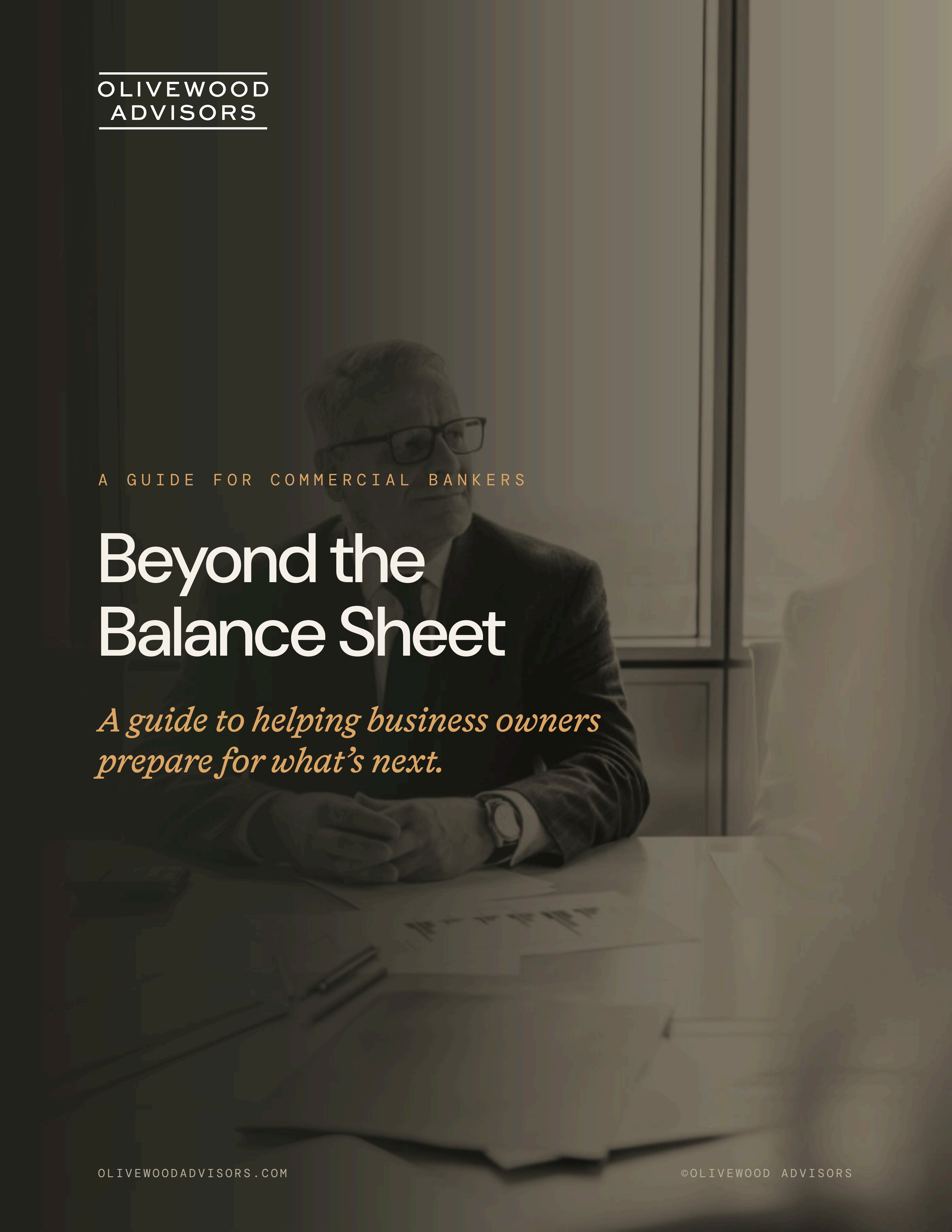

OLIVEWOOD ADVISORS

A GUIDE FOR COMMERCIAL BANKERS

Beyond the Balance Sheet

A guide to helping business owners prepare for what's next.

INTRODUCTION

Where your relationship creates perspective.

For most business owners, selling their company will be the largest financial transaction of their lives, and one of the most personal. Years of work, relationships and identity become intertwined in a decision that reaches far beyond enterprise value.

Commercial bankers often have relationships that span decades. Through annual reviews, financing discussions and years alongside owners, you develop a perspective few advisors share. You see companies evolve, leadership mature and priorities gradually change.

That trusted perspective creates an opportunity. Not to predict an ownership transition, and not to encourage one, but to help owners think more intentionally about the future they're building.

WHAT'S INSIDE

THE CENTRAL IDEA

Preparation isn't about predicting what's next. It's about preserving options — and helping owners build a stronger business in the meantime.

The market has changed. So have *buyers.*

The market for quality lower-to-middle-market businesses remains healthy. Strategic acquirers want growth, private equity remains active and family offices keep seeking well-managed companies. What's changed isn't *demand*. It's **choice** — buyers now have capital and access to opportunities, which has made them more patient, more disciplined and more selective.

Earns confidence

Consistency and resilience

Performs beyond the founder

Recurring, durable demand

A defined plan for what's next

Raises questions

Performance tied in one person

Earnings that may not endure

Investment quietly deferred

Optimism without a plan

Businesses are no longer evaluated simply on historical performance. Buyers want confidence that success can continue after ownership changes. The companies that command the strongest interest aren't always the fastest-growing or the largest. More often, they're the ones that demonstrate durability. **Durability is rewarded.**

THE QUESTION →

What can owners do, even years in advance, to improve their options and outcomes?

A handful of fundamental questions.

Every buyer approaches an acquisition differently. Yet beneath every financial model and diligence request sit the same underlying questions … and financial statements answer only part of them. The business itself provides the rest, and that's where you likely have insight for business owners.

01

Can this business continue to succeed without its founder?

02

Are today's earnings likely to endure?

03

Is the leadership team prepared for what's ahead?

04

Can management clearly explain where the business is going next?

> *Many of the qualities buyers reward are developed years before a transaction ever begins.*

The qualities that build confidence.

There are four characteristics that shape how a buyer sees a business, and each one is something an owner can strengthen over time.

01 Leadership beyond the founder.

Every successful founder leaves a fingerprint on the business and decisions can often flow through one person. Buyers want to understand whether that success can continue as leadership evolves.

> **The signal:** Capable management, shared decision-making and customer relationships that extend beyond the owner inspire greater confidence and make the business more stable.

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02 Durable earnings.

Strong performance will always matter. Equally important is understanding *why* a business performs well and whether those results can continue. Buyers look beyond revenue and EBITDA to the quality of the earnings they're acquiring.

> **The signal:** Customer concentration, recurring demand, pricing discipline and margins. The predictability of delivering on promises operationally and financially lets buyers underwrite the future with confidence.

03 Continued investment.

Healthy businesses rarely stop building. They keep investing in people, equipment, technology and leadership even when current performance is strong. This builds confidence in the future rather than short-term optimization.

> **The signal:** Owners sometimes defer investment, assuming a future buyer will make it. More often, buyers simply ask why it wasn't made sooner.

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04 A clear vision for what's next.

Financial statements explain where a company has been; leadership explains where it's going. Buyers want to hear how management views the opportunities ahead, the challenges that remain and why the business is positioned to succeed.

> **The signal:** The vision doesn't need to be ambitious. It needs to be believable. Leaders who understand both strengths and limitations create more confidence than pure optimism.

THE THROUGH-LINE

The same characteristics that make a business more attractive to a buyer usually make it a better business to own in the meantime.

A FAMILIAR PERSPECTIVE

If these questions sound familiar, they should.

Commercial bankers ask many of them every day. The difference isn't in the questions, it's in the decision those questions support.

Is leadership capable?

Are cash flows dependable?

Does the business have a sustainable competitive position?

Can it perform through changing conditions?

THE BANKER'S QUESTION

Whether to extend credit.

THE BUYER'S QUESTION

Whether to invest capital.

Both begin with the same thing: understanding the long-term strength of the business.

HELPING OWNERS THINK EARLIER

The greatest advantage you bring isn't capital. It's perspective.

Unlike advisors who become involved during a single project or transaction, commercial bankers often watch businesses evolve over many years with seasons of rapid growth, unexpected challenges, leadership changes and long-term investments.

That perspective creates opportunities for conversations that might not otherwise happen. Not because an owner is preparing for a transaction, but because they're preparing for whatever comes next. Owners who think about leadership, succession, governance and personal goals *before* they become urgent generally have more options later.

IT OFTEN BEGINS WITH ONE SIMPLE QUESTION

"What do you hope this business looks like five years from now?"

That answer reveals far more than whether someone is thinking about selling. It opens a conversation about leadership, growth, family, legacy and the future of the business itself.

LISTENING CLOSELY

The questions behind the *questions.*

Shifts in an owner's thinking rarely announce themselves. More often they surface through passing comments, and each one is an invitation to understand, not to assume an outcome.

YOU HEAR…	IT MAY BE WORTH EXPLORING…
"We've had a few buyers reach out."	What sparked your interest in bringing that up today?
"My son isn't interested in the business."	How has that changed the way you're thinking about the future?
"I'm trying to spend more time away."	How has the business responded when you've stepped back?
"I've wondered what the business is worth."	How do you think your business fares with peers in the industry?
"We've promoted our controller."	How has your leadership team evolved over the past few years?

THE POINT →

None of these responses assume an outcome. They simply open a broader conversation that is often the beginning of a deeper advisory relationship built on trust.

The conversations owners *remember.*

Every meeting has an agenda. Statements to review, treasury opportunities, borrowing needs to discuss. But the conversations that leave a lasting impression step back from the immediate issue and consider the bigger picture. None lead with succession or a transaction.

- → "What do you hope this business looks like five years from now?"
- → "What part of the business are you most proud of building?"
- → "Where do you still feel the company depends too heavily on you?"
- → "If you stepped away for six months, what would continue exactly as it does today?"
- → "Have your personal goals changed over the last few years?"
- → "Do you have the right legal, wealth and financial advisors around you for what's next?"

> *There's no need to force these conversations. The value comes from recognizing when an owner is ready to have them.*

WHEN IT'S BIGGER THAN BANKING

Knowing when another perspective helps.

You aren't expected to have every answer. One of the greatest services you can provide is recognizing when another trusted advisor would benefit the client. Introducing one doesn't diminish the banking relationship. It strengthens it.

EVALUATES THE TAX IMPACT

Accountant

Helps evaluate the tax implications of a future decision, well before it's made.

PROTECTS PERSONAL GOALS

Wealth Advisor

Helps owners plan ahead of, and for the life after,liquidity or transition of the business.

CLARIFIES THE FAMILY PICTURE

M&A Attorney

Brings protection and certainty toward planning and executing an eventual transition.

FRAMES THE OPTIONS

M&A Advisor

Offers perspective on valuation, market conditions and ownership alternatives.

THE PRINCIPLE

Owners benefit when advisors communicate early and work toward the same goals. Helping clients assemble that aligned team **before** they need it is a quiet way to create lasting value.

They rarely arrive on the calendar.

The conversations that shape a business's future emerge naturally over an existing relationship. A few situations where a broader conversation may create lasting value.

01 **When business is thriving.** Strong performance gives owners something valuable: time to strengthen leadership, invest in systems and diversify customers, and the greatest ability to shape the future on their own terms.

02 **When leadership begins to change.** A long-tenured employee takes on more, a new generation enters (or decides not to). Each moment reveals how the business is evolving beyond the founder.

03 **When an unsolicited offer arrives.** Unexpected interest creates more questions than answers. The first offer rarely requires an immediate decision, but it does invite a thoughtful conversation.

04 **When personal priorities change.** An owner may begin valuing flexibility, family or philanthropy over growth. It's a signal that they view the business as a way to support lives, not the other way around.

05 **When the business depends on one person.** The goal isn't to remove the founder's influence, but to ensure the business thrives on its systems, people and culture. Employees gain opportunity, customers gain continuity, owners gain freedom.

IN CLOSING

One conversation can change the *trajectory.*

Most owners won't remember every financing structure or credit decision. They will remember the advisors who understood what they were trying to build. Commercial bankers occupy a unique place in that journey, often knowing the business long before other advisors become involved.

Whether an owner ultimately chooses another decade of growth, a family transition, employee ownership or an eventual sale, thoughtful preparation almost always creates more options. And creating options has always been one of the greatest ways a trusted advisor can serve a client.

THE QUIET VALUE OF A TRUSTED ADVISOR

Trusted advisors aren't remembered because they always have the perfect answer. They're remembered because they ask the right question at the right time, and because they've earned the trust that makes that question welcome.

For your client meetings.

The strongest advisory relationships are built through thoughtful conversations over time. Use this before, during or after meeting with a business owner.

BEFORE THE MEETING

- [ ] Where is this owner in the lifecycle of the business?
- [ ] Has anything changed since we last met?
- [ ] What conversations have we not yet had?
- [ ] Can I broaden today's discussion beyond the agenda?

LISTEN FOR

"We've had a few buyers reach out."

"I'm trying to spend a little more time away."

"My daughter is pursuing something else."

"We've promoted our controller."

"I've been wondering what it's worth."

"We're slowing down some capital investments."

QUESTIONS WORTH ASKING

→ What do you hope this looks like five years from now?

→ What are you most proud of building?

→ Where does the business depend too heavily on you?

→ If you stepped away six months, what would continue?

→ Have your personal priorities changed?

→ Do you have the right advisors for what's next?

OPPORTUNITIES TO CREATE VALUE

- [ ] A conversation about leadership development.
- [ ] Reviewing long-term succession possibilities.
- [ ] Evaluating personal financial planning and liquidity.
- [ ] Strengthening the broader advisory team.
- [ ] Thinking earlier about opportunities that lie ahead.

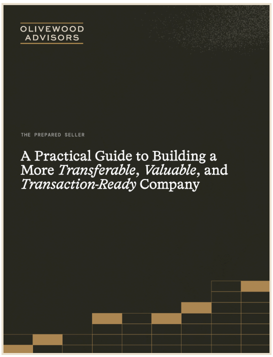
BEFORE THE NEXT MEETING

What's one conversation worth continuing the next time we sit down together?

ADDITIONAL RESOURCES FOR YOU

Our library is yours.

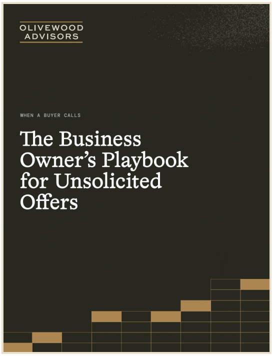
Use our resources to help you, and your clients, prepare for what's next. Access the full library at ***OlivewoodAdvisors.com***.



GUIDE 01

Transaction Readiness Guide

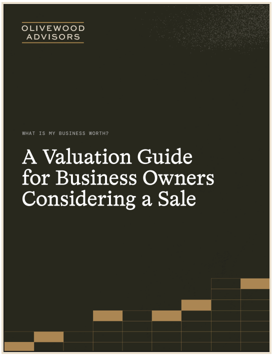
A practical guide to building a more transferable, valuable and transaction-ready company.



GUIDE 02

The Owner's Playbook for Unsolicited Offers

Helping owners evaluate inbound interest before making important decisions.



GUIDE 03

Valuation Guide

A practical look at what drives value and how buyers evaluate privately held businesses.

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