

The 15-Point Deal Breaker Checklist

The Hidden Issues That Kill Business Deals Before You Ever See an Offer

Purpose:

Professional buyers don't fall in love with businesses. They look for risk, leverage gaps, and reasons to reduce price or walk away.

This checklist helps you identify **silent deal killers** before the first buyer conversation.

FINANCIAL DEAL BREAKERS

1. Dirty Books / Unclear EBITDA

- Financials are clean and normalized
- Personal expenses removed
- EBITDA is defensible without explanation

Why this matters: Messy books force buyers to assume lower profit.

2. No Normalized Financial History

- 12–24 months of true operating performance
- No “we’ll clean it up later” adjustments

Why this matters: Buyers discount uncertainty immediately.

3. Revenue Concentration

- No single client represents a dangerous portion of revenue

Why this matters: Concentration equals risk in a buyer's model.

4. Unpredictable Cash Flow

- Revenue is repeatable or recurring
- Seasonality is explainable and documented

Why this matters: Volatility reduces valuation and leverage.

5. Weak Balance Sheet

- Working capital is clean
- Liabilities are documented and understood

Why this matters: Hidden balance-sheet issues surface late and kill trust.

OWNER DEPENDENCY DEAL BREAKERS

6. The Business Depends on You

- Client relationships are not owner-exclusive
- Revenue survives your absence

Why this matters: Buyers want systems, not personalities.

7. No Management Bench

- Leadership exists beyond the founder
- Decisions don't bottleneck at you

Why this matters: Buyers fear operational collapse post-exit.

8. Undocumented Systems & Processes

- Core processes are documented
- Knowledge is transferable

Why this matters: Chaos gets priced into the deal.

9. Growth Requires Owner Energy

- The sales process is transferable
- Growth doesn't require your constant presence

Why this matters: Buyers pay for future scalability.

LEGAL & STRUCTURAL DEAL BREAKERS

10. Poor Entity or Ownership Structure

- Ownership is clean and clear
- No hidden partner claims

Why this matters: Structure problems delay or kill deals.

11. Non-Transferable Contracts

- Client and vendor contracts transfer cleanly
- No surprise termination clauses

Why this matters: Buyers won't pay for revenue they can't control.

12. Unresolved Legal or Compliance Exposure

- No open litigation or regulatory risk

Why this matters: Risk equals price reductions or walk-aways.

DEAL PROCESS DEAL BREAKERS

13. Fixating on Price Instead of Terms

- You understand price vs. structure
- You know what is guaranteed at close

Why this matters: Terms often matter more than the headline number.

14. No Deal Scenario Preparation

- Multiple exit structures considered
- Earn-outs, rollovers, and equity understood

Why this matters: Unprepared sellers lose leverage fast.

15. Talking Too Early

- NDA signed before sharing details
- No pricing anchors revealed on first call

Why this matters: Leverage is often lost in the first conversation.