**
  Revenue spread across a healthy mix of customers.
- [ ] **Contracts organized**
  Key customer, vendor and lease agreements.
- [ ] **Clear on what you want**
  Cash, your role afterward, timing and legacy.
- [ ] **Relationships beyond you**
  Key customers know others on your team.
- [ ] **Tax and entity structure reviewed**
  Talk to your CPA early.
- [ ] **Advisors identified**
  A CPA, transaction attorney and wealth advisor you trust. We can introduce experienced ones.
- [ ] **Realistic on timing**
  A real process often takes 6 to 12 months.

A SIMPLE 12-MONTH PATH

NOW
Pull three years of financials and list your add-backs.

NEXT 3 MONTHS
Meet your CPA and a transaction attorney. Review taxes and structure.

MONTHS 3 TO 9
Build bench strength, spread customer risk, and organize contracts.

MONTHS 9 TO 12
Start conversations with partners from a position of strength.

HOW WE WORK WITH YOU

Buyer-paid

We are paid by the buyer, and only if a deal closes. You never pay us a retainer or a fee.

Honest about our role

Because the buyer pays us, we are not your lawyer, tax advisor or valuation firm. Bring your own advisors or use ones we introduce. We take no referral fees from any advisor.

What we do

Introduce you to a short list of vetted partners and, when needed, to experienced CPAs, M&A accountants, transaction and estate attorneys, and wealth advisors. We coordinate the conversations and give you a straight view.



Let's talk about what is next for you.

Includes a free initial valuation, with no obligation. Nick Lyons, Founder & Managing Partner

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General information only, not legal, tax or financial advice. Every transaction is different.