



SaaS Sellability Checklist

The \$2M to \$5M ARR edition. **You are here**

Read your SaaS the way a buyer reads it. Check the foundations buyers test at your size, score where you stand, and see what to strengthen before the next stage.

Buyers do not pay for what you built. They pay for what transfers. Let's look at your company through their eyes.

Buyer Lens

At \$2M to \$5M ARR, buyers value your company on an EBITDA or revenue multiple. Here is what they look at first.

3.26x Median revenue multiple, BVR exit data	9.7x Median EBITDA multiple, BVR exit data	62 Items buyers test at your stage
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Who Buys At This Size

Search funds

PE bolt-ons

Strategic acquirers

Family offices

Typical Deal Structure

70% to 90% cash at close; rollover equity offered by PE

Multiples In Full

Revenue: \$2M to \$5M band: 1.63x / 3.26x / 7.32x.

EBITDA: \$2M to \$5M band: 5.3x / 9.7x / 29.5x.

25th percentile / median / 75th percentile.

Source: BVR exit transaction data as cited in the LIVMO SaaS Exit Valuation Guide.

Top Buyer Concerns At This Size

No second-in-command

Concentration

Security and compliance gaps

How The Multiple Moves

Growth, retention and transferability set where you land in the range. The 25th percentile and the 75th percentile are the same business with different answers to the items in this checklist.

The next page shows the road from your stage to a strategic exit.

Exit Roadmap

Your stage is Stage 1 of this roadmap. Each later stage adds buyers, raises the multiple, and raises the bar on the same items.

-
- 1** **\$2M to \$5M ARR**  **YOU ARE HERE**
EBITDA or revenue multiple. Search funds, PE bolt-ons, strategic acquirers, family offices.
 - 2** **\$5M to \$20M ARR**
EBITDA multiple or revenue multiple with Rule of 40. PE platforms, strategic acquirers, growth equity.
 - 3** **\$20M+ ARR**
EBITDA multiple or revenue multiple with Rule of 40. Institutional PE, public strategics, large PE-backed platforms.
-

Start with your own stage. Score it, then read what the next stage asks for.

Stage 1: Your Checklist You are here

Tick every box that is true today. Add the points at the end. Items worth 2 points are the ones buyers weight most.

Financial quality

11 items

-
- ☐

Books are kept and closed at the standard your size requires
1 pt

Benchmark: Accrual basis; monthly close within 30 days

Why buyers care. Buyers model future cash flow from closed, consistent books. Cash-basis books work under \$500K; above that, accrual is what buyers expect.

Strengthen. Close the books on a fixed schedule; move to accrual by \$500K ARR and shorten the close as you grow.
-
- ☐

Chart of accounts separates recurring revenue, services, and COGS (hosting, support, third-party tools)
1 pt

Benchmark: Recurring, services, and COGS on separate lines for 12+ months

Why buyers care. Buyers rebuild gross margin and recurring revenue percentage from your P&L. Mixed categories block that.

Strengthen. Build a SaaS chart of accounts with separate lines for subscription, services, and each COGS type.
-
- ☐

Year-end financials prepared by a CPA, at the review level your size requires
1 pt

Benchmark: CPA-reviewed

Why buyers care. Third-party financials cut diligence time and remove the first reason a buyer discounts your numbers.

Strengthen. Engage a SaaS-experienced CPA; step up to review or audit as you grow.
-
- ☐

Revenue is recognized over the contract term, with annual prepayments spread across 12 months
1 pt

Benchmark: Monthly recognition; deferred revenue on the balance sheet

Why buyers care. Buyers test revenue recognition first. Upfront booking of annual deals overstates revenue and understates deferred revenue.

Strengthen. Recognize subscription revenue monthly and carry prepaid amounts as deferred revenue.
-

Financial quality, continued

- | | | |
|--------------------------|--|-------|
| ☐ | ARR, churn, and customer counts in your billing or CRM system reconcile to the P&L
Benchmark: Within 2%
Why buyers care. Buyers compare your metrics pack to your financials. A gap in either direction signals weak controls.
Strengthen. Reconcile billing system ARR to recognized revenue every quarter and document the differences. | 2 pts |
| ☐ | Owner salary and personal expenses are tagged as add-backs with receipts
Benchmark: Add-back schedule maintained monthly
Why buyers care. At this size buyers price on Seller's Discretionary Earnings. Every add-back needs proof.
Strengthen. Keep a running add-back schedule with the support document for each line. | 1 pt |
| ☐ | All tax filings are current and every dollar of revenue runs through the books
Benchmark: All filings current; no off-book revenue
Why buyers care. Buyers inherit tax exposure in a stock deal and discount it in an asset deal.
Strengthen. Bring payroll, sales tax, and income tax filings current; close any off-book channel. | 1 pt |
| ☐ | No cash-flow crisis in the past 24 months and at least 3 months of operating cash on hand
Benchmark: 6 months of cash
Why buyers care. Buyers read cash history as a test of management. A crisis in the trailing period raises the risk premium.
Strengthen. Hold a cash reserve and track runway monthly. | 1 pt |
| ☐ | A live financial dashboard tracks ARR, churn, cash, and margin by month
Benchmark: Monthly dashboard with 24 months of history
Why buyers care. A dashboard that updates without you proves the business reports on itself.
Strengthen. Connect billing and accounting to one dashboard and review it monthly with your team. | 1 pt |
| ☐ | A 12-month budget exists and last year's actuals landed within 10% of plan
Benchmark: Within 15% of plan
Why buyers care. Buyers pay for a forecast they can trust. A track record of hitting plan supports forward multiples.
Strengthen. Build an annual budget, compare monthly, and document variances. | 1 pt |
-

Financial quality, continued

- ☐ **Consistent historical financials cover the required number of years**
Benchmark: 3 years
Why buyers care. Buyers want to see growth across multiple years, in one format, with no gaps.
Strengthen. Restate earlier years into the current chart of accounts if needed.

1 pt

Revenue quality

10 items

- ☐ **Recurring revenue is the required share of total revenue**
Benchmark: 80%+
Why buyers care. Recurring revenue is what buyers pay the SaaS multiple on. Services and one-time fees get a lower multiple or none.
Strengthen. Productize services into subscriptions and separate one-time revenue in your reporting.

1 pt
- ☐ **ARR growth, as a 2 to 3 year CAGR, meets the benchmark, and every year in that period grew**
Benchmark: 20%+
Why buyers care. Growth is the largest single driver of the multiple. Buyers read a multi-year CAGR with steady years as proof of product-market fit; one strong year does not count.
Strengthen. Track ARR growth monthly by cohort and segment; fix retention before you add acquisition spend.

Deal risk. If your 2 to 3 year ARR CAGR is under 20%, or any year in that period was flat or down, buyers read it as a product-market fit problem. The business will be difficult to sell at this stage.

2 pts
- ☐ **Gross revenue retention (annual) meets the benchmark**
Benchmark: 85%+
Why buyers care. GRR shows how much revenue stays without any upsell. Buyers treat it as the core risk number.
Strengthen. Track churn reasons, strengthen onboarding, and intervene on at-risk accounts.

Deal risk. If your annual GRR is under 70%, the business will struggle to sell. Most buyers at this stage pass before they look at anything else.

2 pts

Revenue quality, continued

- ☐ **Net revenue retention (annual) meets the benchmark** 2 pts
Benchmark: 100%+
Why buyers care. NRR above 100% means your customer base grows without new sales. It is the strongest proof of product value.
Strengthen. Add usage tiers or seat expansion and give customer success an expansion target.
-
- ☐ **Monthly logo churn is at or below the benchmark** 1 pt
Benchmark: Under 3%
Why buyers care. Logo churn sets the customer lifetime, which sets LTV and the acquisition budget a buyer can justify.
Strengthen. Segment churn by plan and acquisition channel, then cut the channels that bring churn-prone customers.
-
- ☐ **Pricing has at least 2 tiers or a usage path that lets customers spend more** 1 pt
Benchmark: 2+ tiers or usage-based pricing live
Why buyers care. Expansion revenue depends on a pricing model that allows it. Flat pricing caps NRR at 100%.
Strengthen. Add a tier, a seat count, or a usage meter that scales with customer value.
-
- ☐ **Annual or multi-year contracts cover the required share of ARR** 1 pt
Benchmark: 50%+ of ARR
Why buyers care. Contract term is the contractual floor under your revenue. Buyers model month-to-month revenue as at risk.
Strengthen. Offer a discount for annual prepay and renewals with auto-renew terms.
-
- ☐ **Cohort retention is tracked by month of acquisition** 1 pt
Benchmark: 24 months of cohort data
Why buyers care. Cohorts show whether retention improves or decays as the product matures. A blended churn number hides this.
Strengthen. Build a monthly cohort table from billing data and keep 24 months of history.
-
- ☐ **Expansion ARR provides the required share of ARR growth** 1 pt
Benchmark: 20%+ of growth
Why buyers care. Growth from existing customers is cheaper and more predictable than growth from new logos.
Strengthen. Give account management an expansion quota and track upsell by cohort.
-

Revenue quality, continued

- ☐

Failed-payment recovery is automated

Benchmark: Dunning live; involuntary churn under 1% monthly

Why buyers care. Involuntary churn is the cheapest churn to fix. Buyers see unfixed dunning as neglect.

Strengthen. Turn on dunning in your billing system and retry failed cards for 21 days.

1 pt
-

Unit economics

6 items

- ☐

Gross margin meets the benchmark with hosting, support, and onboarding in COGS

Benchmark: 75%+

Why buyers care. Gross margin sets how much of each new dollar becomes profit. Buyers test it against the 70 to 80% SaaS norm.

Strengthen. Move support and onboarding into COGS, then cut hosting cost and automate onboarding.

1 pt
-
- ☐

LTV to CAC ratio is tracked and meets the benchmark

Benchmark: 3x+

Why buyers care. LTV:CAC tells a buyer whether growth spend pays back. It is the efficiency number behind the growth number.

Strengthen. Compute LTV on gross profit, include commissions and onboarding in CAC, and review by channel.

2 pts
-
- ☐

CAC payback period is at or under the benchmark

Benchmark: Under 12 months

Why buyers care. Payback sets how much cash growth consumes. Buyers with a growth plan need payback they can fund.

Strengthen. Raise prices, improve conversion, and shorten time to first value.

1 pt
-
- ☐

Profitability meets the benchmark for your size and valuation method

Benchmark: EBITDA margin 10%+ or Rule of 40 met

Why buyers care. Below \$2M buyers pay on SDE. Above \$5M they pay on EBITDA or on growth under the Rule of 40.

Strengthen. Audit spend by department and set a margin target that fits your growth rate.

2 pts
-

Unit economics, continued

- ☐
ARR per employee meets the benchmark
1 pt
- Benchmark:** \$200K+
- Why buyers care.** ARR per employee is the fastest read on operating leverage. Low numbers signal a services-heavy model.
- Strengthen.** Automate support and onboarding and hold headcount growth below ARR growth.
-
- ☐
Sales and marketing spend is tracked by channel with cost per customer
1 pt
- Benchmark:** CAC by channel for 12+ months
- Why buyers care.** Buyers want to know which channels work so they can add capital to them.
- Strengthen.** Tag every new customer with its source and compute CAC per channel quarterly.
-

Customers

6 items

- ☐
Customer concentration is below the benchmark
2 pts
- Benchmark:** Top 5 under 40%
- Why buyers care.** One lost customer should not change the price. Buyers discount concentrated revenue or ask for an earn-out on it.
- Strengthen.** Diversify go-to-market and lock large accounts into multi-year contracts.
-
- ☐
One system holds every customer with MRR, start date, plan, and contract
1 pt
- Benchmark:** Customer register exported monthly
- Why buyers care.** The customer list is the first diligence request. It must tie to billing and to the P&L.
- Strengthen.** Keep the billing system or CRM as the single source and export it monthly.
-
- ☐
Largest customers are on written contracts that allow assignment on a change of control
1 pt
- Benchmark:** Top 20 customers
- Why buyers care.** A buyer needs the contracts to transfer. Consent clauses give customers a chance to renegotiate at close.
- Strengthen.** Standardize terms and amend the largest contracts before you go to market.
-
- ☐
Customer satisfaction is measured at least once a year (NPS or survey)
1 pt
- Benchmark:** Annual survey; NPS 30+
- Why buyers care.** Satisfaction data predicts retention before churn shows up in the numbers.
- Strengthen.** Run an annual NPS survey and track the score by segment.
-

Customers, continued

- ☐
Support runs on a documented process with a named owner who is not the founder
1 pt
- Benchmark:** Support owner; response time tracked
- Why buyers care.** Support is where founder dependence shows up first. Buyers test whether customers rely on you personally.
- Strengthen.** Appoint a support owner, document the process, and track response time.
-
- ☐
Onboarding is productized, with self-serve steps where possible
1 pt
- Benchmark:** Documented onboarding; under 5 founder hours per customer
- Why buyers care.** Onboarding cost sits in gross margin, and onboarding quality sets early churn.
- Strengthen.** Write the onboarding checklist and automate the first 3 steps.
-

Owner and team

8 items

- ☐
The founder can leave for the benchmark period with no drop in revenue or service
2 pts
- Benchmark:** 1 month
- Why buyers care.** If the business cannot run without you, a buyer is buying a job. Transferability sets the multiple.
- Strengthen.** Take a planned absence, log what breaks, and fix each item.
-
- ☐
At least 2 people can deploy to production and fix a critical bug
1 pt
- Benchmark:** 2+ people with production access and runbook
- Why buyers care.** A single engineer who holds the system is a key-person risk buyers price in.
- Strengthen.** Cross-train a second engineer and document the deployment runbook.
-
- ☐
Sales closes without the founder at the required level
1 pt
- Benchmark:** A sales lead owns the pipeline
- Why buyers care.** If every deal needs the founder, revenue growth is tied to the founder's hours.
- Strengthen.** Hire a seller, write the sales process, and move the founder out of first calls.
-
- ☐
Every role has a written description and the core processes have SOPs in cloud storage
1 pt
- Benchmark:** Role descriptions and SOPs for all recurring processes
- Why buyers care.** Documentation is how a buyer takes over operations without you.
- Strengthen.** Write one SOP per recurring process and store them where the team works.
-

Owner and team, continued

- ☐
A second-in-command or general manager runs day-to-day operations
1 pt
- Benchmark:** GM or COO in place 6+ months
- Why buyers care.** Buyers need a leader who stays. The founder usually leaves within 12 months of a sale.
- Strengthen.** Promote or hire a GM and hand over operations 12 months before a sale.
-
- ☐
Key employees have employment agreements and a retention or equity plan
1 pt
- Benchmark:** Agreements and retention plan
- Why buyers care.** Buyers want the people who built the product to stay through the transition.
- Strengthen.** Put key people on agreements with a retention bonus that vests after close.
-
- ☐
An org chart shows every role and reporting line
1 pt
- Benchmark:** Org chart current within 90 days
- Why buyers care.** The org chart is the buyer's map of who does what and where the founder sits.
- Strengthen.** Draw the chart, include contractors, and update it quarterly.
-
- ☐
Hiring and onboarding follow a documented process
1 pt
- Benchmark:** Hiring and onboarding process documented
- Why buyers care.** A buyer who plans to grow needs to hire without you.
- Strengthen.** Document the hiring steps and the 30-day onboarding plan for each role type.

Product and technology

9 items

- ☐
The product is cloud-hosted and multi-tenant, with no on-premise installs
1 pt
- Benchmark:** 100% cloud-hosted
- Why buyers care.** Delivery model sets margin and scalability. Buyers pay the SaaS multiple for cloud-native products.
- Strengthen.** Migrate remaining installs to the cloud platform and sunset the legacy option.
-
- ☐
Code is in version control with a repeatable deployment and automated tests
1 pt
- Benchmark:** CI/CD and test coverage on critical paths
- Why buyers care.** Technical diligence starts with the repo. Buyers look for process, not perfection.
- Strengthen.** Set up CI/CD and cover the critical paths with automated tests.

Product and technology, continued

- | | | |
|--------------------------|---|------|
| ☐ | Architecture and operations are documented well enough for a new engineer to deploy within a week
Benchmark: Architecture doc and runbooks current
Why buyers care. Documentation is how the buyer's team takes over the codebase.
Strengthen. Write the architecture overview, the runbooks, and the environment setup guide. | 1 pt |
| ☐ | Third-party dependencies and open-source licenses are inventoried
Benchmark: License inventory current; no unresolved copyleft
Why buyers care. Buyers scan for copyleft licenses and unlicensed components. A finding can block a stock deal.
Strengthen. Run a license scan and resolve any copyleft or unlicensed component. | 1 pt |
| ☐ | Security meets the benchmark for your size
Benchmark: Security policy and annual penetration test
Why buyers care. Security findings in diligence become price reductions or indemnities.
Strengthen. Start with MFA, backups, and access control; add a penetration test and SOC 2 as you grow. | 1 pt |
| ☐ | Uptime is tracked and meets the benchmark
Benchmark: 99.9%+
Why buyers care. Reliability is a retention driver and a contractual obligation in enterprise deals.
Strengthen. Add monitoring and publish uptime to customers. | 1 pt |
| ☐ | A written 12-month product roadmap exists
Benchmark: Roadmap updated within 6 months
Why buyers care. The roadmap is the buyer's view of where growth comes from after close.
Strengthen. Write a 12-month roadmap tied to retention and expansion goals. | 1 pt |
| ☐ | Differentiation is evidenced with win/loss data or documented reasons customers chose you
Benchmark: Win/loss tracked for 12 months
Why buyers care. Buyers pay a premium for a product that is hard to replace. Claims need evidence.
Strengthen. Track win/loss reasons in the CRM and collect 5 customer quotes on why they switched. | 1 pt |
-

Product and technology, continued

- ☐

Integrations or an API create switching costs

Benchmark: 3+ live integrations or a public API

Why buyers care. Switching costs protect retention and pricing. Buyers model them as a retention floor.

Strengthen. Build the 3 integrations your customers ask for most and publish an API.

1 pt

Market

4 items

- ☐

The ideal customer profile is written down with segment, size, and average contract value

Benchmark: ICP documented; 70%+ of new customers match

Why buyers care. A clear ICP lets a buyer judge the market and the growth plan. It also explains your churn.

Strengthen. Write a 1-page ICP and check that 70%+ of new customers match it.

1 pt
-
- ☐

A bottom-up TAM and SAM exist with sources

Benchmark: TAM \$100M+

Why buyers care. Buyers pay for headroom. A small or vague TAM caps the multiple even with strong metrics.

Strengthen. Build TAM from ICP count times ACV and cite the sources.

1 pt
-
- ☐

Market growth is cited from a third-party source

Benchmark: 10%+ market growth with a cited source

Why buyers care. A growing market gives the buyer tailwind for the growth plan.

Strengthen. Cite a Gartner, Forrester, or PitchBook growth rate for your segment.

1 pt
-
- ☐

Named competitors and your position against them are documented, with win rate

Benchmark: Competitor map and 12 months of win rate

Why buyers care. Buyers want to know who you beat and why. Win rate is the proof.

Strengthen. Keep a competitor map and track win rate against each named competitor.

1 pt

Legal and IP

8 items

-
- ☐ **The company is a corporation or LLC with a clean cap table and current founder agreements** 1 pt
- Benchmark:** [Cap table and founder agreements current](#)
- Why buyers care.** Buyers buy a legal entity. Ownership must be clear before a letter of intent.
- Strengthen.** Confirm the cap table with counsel and sign any missing founder or shareholder agreement.
-
- ☐ **Every employee and contractor who wrote code has signed an IP assignment** 1 pt
- Benchmark:** [100% of contributors signed](#)
- Why buyers care.** Without IP assignment the company does not own its own product.
- Strengthen.** Audit contributors and collect signed assignments from each one.
-
- ☐ **Terms of service, privacy policy, and data processing terms are current** 1 pt
- Benchmark:** [Terms updated within 24 months](#)
- Why buyers care.** Customer terms set what the buyer inherits, including liability and data rights.
- Strengthen.** Update terms with counsel and have every customer accept the current version.
-
- ☐ **Trademarks are registered and all domains are owned by the company** 1 pt
- Benchmark:** [Mark registered; domains in company account](#)
- Why buyers care.** Brand assets must transfer with the company.
- Strengthen.** Register the mark and move domains into a company-owned account.
-
- ☐ **No open litigation, claims, or regulatory issues** 1 pt
- Benchmark:** [No open matters](#)
- Why buyers care.** Buyers price open claims at the worst case and ask for an indemnity.
- Strengthen.** Settle or document every open matter before you go to market.
-
- ☐ **Vendor and partner contracts are assignable on a change of control** 1 pt
- Benchmark:** [Top 10 vendor contracts assignable](#)
- Why buyers care.** Critical vendors who can terminate at close give them leverage over your deal.
- Strengthen.** Review the top 10 vendor contracts and amend the change-of-control clauses.
-

Legal and IP, continued

- ☐ **Compliance obligations for your vertical are met (GDPR, HIPAA, PCI, or others that apply)** 1 pt

Benchmark: Compliance map current; no open gaps

Why buyers care. Regulatory gaps are indemnity items. Enterprise buyers verify them before the LOI.

Strengthen. Map the regulations that apply and close each gap with counsel.

- ☐ **A data inventory shows where customer data lives and who can access it** 1 pt

Benchmark: Data inventory current within 12 months

Why buyers care. Data diligence asks this question first. The answer sets the privacy risk.

Strengthen. Document every system that holds customer data and the access list for each.

Your Score

Add the points for every box you ticked. The maximum at your stage is 70 points across 62 items.

56+

Sellable at this stage. Buyers at your size will engage. Work on the next-stage items to move up the range.

35 to 55

Close, with work. Fix the 2-point gaps first; they move the multiple most.

Under 35

Not yet sellable at this stage. Start with Financial quality and Owner and team. Buyers stop reading when those fail.

Two items override the score: annual GRR under 70%, or a 2 to 3 year ARR CAGR under 20% with any flat or down year. Either one makes the business difficult to sell at this stage, whatever the total.

If You Want To Sell At This Stage

This is the first stage where PE and strategics compete for the deal. The median revenue multiple is 3.3x; top-quartile deals reach 7x. A \$3.5M ARR company with 25% growth, 90% GRR and a GM in place can expect \$10M to \$15M. Without the GM, buyers add an earn-out.

Check Your Numbers

Score the metrics behind the 2-point items with the LIVMO SaaS Valuation Calculator at saasvaluation.livmo.com. It rates ARR growth, GRR, NRR, LTV:CAC and margin against the same benchmarks.

Next: what changes when you reach \$5M to \$20M ARR.

Next Stage

To be valued as a \$5M to \$20M ARR company, 29 items change. 8 are new; the rest raise the bar you already meet.

F3	Year-end financials prepared by a CPA, at the review level your size requires Next: CPA-reviewed; audit recommended Now: CPA-reviewed
F10	A 12-month budget exists and last year's actuals landed within 10% of plan Next: Within 10% of plan Now: Within 15% of plan
F11	A Quality of Earnings report or QoE-style package is ready before you go to market Next: Sell-side QoE completed within the last 12 months New at the next stage
FX1	Financial foundations are in place: accrual books, monthly close within 15 days, SaaS chart of accounts, monthly revenue recognition, deferred revenue tracked Next: All 5 foundations in place New at the next stage
R1	Recurring revenue is the required share of total revenue Next: 90%+ Now: 80%+
R3	Gross revenue retention (annual) meets the benchmark Next: 90%+ Now: 85%+
R4	Net revenue retention (annual) meets the benchmark Next: 105%+ Now: 100%+
R5	Monthly logo churn is at or below the benchmark Next: Under 2% Now: Under 3%

Next Stage, Continued

R7 Annual or multi-year contracts cover the required share of ARR

Next: 60%+ of ARR

Now: 50%+ of ARR

R9 Expansion ARR provides the required share of ARR growth

Next: 30%+ of growth

Now: 20%+ of growth

U4 Profitability meets the benchmark for your size and valuation method

Next: Rule of 40 met

Now: EBITDA margin 10%+ or Rule of 40 met

U5 ARR per employee meets the benchmark

Next: \$300K+

Now: \$200K+

C1 Customer concentration is below the benchmark

Next: Top 5 under 30%

Now: Top 5 under 40%

C3 Largest customers are on written contracts that allow assignment on a change of control

Next: All customers over 1% of ARR

Now: Top 20 customers

C4 Customer satisfaction is measured at least once a year (NPS or survey)

Next: Quarterly survey; NPS 40+

Now: Annual survey; NPS 30+

C5 Support runs on a documented process with a named owner who is not the founder

Next: Support team; SLA published

Now: Support owner; response time tracked

C7 A customer success function owns renewals and expansion

Next: CS lead with renewal and expansion targets

New at the next stage

Next Stage, Continued

01	The founder can leave for the benchmark period with no drop in revenue or service Next: 3 months Now: 1 month
03	Sales closes without the founder at the required level Next: Sales leader and team; founder in under 10% of deals Now: A sales lead owns the pipeline
05	A second-in-command or general manager runs day-to-day operations Next: GM or COO in place 12+ months Now: GM or COO in place 6+ months
06	A leadership team covers product, engineering, sales, and finance Next: 4 functional leaders with 12+ months tenure New at the next stage
07	Key employees have employment agreements and a retention or equity plan Next: Agreements, retention plan, and option pool Now: Agreements and retention plan
0X1	Operational foundations are in place: role descriptions, SOPs, 2+ people on production, productized onboarding Next: All 4 foundations in place New at the next stage
P5	Security meets the benchmark for your size Next: SOC 2 Type II Now: Security policy and annual penetration test
P8	Differentiation is evidenced with win/loss data or documented reasons customers chose you Next: Win rate tracked; 3+ case studies Now: Win/loss tracked for 12 months
PX1	Technical foundations are in place: cloud-hosted, CI/CD, automated tests, 2+ engineers on production Next: All 4 foundations in place New at the next stage

Next Stage, Continued

M2 **A bottom-up TAM and SAM exist with sources**

Next: TAM \$200M+

Now: TAM \$100M+

M5 **Recent acquisitions in your category are tracked**

Next: 10 comparable deals tracked

New at the next stage

LX1 **Legal foundations are in place: clean cap table, current customer terms, no open claims**

Next: All 3 foundations in place

New at the next stage

STAGE 2 OF 3

\$5M to \$20M ARR

EBITDA multiple or revenue multiple with Rule of 40. PE platforms, strategic acquirers, growth equity.

Multiples

Revenue: \$5M to \$20M band: 1.52x / 2.9x / 6.86x; top quartile above 9x.

EBITDA: \$5M to \$20M band: 8.7x / 16.9x / 28.3x.

Deal Structure

Cash at close with 10% to 30% rollover for PE; escrow of 5% to 10%

Top Buyer Concerns

Leadership gaps

Forecast accuracy

SOC 2

Customer success depth

What Changes At This Stage

A Quality of Earnings report or QoE-style package is ready before you go to market

Financial foundations are in place: accrual books, monthly close within 15 days, SaaS chart of accounts, monthly revenue recognition, deferred revenue tracked

A customer success function owns renewals and expansion

A leadership team covers product, engineering, sales, and finance

Operational foundations are in place: role descriptions, SOPs, 2+ people on production, productized onboarding

Technical foundations are in place: cloud-hosted, CI/CD, automated tests, 2+ engineers on production

and 23 more

If You Want To Sell At This Stage

Buyers run a full process with QoE and legal diligence. The median EBITDA multiple is 16.9x; revenue multiples run 2.9x at the median and above 9x for top-quartile growth and retention. An \$8M ARR company that meets the Rule of 40 with 95% GRR can expect \$25M to \$50M.

STAGE 3 OF 3

\$20M+ ARR

EBITDA multiple or revenue multiple with Rule of 40. Institutional PE, public strategics, large PE-backed platforms.

Multiples

Revenue: No BVR band above \$20M; use the \$5M to \$20M band as a floor and public comparables as a ceiling.

EBITDA: \$5M to \$20M band as a floor: 8.7x / 16.9x / 28.3x.

Deal Structure

Cash at close; management rollover; representations and warranties insurance

Top Buyer Concerns

Audit quality

Leadership depth

Comparables

Integration risk

What Changes At This Stage

Year-end financials prepared by a CPA, at the review level your size requires

ARR, churn, and customer counts in your billing or CRM system reconcile to the P&L

Consistent historical financials cover the required number of years

ARR growth, as a 2 to 3 year CAGR, meets the benchmark, and every year in that period grew

Net revenue retention (annual) meets the benchmark

Monthly logo churn is at or below the benchmark

and 8 more

If You Want To Sell At This Stage

Buyers at this size run a banker-led auction. Price depends on growth, NRR and the comparables in your category more than on any checklist item. The items here are the ones that keep the price intact through diligence.

Next Steps

You now know what buyers test at your size and what to strengthen next. The fastest way to turn this into a number is a conversation.

Book a 30-minute exit assessment with LIVMO. We walk through your score, your metrics, and the 3 items that move your price most. No pitch; a buyer's read of your company.

Book a 30-Minute Exit Assessment

calendly.com/khaledazar/exit-builder

LIVMO is a tech-focused M&A advisory in San Diego. Featured in Inc. and Forbes. Axial award recipient. Member of IBBA and M&A Source. We live by radical candor and have been from the weeds to the forest.

Score your metrics first at saasvaluation.livmo.com.

You deserve an exit on YOUR terms. Let's find out what that number is.