

The Seller Readiness Playbook for IT Founders



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🕒 5 Signs It Might Be Time to Sell Your IT Business — Before the Market Shifts

For many IT founders, the decision to sell doesn't start with spreadsheets — it starts with **signals**.

Signals that your business may be approaching its **valuation peak** — when buyers see opportunity, but fatigue and market headwinds are just starting to appear.

Below are five signs every IT owner should be watching 📌

1 Growth Has Plateaued — Despite More Effort

You're working harder but not growing faster.

When new hires, marketing spend, and product pushes yield **diminishing returns**, you're likely nearing the **maturity curve** — and that's when buyers pay the most.

2 Buyer Interest Is Increasing

Private equity and strategic buyers are consolidating fast.

If you're getting **unsolicited inquiries**, it's a market signal — not a coincidence.

Those who sell **early in a roll-up cycle** capture the **highest multiples**.

3 Key People Are Asking, "What's Next?"

When senior talent starts asking about equity or future roles, they're really asking about **direction**.

Retention uncertainty is a **deal killer** — but it's also a sign you've built something **valuable**.

4 Customer or Technology Concentration Is Rising

If one client or platform now drives too much revenue, **valuation risk** is rising.

Diversification takes time — but the window for **premium multiples** doesn't stay open forever.

5 Personal Energy and Risk Appetite Are Declining

Fatigue shows up quietly — slower decisions, less patience, reduced appetite for risk.

Buyers sense when the founder's energy fades.

The **best time to sell is when you can, not when you must.**

Example

A \$50M IT services firm delayed its sale by 18 months.

EBITDA slipped, multiples compressed, and valuation fell from **\$100M to \$68M.**

Same business. Different timing. **\$32M lost.**

The Takeaway

The message is simple: **Timing beats perfection.**

If two or more of these signs apply, the market may already be telling you it's time.

💡 What's My Business Worth? Demystifying Valuation for Tech Founders

Every tech founder has a number in mind — but few know how buyers actually calculate it. Valuation isn't just a math exercise; it's a **story about predictability, growth, and scalability** — and whether a buyer believes they can take your company further than you can.

Here are five core factors that determine what your IT business is really worth 🙌

1 Financial vs. Strategic Value

Financial buyers (like private equity firms) focus on reliable cash flow.

Strategic buyers (industry acquirers) pay for **synergy** — customer overlap, intellectual property, or integration advantages.

You don't have **one valuation** — you have several, depending on **who's buying and why**.

2 Recurring Revenue Drives Multiples

Predictability is king.

IT companies with **70%+ recurring revenue** often command **2–4× higher multiples** than project-based peers.

Subscription, managed service, and maintenance models create **valuation lift**.

3 Margins and Growth Rate Matter

A balanced **20% growth rate** and **20% EBITDA margin** signal scalable discipline.

Fast growth with thin margins raises red flags — buyers pay for **sustainable performance, not sprints**.

👤 Adjusted EBITDA — The Hidden Trap

Buyers heavily “normalize” your numbers.

Unverified add-backs, personal expenses, or one-time costs can **strip millions from value**.

Every **\$100K of verified EBITDA** can add up to **\$1M+ in enterprise value**.

5 The Buyer Fit Multiplier

The right acquirer can add **multiple turns of EBITDA**.

A \$25M software firm once received offers of **8× (\$40M)** and **11× (\$55M)** — same business, different buyers.

Fit drives price.

Example

A founder-led IT company with strong recurring revenue and normalized EBITDA lifted its valuation by **30%** simply by repositioning its financials and identifying the **right buyer type**. No new revenue — just smarter framing.

The Takeaway

Valuation clarity = negotiation power.

If you haven't benchmarked your company's value recently, now is the time.

☑ M&A Readiness Checklist: What Buyers Want from IT Companies

Every IT founder hopes to command a premium valuation — but few realize that **buyers don't pay for potential, they pay for preparedness.**

Before a single offer is made, buyers scrutinize your financials, contracts, governance, and customer base to answer one critical question:

Is this company ready to scale under new ownership?

Here's your M&A readiness checklist — the core elements buyers look for before they put real money on the table 🙌

1 Financial Clarity and Clean Books

Buyers want **transparency.**

Every number should reconcile, every adjustment should be **defensible.**

Clean financials — normalized EBITDA, clear working capital trends, and no “gray” add-backs — **reduce risk** and **increase valuation multiples.**

2 Customer and Contract Visibility

Recurring revenue is king, but it's only as valuable as your documentation.

Buyers want to see **written agreements, renewal patterns, and customer diversification.**

Unwritten understandings or handshake deals won't survive diligence.

3 Legal and IP Hygiene

Ownership of **code, trademarks, and data rights** must be clear and current.

Unresolved IP issues, outdated NDAs, or loose subcontractor agreements can **derail closings.**

Governance maturity signals lower legal risk — and **buyers pay for that confidence.**

Management Depth and Succession Readiness

A **founder-dependent** business is a risky business.

Buyers assess whether key operations can run without you — and whether next-level leaders are **incentivized to stay post-close**.

A defined **transition plan** can add an extra **turn of EBITDA** to your offer.

Technology Stack and Cybersecurity Discipline

Modern, documented, and secure systems reassure buyers that the business can **scale safely**.

Tech debt and weak cyber controls create **hidden liabilities** that slow deals or cut valuations.

In today's environment, **cyber diligence is financial diligence**.

Example

An IT services firm entered diligence with 85% recurring revenue but disorganized contracts and undocumented IP.

After cleanup, recurring revenue validation improved valuation by **15%** and cut closing time by **40 days**.

Preparation didn't cost value — **it created it**.

The Takeaway

You don't get a second chance at **first impressions in due diligence**.

Buyers will find every gap — so fix them **before they do**.

♥ Emotional Readiness vs. Business Readiness: Are You Really Prepared to Exit?

Selling your IT business isn't just a financial decision — it's a **personal** one.

You've built the company, led the people, and shaped the culture.

But when the day comes to hand over the keys, **business readiness means nothing without emotional readiness.**

Here are the five questions every founder should ask before stepping into the exit process



1 Can You Separate Your Identity from the Business?

For many founders, the company *is* their identity.

After the sale, there's no daily adrenaline — no team waiting on your decisions.

Ask yourself: **Who am I without this company?**

If that question feels uncomfortable, start planning your **transition story** now.

2 Are You Truly Ready to Let Go of Control?

Buyers and investors will make changes — new systems, new strategies, sometimes even new leadership.

If the thought of someone else calling the shots feels painful, **emotional readiness may lag behind business readiness.**

Selling well means being able to walk away with **peace, not resentment.**

3 Do You Know What's Next — Beyond the Wire Transfer?

A clear post-sale **purpose** protects your energy and mindset.

Whether it's mentoring, investing, teaching, or building again, your "next chapter" should be **intentional**, not improvised.

Founders without one often struggle most **after closing.**

Are You Aligned with Family and Key Stakeholders?

Spouses, partners, and even senior team members experience the exit alongside you. Surprises create tension; **alignment creates stability**.

Make sure everyone understands **why** you're selling — not just **that** you're selling.

Can You Be Rational When Negotiations Turn Emotional?

Deals get tense.

Buyers challenge numbers, lawyers debate words, and fatigue sets in.

Founders who attach personal pride to every clause **lose leverage**.

Emotional detachment is what allows you to protect value when pressure peaks.

Example

A founder received two similar offers for a \$40M MSP.

One came with a **6-month earnout**; the other required a **3-year transition**.

He chose the shorter term, valuing freedom over marginal upside — and called it **the best decision of his life**.

Clarity, not price, defined success.

The Takeaway

You can prepare your business for exit — but you must also prepare **yourself**.

Deals fail not because the numbers are wrong, but because the **owner isn't ready to let go**.

How Deals Get Done: A Step-by-Step Guide for First-Time Sellers

Selling your IT company isn't just about finding a buyer — it's about **managing a process**. Most first-time sellers underestimate how complex that process is — and how much **control they can lose** once it starts.

Here's what every founder should know about how deals really get done 🧐

1 Preparation (3–6 Months Before Market)

Before buyers ever see your numbers, your advisor team should **clean, normalize, and validate** them.

This includes adjusted EBITDA, working capital, and customer documentation.

Preparation builds trust — and trust drives valuation.

2 Positioning and Outreach (60–90 Days)

Your business must be positioned as **investable**, not just profitable.

This is when marketing materials, data rooms, and target buyer lists are built.

Strategic narratives — scalability, recurring revenue, and leadership depth — attract the right bidders at the right price.

3 Letter of Intent (LOI) and Negotiation (30–45 Days)

Once bids arrive, you'll compare **price, structure, and cultural fit**.

This is where sellers often focus on headline numbers and miss critical terms like **earnouts, escrows, or working capital adjustments**.

The LOI defines your **leverage** — get it right before you sign.

4 Due Diligence (60–90 Days)

Buyers will test every number, contract, and claim you've made.

Expect deep dives into **financials, technology, HR, tax, and compliance**.

Disorganization kills momentum — and erodes confidence.

Prepared sellers close faster and preserve more value.

5 Final Agreements and Closing (30 Days)

Once diligence is complete, the **final purchase agreement** captures all negotiated terms. This is where **legal precision** matters.

Founders who stay calm, organized, and fact-based during closing protect both **price and peace of mind**.

Example

A founder-led IT services firm entered the process without normalized EBITDA and had to renegotiate after diligence — losing one full turn of multiple.

Another prepared thoroughly and closed at full value 45 days early.

The difference wasn't performance — it was **preparation**.

The Takeaway

Deals reward **discipline, not luck**.

When you understand the process, you control the narrative — and **protect your outcome**.

Strategic vs. Financial Buyers: Who's the Best Fit for Your IT Company?

Not all buyers are created equal.

When you're ready to sell your IT business, the type of buyer you choose determines more than price — it shapes **your role, your team's future, and your company's legacy**.

Here's how to tell which type of buyer is the best fit for your business 👉

1 Strategic Buyers: Paying for Synergy

Strategic buyers are usually **larger companies already in your space** — vendors, integrators, or technology platforms.

They pay premiums for **strategic fit**: shared customers, complementary IP, or cross-selling potential.

They value integration. The more your business strengthens theirs, the higher the multiple.

Upside: Higher valuations, faster integration, industry credibility.

Tradeoff: You may lose independence quickly post-close.

2 Financial Buyers: Investing for Growth

Private equity firms, family offices, and independent sponsors focus on **cash flow and scalability**.

They invest to grow, not to integrate — often keeping management in place with **rollover equity** to build enterprise value together.

Upside: Continued leadership role, second exit opportunity, growth capital.

Tradeoff: Intense performance expectations and reporting discipline.

3 Hybrid Models: Strategic-Backed Financial Sponsors

Some buyers blur the lines — **PE-backed strategics or investor/operator partnerships**. These hybrids combine growth capital with operational synergies, offering sellers both a **liquidity event** and a **second bite at the apple**.

Upside: Mix of valuation premium and autonomy.

Tradeoff: Complex governance and layered decision-making.

Cultural Alignment: The Hidden Multiplier

Buyers look at numbers, but **post-close success depends on culture**.

Does your company's DNA fit theirs? Are they **customer-first or cost-first**?

Alignment determines retention — of employees, clients, and momentum.

A deal that feels right culturally often **performs better financially**.

5 Your Endgame Determines the “Right” Buyer

If you want a **clean exit** — go **strategic**.

If you want to **stay and scale** — go **financial**.

If you want **both liquidity and legacy** — go **hybrid**.

Knowing your goal before entering the market ensures you don't trade **short-term gain for long-term regret**.

Example

A cybersecurity firm received two offers:

- **Strategic buyer:** 12× EBITDA for full integration.
- **Financial buyer:** 9× EBITDA with 30% rollover and growth capital.

The founder chose the second option — and sold again three years later for **15× EBITDA**.
Fit created more value than the first offer's premium.

The Takeaway

The **right buyer defines your outcome**.

Price, control, and purpose move in opposite directions — the art is **balancing them**.

⚠️ Avoiding the 7 Biggest Mistakes Tech Owners Make When Selling

Selling your IT business is one of the biggest financial events of your life — yet even smart, successful founders make avoidable mistakes that destroy value.

Here are the seven most common pitfalls that can turn a great deal into a disappointing outcome 🙋

1 Going to Market Unprepared

Many founders start the sale process before their house is in order — messy books, missing contracts, unverified EBITDA.

Preparation builds trust and speed. Lack of it costs leverage and price. Buyers don't pay for potential — they pay for **readiness**.

2 Overvaluing Based on Emotion, Not Data

It's natural to attach emotion to what you've built, but valuation is **objective**.

Overpricing your company turns serious buyers away early and wastes valuable momentum.

The market decides what it's worth — your job is to **influence** that decision, not fight it.

3 Sharing Too Much, Too Soon

Transparency is good; overexposure is dangerous.

Disclosing sensitive data or customer details before NDAs or LOIs exposes risk and reduces negotiating power.

Control the flow of information — it's your most valuable asset.

4 Failing to Normalize Financials

Owner salaries, personal expenses, one-time adjustments — all must be clearly documented and defensible.

If a buyer has to “guess” your true profitability, they’ll **guess conservatively**.
Every **\$100K of verified EBITDA** can add **\$1M+ to enterprise value**.

5 Neglecting Tax Planning and Entity Structure

Poor planning around **asset vs. stock sales**, **S338 elections**, or **QSBS eligibility** can cost millions in after-tax proceeds.

Tax structure should be reviewed **6–12 months before you sell**, not the week before closing.

6 Ignoring Transition and Retention Risk

If the business can’t run without you, buyers see **risk — not value**.

A clear leadership transition plan and retention incentives for key people increase deal certainty and protect price.

7 Underestimating Working Capital Requirements

The “net proceeds” you take home often shrink because of **working capital adjustments**. Understand how these are calculated early — or risk leaving cash on the table at closing.

Example

A managed services firm entered diligence without normalized EBITDA or tax planning.

After buyer adjustments, valuation dropped from **\$42M to \$33M**.

Another seller, fully prepared, closed at asking price in half the time.

Preparation didn’t just protect value — **it created it**.

The Takeaway

Every dollar lost in diligence is a dollar you’ll never recover.

Preparation and discipline turn valuation potential into real proceeds.

What Makes a Deal Fall Apart — And How to Prevent It

Every founder fears the same outcome — getting **90% through a sale**, only to watch the deal collapse.

Most deals don't fail because of bad intent; they fail because of **avoidable breakdowns in trust, timing, or communication**.

Here are the five most common reasons deals fall apart — and how to keep yours on track



1 Valuation Gaps and Misaligned Expectations

Deals derail when **seller expectations don't match market reality**.

If you're anchored to an inflated number, buyers lose confidence quickly.

Solution: Get a **data-driven valuation baseline** early.

Know your range before negotiations start.

2 Surprises in Due Diligence

Unexpected **tax issues, contract gaps, or financial inconsistencies** erode trust.

Buyers assume that if one thing is wrong, more problems are hidden.

Solution: Run a **pre-diligence audit 3–6 months** before going to market.

Fix small issues before they become deal-breakers.

3 Poor Communication and Emotional Reactions

Diligence is stressful.

When fatigue sets in, founders sometimes take questions personally or respond defensively.

That emotional volatility **worries buyers**.

Solution: Stay calm, **delegate communication through advisors**, and keep discussions professional.

External Market or Financing Shocks

Interest rate changes, lender pullbacks, or macro volatility can stall financing and freeze deal appetite.

Solution: Move efficiently once you have momentum — **time kills deals**.

A disciplined process reduces exposure to external risk.

5 Loss of Momentum or Unclear Ownership Roles

Deals stall when internal distractions take focus off the finish line — or when **ownership roles aren't clearly defined post-close**.

Buyers need certainty, not ambiguity.

Solution: Maintain pace, clarify transition expectations, and communicate continuity to key employees and customers.

Example

A \$60M IT services firm saw its deal collapse after a **90-day diligence delay** revealed inconsistent contract terms.

After reorganizing documentation and relaunching, it closed six months later at the **same valuation**.

Preparation turned a **failed deal into a second chance**.

The Takeaway

Most deals don't die — they **run out of trust or time**.

Preparation, clarity, and pace keep both on your side.

Deal Mechanics Explained: Structuring an Offer You Can Live With

When a buyer finally makes an offer, most founders focus on one number — **the purchase price**.

But in M&A, **how the deal is structured** matters just as much as how big it looks.

Two offers with the same price can produce **wildly different outcomes** for your wallet, your taxes, and your freedom.

Here's what every IT founder should understand before signing the LOI 📌

1 Stock Sale vs. Asset Sale

In a **stock sale**, buyers acquire the entire company — liabilities and all.

In an **asset sale**, they cherry-pick what they want, often leaving behind debt, obligations, or subsidiaries.

For sellers: Stock sales are generally more **tax-efficient**.

For buyers: Asset sales offer **protection**.

Solution: Structure early to align interests and avoid surprises in negotiation.

2 Earnouts — The Double-Edged Sword

An **earnout** ties part of your payout to future performance.

Used well, it bridges valuation gaps; used poorly, it becomes a source of tension.

Rule of thumb: If you can't control the levers that drive the earnout, you shouldn't depend on it.

3 Escrows and Holdbacks

Buyers often hold back **5–15%** of proceeds to cover potential indemnity claims or post-closing adjustments.

It's standard — not personal.

Still, clarity on **what triggers release (and when)** prevents disputes later.

A well-drafted **escrow agreement** protects both sides.

Working Capital and Net Debt Adjustments

Your “headline price” often changes based on **working capital delivered at closing**.
If your balance sheet falls short of agreed targets, expect **dollar-for-dollar reductions**.

Solution: Model working capital early with your advisor — it’s where many founders **lose value unknowingly**.

5 Tax Structure and Timing

The same deal can have dramatically different **after-tax outcomes** depending on S338 elections, QSBS eligibility, or purchase price allocation.

Tax structure isn’t paperwork — it’s **profit protection**.

Plan **6–12 months in advance**, not 6 days before signing.

Example

Two founders each sold \$40M IT companies:

- **Founder A** accepted a mostly cash asset sale and netted **\$27M after taxes and adjustments**.
- **Founder B** structured a stock sale with partial rollover equity and QSBS eligibility — netting **\$36M after tax**.

Same price. **\$9M difference**.

Structure made it.

The Takeaway

The offer price is only **half the story** — the **structure determines what you actually keep**.
Understanding deal mechanics upfront turns a “good deal” into a **life-changing one**.
