

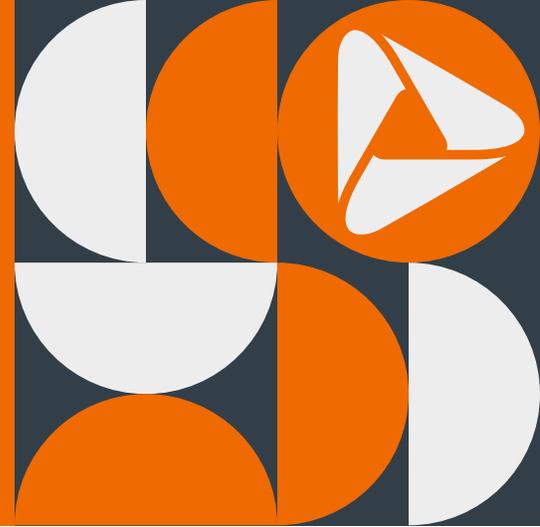


Your Five-Year Exit Timeline

A Year-by-Year Look at Transition Planning



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How buyers really think (and price risk)

What Today's Buyers Actually Test to Measure Risk

Formal exit-planning education among business owners has nearly doubled over the past decade, rising from 35% in 2013 to 68% today.¹ But while many understand what preparation involves, confusion often remains around how buyers evaluate readiness once a business is on the market.

Generally speaking, buyers tend to focus less on one-time performance and more on whether results can be sustained, or even scaled, over time. In practice, that often means testing a set of fundamentals during diligence to gauge small business durability and predictability, such as:

- **Repeatability of earnings**, not just recent sales
- **Quality of cash flow**, including timing and consistency
- **Working-capital needs**, especially seasonality and volatility
- **Control environment**, or how well capital decisions and approvals are governed

Together, these metrics help buyers assess how much risk they are assuming — and how much certainty they can place on future performance.

Why Banking Hygiene Matters More Than Many Expect

Banking hygiene refers to how cleanly and consistently a business's cash activity lines up with its financial records. It's often one of the first places buyers look when validating reporting results, such as repeatability of earnings or the quality of cash flow.

Strong hygiene tends to help reduce friction in the buying process by making it easier to follow the flow of funds from payables to receivables and to explain variances in performance trends. Areas that may draw buyer attention during diligence include:

- **Bank-to-books reconciliation**, and how quickly differences are resolved
- **Settlement variance**, or gaps between expected and actual deposits
- **Refund discipline**, including payout timing and approval patterns
- **Chargeback trends**, especially surrounding documentation

When these areas are kept tidy, buyers may be able to spend less time questioning the numbers and more time understanding the business (*and the people*) behind it.

"Green Flags" That May Raise Confidence (and Valuation)

Throughout the exit process, certain signals may help strengthen a buyer's comfort level and, in some cases, support valuation discussions. Also referred to as "green flags," these signals help determine whether business results can be sustained *without* ongoing involvement from the current owner. Common green flags include, but aren't limited to:

- **Financial results** that cleanly reconcile across systems
- **Clear visibility** into cash inflows and outflows
- **Stable working capital patterns** over time
- **Documented controls** and approvals

While no single factor determines business value, these elements may help reduce perceived risk and help buyers move forward with greater confidence.



Year five

Make the business easy to understand and run without you

Identify Owner-Only Business Bottlenecks

As a small business owner, you've likely poured a lot of yourself into building and growing your business. Over time, that involvement may have become intertwined with daily problem-solving, decision-making and approvals. While this hands-on approach may be fulfilling, it may also serve as a point of friction when it comes time to transition ownership.

That's why many owners [begin their five-year exit timeline](#) by shifting attention from how the business runs *with them* to how it runs *without them*. This transition often centers on operational and financial touchpoints that allow the business to function consistently even when the owner is no longer directly involved. Common focus areas include:

Banking and Cash Essentials

Owners often start by simplifying how money moves through the business and how that activity is monitored. Electronic cash flows may help reduce errors, accelerate reconciliation, and create transparent records for internal teams and future buyers alike. Typical focal points range from:

- Transitioning to electronic receivables and payables, with consistent deposit cutoffs
- Setting up real-time alerts for low balances, large debits, new payees or ACH returns

- Using tools such as Positive Pay and ACH blocks or filters to limit unauthorized activity
- Building a modest cash buffer, often equivalent to roughly 30 days of operating needs, using demand deposit accounts (DDAs) and money market deposit accounts (MMDAs)

Books and Reporting

Clear financial reporting often begins with consistency. Many owners work to build a repeatable monthly close that produces reliable data within a predictable time frame. Common practices within year five include:

- A monthly close completed within 10 business days, supported by a written checklist
- Regular alignment between merchant settlements, bank exports and the general ledger
- Normalized vendor and customer descriptors to reduce confusion and manual cleanup

When books and reporting follow the same rhythm each month, early discrepancies may be easier to spot and eventual buyer questions may be easier to answer.



As you begin simplifying how cash moves through the business, having a clear, centralized view of account activity may make day-to-day oversight feel more manageable. Tools like [PINACLE®](#) help owners keep an eye on cash flow, reconcile activity and establish trusted Security Contacts and Administrators so responsibilities can transition smoothly over time.

People and Process

As the potential to exit becomes a reality, clarity around roles and approvals becomes increasingly important. Buyers often pay close attention to whether responsibilities are shared and documented versus siloed with the current owner. Areas that may help provide continuity during transitions or unexpected changes include:

- Documented standard operating procedures (SOPs) for activities such as monthly close, refunds, disputes and inventory counts
- Clear separation between creating and approving payments
- Defined ownership of key finance and operational tasks
- Cross-training to reduce reliance on a single individual

“Starter Data Room” Artifacts

Beyond SOPs, year five is also when many owners begin gathering the materials buyers ultimately test to measure business risk in a starter data room. At this stage, the goal is often organized records, not perfect data. Common starter artifacts include:

- 24–36 months of financial and bank statements with reconciliations
- Accounts receivable and accounts payable agings
- Key customer, supplier and lease contracts
- Settlement and chargeback logs
- Payroll calendars

KPIs to Baseline

To round out year five, many owners [establish baseline metrics](#) they can track over time, such as:

- Days sales outstanding (DSO)
- Days cash on hand
- Monthly close time
- Refund cycle time
- Exception counts

These KPIs provide reference points that owners may continue to fall back on in later years of the exit timeline.



Year four

Make performance outcomes replicable with a finance playbook

Turn Routine into Repeatability

By year four of a five-year exit timeline, most of a business's day-to-day financial routines are already established. At this next stage, owners often focus on bringing those routines together into a simple finance playbook that explains *how* results are produced and sustained over time.

Common processes captured and refined in a finance playbook may include cash forecasting, standardized refunds and disputes, access reviews, and account structures that support consistency across the business. These four areas are often what make monthly performance more repeatable over time:

Cash Visibility and Liquidity Structure

A core function of a finance playbook is to understand where cash is headed and how it gets there. As owners think about shaping this view, they often consider the following components:

- A rolling 13-week cash forecast used as a planning reference
- Payables batched to vendor terms rather than handled ad hoc
- Standardized refund timing to reduce variability in cash outflows
- Calendar-based early-pay discounts to avoid missed opportunities

- Subaccounts or zero-balance accounts (ZBAs) used to separate lines, locations or functions
- Daily sweeps that move excess balances into interest-earning accounts and return funds as needed to support operations

These practices may help centralize liquidity while preserving operational clarity.

Written Processes for Reference

Beyond cash visibility and liquidity, year four is often when owners begin capturing the financial processes that support consistent results. Gathering these materials in one shared location may help reduce reliance on a single individual, plus make expectations clearer for internal teams and future owners alike.

Common playbook processes include, but aren't limited to:

- A documented close process, including timelines and responsibilities
- A standardized refund process covering approvals and timing
- A dispute and chargeback reference kit with supporting documentation
- A "rail picker" guide outlining when payments typically flow via ACH, card, RTP or wire
- A month-end tie-out reference connecting bank activity to reported results
- A defined access review process for financial systems



Repeatable Risk and Compliance Rhythm

Once routines are written down, buyers may look for evidence that the controls for those routines are reviewed regularly, not just addressed when issues arise. As a result, many owners also document repeatable risk and compliance procedures in a finance playbook, such as:

- A callback policy for vendor bank detail changes
- Quarterly user-access reviews across banking and finance systems
- Alerts for first-time beneficiaries or unusually high-value transactions

This rhythm may help demonstrate that controls are baked into operations, not sprinkled into workflows when necessary.

Metrics that Signal Improvement

With year five KPIs monitored for the past 12 months, many owners begin shifting from simple tracking to using metrics as true indicators of progress. Using those earlier figures as a baseline, attention often turns to steady improvement across measures such as:

- Days sales outstanding (DSO)
- Monthly close time
- Settlement variance
- Approval rates relative to chargeback ratios
- Refund velocity

Tracked over time within a finance playbook, these metrics may help prove whether performance is driven by repeatable processes or by ongoing effort behind the scenes.



Year three

Prove that the business results are repeatable without heroics

From Repeatability to Proof

By year three of a five-year exit timeline, the finance playbook created in year four often has the potential to serve a new purpose: evidence. At this stage, buyers may be less interested in whether processes exist and more concerned with whether the numbers can hold up under closer review.

Many owners shift gears from *building consistency* to *demonstrating it*. That often involves elevating the quality of earnings and tightening controls so that results are both explainable and auditable. That may mean strengthening how revenue is billed and collected, normalizing expenses, and confirming that controls leave a clear trail.

Revenue Quality and Collection

Revenue quality tends to be one of the first areas buyers examine for consistency in year three. As such, owner attention often pivots to how revenue is billed, collected and reported across channels. Common focus areas include:

- Greater use of electronic invoicing and pay-by-link options
- Clear enforcement of payment terms rather than informal exceptions
- Measurement of on-time collections to spot emerging trends
- Revenue reporting by channel, location or customer type

- Reconciliation of reported revenue back to bank deposits
- Documentation of pricing structures, discounts and concessions

These practices may help buyers understand not just how much revenue the business generates but also how reliably it converts to cash.

Expense Normalization and Transparency

On the expense side, buyers often seek clarity on what is ongoing versus what is unlikely to recur. Year three is frequently when owners begin tightening how expenses are categorized and explained. Processes commonly addressed in this stage range from:

- Normalization of owner add-backs with supporting documentation
- Standardized memo conventions for unusual items
- Consistent general ledger mapping across periods
- Separation of one-time or non-recurring costs

This level of transparency may make earnings easier to assess and reduce the need for any back-and-forth come year one.



Control Proof and Audit Trails

As controls mature, buyers may want to see proof that they are consistently applied. In year three, that evidence tends to come from system records versus written or verbal explanations. Therefore, many owners confirm proof of controls via exportable audit trails from banking and finance systems. Examples of control proof may include:

- Logged approvals for payments and changes
- Recorded exceptions and how they were resolved
- Multi-factor authentication or biometric access, where available
- Screenshots or saved reports that show control settings over time

Established People Plan

Beyond control proof, buyers may also try to gauge whether financial routines can continue if a key person — such as the current owner — steps away. Year three is often when owners begin to establish a people plan to summarize coverage across roles and decision points, and demonstrate that the business can operate as usual no matter if they leave on a temporary vacation or permanently step down.

There are several tactics that may reduce sole reliance on owners during this stage, such as:

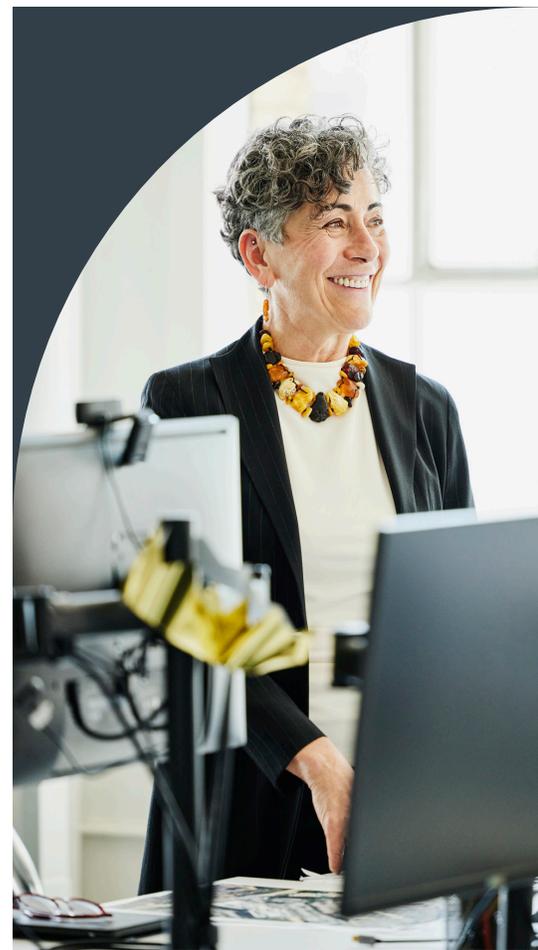
- Identifying a second-in-command for financial and operational decisions
- Confirming backup approvers for payments and access changes
- Cross-training for close, reporting and reconciliation tasks
- Documenting critical routines for owner absences

Dry-Run Diligence

As you can see, many owners use year three as a trial run for buyer-style review. Rather than waiting for a formal process, they assemble a mock data room and review it through a diligence lens, hoping to spot inconsistencies before they trickle down to year one. Typical dry-run materials may include:

- A trial data room structure with permissions
- Quality of earnings–style schedules, such as EBITDA bridges
- Working capital bridges that explain changes over time
- Retention or cohort analysis, where applicable

Running this exercise early may surface gaps while the path to sell is still underway.



As you work to show how controls operate in practice, having clear records may help make those conversations easier. Tools like [PINACLE®](#) allow owners to access reports that document approvals, alerts and payment activity, while Positive Pay logs and ACH filter settings help demonstrate how controls are monitored over time.

Year two

Choose a sale path and shape your balance sheet to match

Align Capital, Contracts and Covenants

By year two, financial results are documented, controls have a trail and performance may be explained *without* the current owner stepping in. Many leaders start asking more personal questions: What does the right exit plan actually look like for me? How — and where — will ownership ultimately transfer?

At this stage, choices around capital structure, contracts and covenants become less theoretical and more about how they support the real kind of transition an owner has in mind. In turn, the next few months often involve key decisions that may help align the business with that desired transition.

Select an Exit Path

Owners don't all exit the same way, and preferences often vary by life stage. For instance, many Baby Boomers planning an exit are focused on third-party sales that help realize the value they've built, while younger owners are more likely to explore internal options, such as family transfers or employee ownership through an ESOP.¹

Clarifying priorities around timing, tax outcomes and control may help narrow the field:

Third-Party Sale

- **Timing:** Often moves more quickly once the business is prepared and formally taken to market, but may involve an intense diligence period upfront
- **Tax:** May allow for capital gains treatment, depending on structure and planning decisions made in advance
- **Control:** Ownership and decision-making typically transfer fully at close, with limited ongoing involvement unless negotiated upfront

Family Transfer

- **Timing:** Often unfolds over a longer timeframe, potentially allowing for gradual transition and knowledge transfer
- **Tax:** Frequently requires thoughtful planning to balance estate considerations, gifting strategies and cash flow needs
- **Control:** May be staged or shared over time, depending on governance structure and family dynamics

Employee Stock Ownership Plan (ESOP)

- **Timing:** Typically structured and phased, with implementation occurring over multiple steps rather than in a single transaction

- **Tax:** May offer unique advantages for certain owners and business profiles, depending on eligibility and structure
- **Control:** Day-to-day management is often retained by existing leadership, even as ownership broadens

Assemble an Advisory Team

As options narrow, many owners lean on a small circle of trusted advisors to help determine the best path forward. Nationally, business owners rank their financial advisor, attorney and accountant as the most trusted mentors during this phase, but advisory teams commonly involve at least one of the following experts:¹

- Legal counsel to navigate structure and agreements
- Tax advisors to model outcomes across exit options
- Valuation professionals to assess readiness and expectations
- Banking professionals to support capital planning and liquidity needs

Though these advisors can't handle *all* the logistics of a five-year exit plan, they may make transition decisions feel less overwhelming.

Tune-Up Debt and Working Capital

With a clearer exit direction, owners often review whether their balance sheet tells the right story for their ideal buyer. The goal is usually simplicity and clarity, not dramatic change. Areas that frequently come into consideration include, but aren't limited to:

- Normalizing inventory levels
- Paying down or retiring smaller legacy notes
- Adjusting how lines of credit and term debt are structured
- **Defining how working capital behaves** in highly seasonal industries, such as agriculture
- Documenting deductions or claims, particularly in food and beverage or processing businesses

Even small adjustments throughout year two may make the business easier to understand from the outside by the end of year one.

Review Contracts and Commercial Readiness

Year two is also a good time to take a closer look at the agreements that support the business. Buyers often want to know whether key contracts can move with the company, so it may be wise to review common contracts for commercial readiness, such as:

- Supplier and customer agreements
- Assignment or consent clauses in leases
- Insurance coverage and license requirements

Collect Pre-Market Metrics

As preparation continues, many owners begin pulling together a short set of metrics that reflect how the business is performing in the moment. Beyond the initial KPI baselines set back in year five, these pre-market metrics often include figures like:

- Customer concentration
- Retention or repeat purchase rates
- Gross margin by channel or segment
- Trailing 12-month trend (TTM) decks

Combined, these elements help set expectations heading into the final year of the timeline.



Year one

Lift quality of earnings (QoE) and reduce perceived buyer risk

The Time to Eliminate Surprises

With year two in the rearview mirror, this next stage is about limiting surprises once diligence begins. Owners often concentrate on shortening the path from interest to close, ensuring access and governance are clearly defined, and confirming the business can operate through a transition.

Final Data Room

At this point, many owners refine their materials from year five into what's referred to as a "buyer-grade" data room, featuring core financial and operational items such as:

- 36 months of monthly financial statements, plus TTM results
- 24 months of bank statements with reconciliations
- Accounts receivable and accounts payable agings
- Settlement and chargeback history
- Federal and state tax returns
- Key customer, supplier and lease contracts
- Intellectual property (IP) documentation and core business policies

In addition to performance data, owners also anticipate that buyers will expect control proof. Common examples of evidence for this final stage include:

- Positive Pay files
- ACH filter setting
- Screenshots or exports showing approvals and alerts
- User entitlement listings with the most recent access review

When viewed side by side, these materials help buyers validate both results and oversight.

Governance & Access

Aside from control proof, year one is often a good time to lock in evidence of clear governance. Buyers tend to look for signals that change is managed intentionally, so some owners move forward with pre-transition actions such as:

- An off-boarding plan for day one post-close
- Limits on last-minute system or process changes
- Confirmed backup approvers for financial systems
- Defined change-management expectations during diligence



Stability Playbooks

Beyond the data room, buyers often want to understand how the business plans to operate during and immediately after a transition. Though the above governance actions help provide a game plan, stability playbooks may help answer those questions in advance — especially for clients and employees. Common elements include:

- Price-change messaging
- Service and refund continuity plan
- Customer and vendor FAQs that address common transition questions

90-60-30 Day Sprints

Many owners think about the final stretch of the five-year exit timeline in defined 90-, 60-, and 30-day intervals. Not only may these sprints help pace the process for internal teams, they may also help avoid any last-minute surprises. Typical focus areas in year one sprints include:

90 Days Out

- Reconcile remaining data gaps
- Finalize data room structure and permissions
- Run a mock buyer Q&A to identify friction points

60 Days Out

- Tighten cash variances
- Stage refund and quality-control continuity plans
- Verify that documented controls are running as expected

30 Days Out

- Freeze new vendor onboarding
- Confirm beneficiary and payment details
- Calendar payroll, rent and tax activity across the close window

When the clock runs out on year one, the goal is for the business to be easier to test, easier to trust and easier to transition.



Where industry context may come into play

Can Your Sector Influence Exit Readiness?

No two businesses are evaluated in the exact same way. As owners move closer to an exit, industry context may add nuance to how financial performance, cash flow and operational readiness are all tested. The following snapshots highlight a few areas that may vary by sector.

Healthcare

In healthcare, buyers may look closer at how quickly payments are posted and how consistently refunds are handled. Key areas of concern may include ERA and EFT posting speed, refund velocity controls, credentialing timelines, and how cash is structured across providers or locations.

Restaurants and Food and Beverage

For restaurants and food and beverage brands, buyer attention may center on tip reconciliation, batch timing consistency, chargeback documentation and whether multi-unit cash is organized through ZBAs with sweeps.

Manufacturing and Processing

In manufacturing and processing environments, buyers may zero in on EDI and ACH remittance mapping, how retailer deductions or claims are tracked, and whether lot or quality-control tie-outs connect operational data back to financial results.

Agribusiness

Agribusiness introduces seasonality that buyers tend to expect, but they likely anticipate clear documentation too. Key documents may include seasonal cash calendars, settlement summaries from co-ops or elevators, and remote deposit capture routines for crop insurance.



The difference the right banking professional can make

Strategic Insight to Help Pave Your Exit Path

As you move closer to an exit, each year brings new operational changes — and financial decisions. The right banking professional may help bring perspective, coordination and clarity to a process that often feels complex and intimidating to navigate alone.

“At PNC Bank, we’ve played a role in many ownership transitions,” [explains Shana Peterson-Sheptak](#), PNC Bank’s executive vice president and head of Business Banking. “One thing we do is help clients bring qualified professionals into the equation. This helps ensure a transition plan that benefits both the owner and seller.

“No two transactions are alike, which means there are no hard and fast rules in terms of the kind of advice you’ll need,” she continues. “But, while the expertise required may vary, having the right people on your team is essential to getting the results you want.”

Pairing the Right People with the Right Tools

Beyond day-to-day banking, a financial professional may help owners think through timing, taxes and how different touchpoints come into focus as a transaction approaches. PNC Small Business Banking works alongside small business owners with resources such as:

- [Business checking and credit solutions](#) designed to support operating needs, liquidity and growth at different stages of the business lifecycle
- [Treasury management services](#) that help bring visibility, structure and controls to cash flow, payments and reporting, especially buyer-grade data
- [Business insights, tools and educational resources](#) that help owners stay informed as they evaluate decisions related to growth, risk and transition planning

“We’ve worked with a lot of small businesses over the years,” adds Peterson-Sheptak. “The successful ones all share a common trait. They are constantly seeking out information, advice and guidance.” With [PNC Business Bankers](#), that guidance is always within reach.



Start early, close stronger

Put Time On Your Side with a Five-Year Plan

Though they're bound to happen eventually, ownership transitions rarely become simpler as timelines get shorter. Instead, the earlier preparation begins, the more flexibility owners tend to have — not only in how the business is positioned but also in how smoothly a transaction unfolds.

For many small business owners, that preparation starts small. A 30-day kickoff may include identifying your year five

priorities, assigning ownership for the first few action items and establishing a regular cadence to review progress.

With time on your side, you also deserve a trusted financial advisor in your corner. PNC Small Business Banking supports owners at every stage of the exit journey. [Explore the tools and resources](#) that help bring clarity to complex decisions and confidence for whatever comes next.



¹ 2025 State of Owner Readiness Generational National Report, Exit Planning Institute, Sept. 9, 2025, <https://6863690.fs1.hubspotusercontent-na1.net/hubfs/6863690/25500R-Generational-FINAL%201pdf?hsCtaAttrib=194276707995>

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