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# Founder Market Intelligence

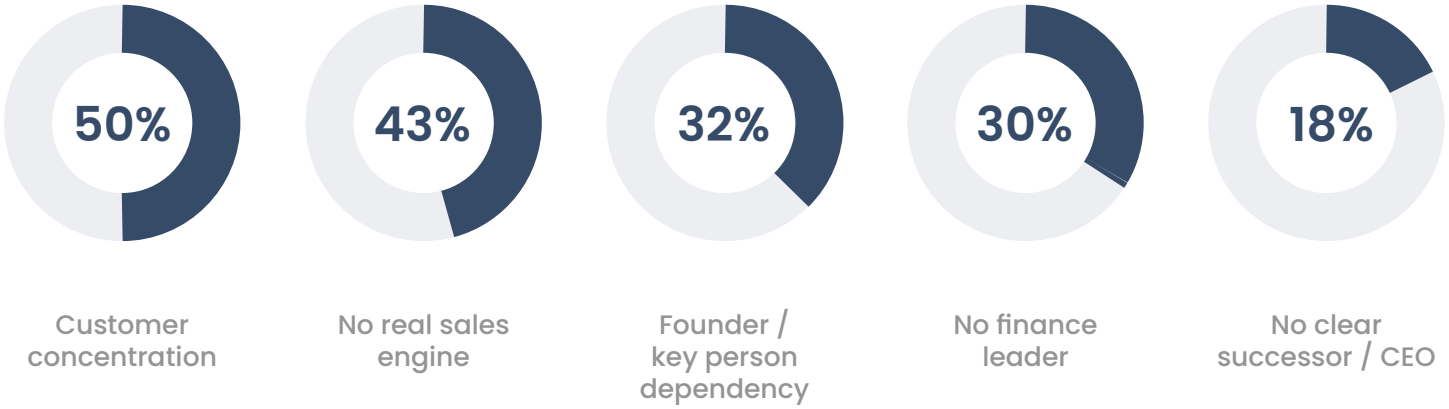
Field notes for the advisors who get owners ready

Q4 2026

We look at more than a thousand lower-middle-market businesses a year and spend real time with the owners behind them. The ones that move through a transaction cleanly almost always had the right groundwork done long before a process started. A few times a year we write down what that groundwork actually looks like from our seat, names stripped, in case it's useful to your work. Here's the Q4 read from conversations between July and September.

## 01 | The Exposure Index

*Operational and leadership gaps that shape how a buyer values the business, and where early advisor work moves the needle most.*




The team was the story again this quarter. Nearly three in four businesses we looked at had at least one gap on the leadership bench, and most of those gaps came back to the question every buyer asks: **how much of this still runs through the owner?** The new one this quarter was finance. Nearly a third of businesses had no one in finance ready for what a deal asks of that seat. Concentration held steady at about half. None of these are a reason not to go to market. They're where early advisor work moves the needle most.

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**The finance seat:** Nearly a third of businesses had no finance leader ready for a transaction. Usually someone was in the seat: a controller a year or two from retirement, a part-time finance lead, or a good bookkeeper. Those roles keep the books accurate, and that matters. But a deal asks more of finance. Someone has to field months of diligence requests, explain every adjustment to EBITDA, and then run the monthly reporting a lender and board expect after close. When nobody below the owner can do that, it lands on the owner in the middle of the sale. A fractional CFO brought in a year or two ahead usually covers it.

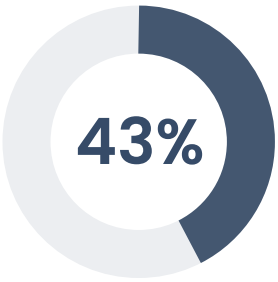
**Customer concentration:** About half the businesses we looked at had meaningful customer concentration, roughly the same as last quarter. Often it came with a reason to worry less: the relationship goes back decades, the contract renews every year, the customer has nowhere else to go. Sometimes that holds up, and a well-supported story can make concentration something a buyer will underwrite. But the explanation doesn't shrink the percentage, and buyers will size the risk either way. Where there's time, the work is diversifying. Where there isn't, it's building the evidence behind the story before diligence starts.

**The go-to-market gap and the owner behind it:** More than four in ten had no real sales engine. New business came through referrals, relationships and the owner's own reach, and a third of businesses leaned heavily on the owner or one other key person. Buyers tend to read those together, because revenue that comes in through one person can walk out with them. A way to win customers that doesn't run through the founder takes 12 to 24 months to show up in the numbers, so it's worth starting early. So is finding out whether the owner plans to stay, since that changes how much succession matters.

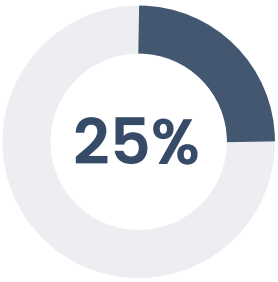
*From 44 deal conversations this quarter*

# 02 | The Readiness Index

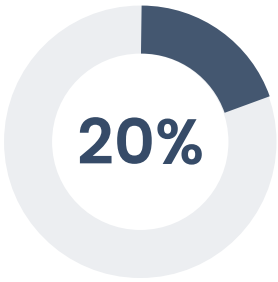
*Where deals are stalling or breaking down in the current market, and what's driving it.*



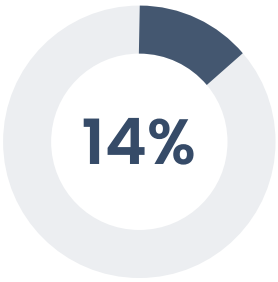

Financial records / numbers that won't survive diligence




Ownership / cap-table complexity




Prior broken or failed deal




Key employee retention risk

This index covers the mechanical gaps that slow diligence down. They're cheap to fix years out and expensive under an LOI. The most common one this quarter was the earnings figure itself. In more than four in ten businesses, the number being presented leaned on adjustments a buyer would have to test, or relied on records that weren't ready to back it up. Add the missing finance seat and more than half the businesses we saw had one problem or the other. Both sit right in an advisor's lane.

We didn't see many messy books. Usually the books were fine and the adjusted EBITDA was the issue. Some owners didn't pay themselves a salary, so earnings had to be adjusted for the job they actually do. Some family members were paid a cut of profit instead of a market wage. None of it is unusual, but it needs cleaning up before EBITDA goes out to buyers.

Cap table complexity showed up in one in four, often family co-ownership: siblings, a parent and child, a few early employees with small stakes. Related party arrangements, like real estate or equipment the founder owns personally, came up less often. They're easy to sort out with time and a real problem at signing without it. And one in five owners had already been through a deal that didn't close, up from last quarter. That history rarely shows up in a CIM, but it shapes how an owner approaches the next buyer. It's worth asking about early.

### MOST SELLERS ARE KEEPING A STAKE

Half the deals we looked at this quarter had the owner rolling equity, keeping a piece of the business alongside a new partner. Only one in five was a full exit. That changes the planning. An owner who rolls equity is selling in two steps, and they'll be a minority shareholder in a company they used to control, with the partner's timeline setting the second sale. How the rollover is taxed, how the retained stake fits the estate plan, and how much the owner actually needs at close are all easier to work out before a term sheet than after one.

## This quarter's signal: EBITDA needs someone to stand behind it

These two findings are really one story. Nearly a third of businesses had no finance leader ready for a deal, and more than four in ten presented earnings a buyer is likely to challenge. When no one below the owner owns the EBITDA figure, no one catches the add-back that won't hold up or the salary the owner never booked. A sell-side QofE can help, but it isn't the only fix. What makes the difference is someone who can build a defensible adjusted EBITDA and explain it, in place before a process starts.

Founder Market Intelligence comes out a few times a year. If a specific client situation would be useful to talk through, that's always a conversation we're happy to have.