

COMPANY HEALTH CHECKLIST

SUCCESSION
ONTARIO 

This checklist is designed to help small and micro-business owners assess company health in relation to exit readiness and identify factors that directly impact valuation.

For a more detailed assessment, use colours and the following scoring guide for each item on the checklist.

Scoring Guide

Green Strong, buyer-ready (adds value)
Yellow Adequate, but improvable (limits value)
Red Weak, high risk (reduces value)

1 Financial Clarity

- Financial statements are current (last 3 years)
- Personal expenses are clearly identifiable
- Owner compensation is documented
- Cash flow is consistent and predictable
- Taxes are filed and current

2 Earnings Quality & Stability

- Seller's Discretionary Earnings value is clearly calculated and documented
- One-time or non-recurring expenses are identified
- Margins are stable year over year
- Business is profitable without unpaid owner labour
- Revenue is repeatable

3

Owner Dependency

- Business runs day-to-day without needing the owner present
- Customer relationships are not exclusive to owner
- Pricing and delivery processes are documented
- Owner could step away for 30–60 days with no impact to the business

4

Customer Concentration

- No single customer produces >25% of revenue
- Customer base is diversified
- Repeat or contracted revenue is in place

5

Operations & Systems

- Key processes are documented
- Suppliers and vendors are stable
- Technology systems are transferable
- No operations are dependent upon only one employee

6

Legal & Risk

- Business is in good legal standing
- Contracts are assignable
- No unresolved or pending disputes
- Appropriate insurance coverage is in place for the business

7

Owner Readiness

Clear exit goals are identified

Realistic value expectations

Willingness to support the transition

Plan for life after exiting the business

Overall Interpretation

Mostly Green — Business is likely market-ready and defensible.

Mix of Yellow/Green — Value can improve with targeted preparation.

Many Red — Expect lower valuation or longer sale timeline.