WINDSOR DRAKE

WINDSOR DRAKE RESEARCH · 2026

The Exit Readiness Index

Windsor Drake is a sell-side M&A advisory firm focused on software, financial technology, artificial intelligence, cybersecurity, and other technology-enabled businesses in the lower middle market. The firm publishes research on transaction activity, deal structure, and valuation for founders, boards, and investors.

About this report

This report introduces the Windsor Drake Exit Readiness Index, a structured way to assess how prepared a company is to be sold, distinct from how good the company is as a business. It defines what readiness means to a buyer, scores it across seven dimensions, quantifies the premium that readiness commands in price and certainty, and sets out how a founder closes the gaps. Its central argument is that readiness is a separate axis from quality, built over one to two years, and the highest-return work a founder can do before a sale.

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OVERVIEW

A good company is not the same as a ready one

Founders assume that a strong business will sell well. It will not, unless it is also ready to be sold. Readiness is a separate axis from quality, and the gap between a ready and an unready version of the same company shows up in both the price achieved and the odds of closing at all.

The distinction matters because the two are independent. A genuinely good business, growing, profitable, defensible, can be entirely unprepared to be sold: its financials may not survive a quality-of-earnings review, its contracts may not be assignable, its data room may not exist, its story may be muddled, and its operations may depend entirely on the founder. Taken to market in that state, it sells slowly, at a discount, or it dies in diligence. Conversely, a merely solid business that is impeccably prepared can sell quickly, cleanly, and at the top of its range, because the buyer finds no surprises and can move with confidence. Quality is what the company is; readiness is whether it can be sold for what it is.[1]

This report introduces the Windsor Drake Exit Readiness Index, a structured way to measure readiness across the seven dimensions buyers actually examine. It defines what readiness means, scores it, quantifies the premium it commands, and sets out how a founder closes the gaps. The central argument is that readiness is built over one to two years, is largely within the founder's control, and is the highest-return preparation a founder can do, because it raises both the price the company achieves and the probability that the sale closes.

Quality is what the company is. Readiness is whether it can be sold for what it is. They are separate axes, and most founders mind only the first.

The stakes are concrete. Windsor Drake's transaction experience points to a spread on the order of thirty percent in enterprise value between well-run and poorly-run sale processes, and published research attributes nearly half of all deal failures to diligence findings, the surprises that readiness is designed to eliminate.[1,2] Readiness, in other words, is worth roughly a third of the price and a large share of the probability of closing. For a founder, no other pre-sale investment offers a comparable return, and the Index exists to make that investment systematic.

THE CASE IN BRIEF

Readiness in numbers

~30% Enterprise-value spread between well-run and poorly-run sale processes in Windsor Drake transaction work.[1]	**~46%** Share of deal failures traced to diligence findings, the surprises readiness eliminates.[2]	**7** Dimensions of the Exit Readiness Index, spanning everything a buyer examines.[1]
12–24 Months of runway the deepest readiness work requires; it cannot be rushed at sale.[1]	**2** Independent axes, quality and readiness; a company can be high on one and low on the other.	**Standard** The sell-side quality-of-earnings review, now near-essential to financial readiness.[2]

Windsor Drake view: readiness is worth roughly a third of the price and a large share of the chance of closing, and it is almost entirely within the founder's control. No other pre-sale investment returns as much.

01 · THE CONCEPT

What readiness means

Readiness is not a measure of how good a company is. It is a measure of how cleanly it can be examined, transferred, and closed, judged by the standard of the buyer who will diligence it. Understanding the difference is the foundation of the Index.

A buyer evaluating a company runs it through an intensive examination, financial, legal, commercial, operational, and judges not only whether the business is good but whether it can be acquired without surprises, delays, or risks. Readiness is the company's score on that second question. A ready company presents reconciled financials that survive a quality-of-earnings review, clean corporate records and assignable contracts, a complete and organized data room, a credible story, and operations that do not collapse without the founder. An unready company forces the buyer to discover, question, and price every gap, and each gap is an opportunity for the deal to slow, to be repriced, or to die.[2]

Why readiness is independent of quality

Readiness and quality diverge because they answer different questions. Quality asks whether the business is worth buying; readiness asks whether it can be bought cleanly. A fast-growing, profitable company built in a hurry can be a mess to diligence, with aggressive accounting, tangled IP, and founder-dependent operations, while a steadier business run with discipline can be pristine. Buyers experience the two separately: they are drawn by quality and deterred by unreadiness, and a company strong on the first but weak on the second frustrates them into lower offers, harder terms, or withdrawal. The founder who assumes quality will carry an unready company misjudges how buyers actually decide.

> *Buyers are drawn by quality and deterred by unreadiness. A great company that is a mess to diligence frustrates them into lower offers, harder terms, or withdrawal.*

Readiness as the buyer's experience

The most useful way to understand readiness is to see the sale through the buyer's eyes. The buyer is forming a judgment not just about the business but about the risk of acquiring it, and every surprise raises that perceived risk and lowers what the buyer will pay or whether it will proceed. A ready company lowers perceived risk at every turn: questions are answered before they are asked, the data reconciles, the contracts transfer, the team stays. That accumulation of confidence is what converts into a higher price and a higher chance of closing. Readiness is, in the end, the deliberate management of the buyer's confidence, and the Index measures how well a company manages it.

This reframing, from how good is the company to how cleanly can it be bought, is what makes readiness actionable. A founder cannot quickly change the quality of the business, but can systematically improve its readiness, eliminating the surprises, organizing the information, and de-risking the transfer. The rest of this report measures that readiness across seven dimensions and shows how to raise the score.

02 · THE FRAMEWORK

The Exit Readiness Index

The Index scores readiness across the seven dimensions a buyer examines. Each dimension can be strong or weak independently, and a company's overall readiness is only as good as its weakest, because a single unready dimension can stall or kill a deal.

EXHIBIT 1

The seven dimensions of the Exit Readiness Index

DIMENSION	WHAT "READY" LOOKS LIKE
1. Financial	Reconciled, buyer-standard financials; a sell-side QoE; defensible adjusted EBITDA
2. Legal & corporate	Clean cap table and records; clear IP ownership; assignable contracts; resolved disputes
3. Commercial	Manageable customer concentration; strong retention; documented pipeline and contracts
4. Operational	Documented processes; scalable systems; the business runs without heroics
5. Team & management	Depth beyond the founder; low key-person risk; retention in place
6. Information	A complete, organized data room that answers questions before they are asked
7. Story & positioning	A clear equity story and category framing that frames the company at its best

Source: Windsor Drake Exit Readiness Index.

The Index is deliberately built around the weakest link. A company can be exemplary on six dimensions and fail on one, a key contract that will not transfer, a customer concentration the buyer cannot accept, a founder who is the only one who understands the product, and that single failure can stall the deal or end it. Buyers diligence every dimension, and they price and decide on the risks they find, not on the strengths. A founder cannot bank a strong financial story to offset an unready legal house; both must be ready, because the buyer examines both.

A company's readiness is only as strong as its weakest dimension. Buyers price the risks they find, not the strengths.

The Index also connects the firm's other research into a single pre-sale discipline. Financial readiness draws on the deal-structure and why-deals-die work; commercial and story readiness draw on the valuation and positioning research; the information dimension draws on the sale-timeline analysis of how diligence speed depends on the data room. Where those reports examine each force in isolation, the Index integrates them into one question a founder can act on: is this company ready, across every dimension a buyer will examine. It is, in that sense, the practical capstone of the series, the place where the separate dynamics of valuation, structure, process, and diligence meet in a single assessment of whether a company can actually be sold well.

The Index is also a map of where to work. By scoring each dimension honestly, a founder sees not a vague sense of being unprepared but a specific list of gaps, ranked by how badly each would hurt in diligence. That specificity is what turns readiness from an intimidating abstraction into a manageable project: assess the seven dimensions, find the weak ones, and close them in order of risk. The next section examines each dimension in depth, and the section after quantifies what closing them is worth.

03 · IN DEPTH

The seven dimensions

Each dimension of readiness has a small number of things that make a company ready or unready in a buyer's eyes. The detail below is where a founder should focus the assessment and the work.

1. Financial readiness

The most scrutinized dimension. A ready company presents financials prepared to a buyer's standard, reconciled, consistent, and clear, and ideally backed by a sell-side quality-of-earnings review that has already tested the adjusted EBITDA the price will rest on. Unready financials, aggressive add-backs, inconsistent reporting, an EBITDA that cannot be defended, are the leading cause of deal failure, and financial readiness is the single highest priority in the Index.[2]

2. Legal and corporate readiness

A ready company has a clean cap table, clear ownership of its intellectual property, contracts that can be assigned to a buyer, resolved or disclosed disputes, and sound corporate records and compliance. Unready legal houses, unassigned IP, key contracts with change-of-control problems, unresolved litigation, surface in diligence and can stall or block a deal regardless of how good the business is. Legal readiness is unglamorous and decisive.

3. Commercial readiness

Buyers examine the durability of the revenue: how concentrated it is among a few customers, how well it is retained, how documented the pipeline and the contracts are. A ready company has addressed or can explain its concentration, demonstrates strong retention, and can evidence its commercial momentum. Unready commercial profiles, hidden concentration, undocumented churn, handshake customer arrangements, raise the perceived risk and depress the price.

4. Operational readiness

A ready company runs on documented processes and scalable systems, and continues to function without constant founder intervention. Buyers worry about a business that depends on heroics or on the founder personally, because that dependence is a risk they inherit. Operational readiness, the business runs as a system, not a personality, reassures the buyer that what they acquire will keep working after the founder steps back.

5. Team and management readiness

Related but distinct, this dimension concerns the people. A ready company has management depth beyond the founder, low key-person risk, and retention arrangements that give the buyer confidence the team will stay. Unready teams, where the founder is irreplaceable or key people are flight risks, are a serious concern for buyers acquiring a company for its people as much as its product.

6. Information readiness

A ready company has a complete, organized data room before the process begins, anticipating the buyer's questions and answering them without delay. As the firm's report on the sale timeline shows, diligence proceeds at the speed of the slowest answer, and an unready data room turns every request into a round-trip that lengthens the process and erodes confidence. Information readiness is one of the easiest dimensions to fix and one of the most visible to a buyer.

7. Story and positioning readiness

Finally, a ready company arrives with a clear equity story: what it is, why it is valuable, which category it belongs to, and where its growth comes from. A muddled or absent story leaves the buyer to define the company, usually at its least flattering, while a sharp story frames the company at its best and supports the price. Positioning readiness, the subject of the firm's valuation research, is where readiness meets value, because how the company is framed shapes the multiple it is judged against.

Together the seven dimensions describe everything a buyer examines and everything a founder can prepare. A company strong across all seven is ready to be sold well; a company weak on any is exposed where it is weakest. The next section turns to what being ready, across all seven, is actually worth.

04 · THE PAYOFF

The readiness premium

Readiness pays in two currencies: a higher price and a higher probability of closing. Both are large, and together they make readiness the most valuable pre-sale investment a founder can make.

The price effect is substantial. Windsor Drake's transaction experience points to a spread on the order of thirty percent in enterprise value between well-run, well-prepared processes and poorly-run, unprepared ones.[1] A ready company supports a higher price because it lowers the buyer's perceived risk at every turn, removing the discounts a buyer applies for surprises, gaps, and uncertainty, and because a clean process sustains competition that an unready one loses. The unready company is priced for its risks; the ready one is priced for its quality.

~30%

Enterprise-value spread between well-prepared and poorly-prepared sale processes.

The certainty effect

The second currency is the probability of closing at all. Nearly half of deal failures trace to diligence findings, the surprises that readiness is designed to eliminate, and a ready company that presents no surprises is far more likely to survive diligence and reach a close.[2] This effect is, if anything, more valuable than the price effect, because a higher price on a deal that dies is worth nothing, while a clean close at a fair price is worth everything. Readiness converts a risky, uncertain process into a predictable one, and certainty is the outcome a founder most needs and most often lacks.

> *A higher price on a deal that dies is worth nothing. Readiness buys both a better price and the certainty that the deal actually closes.*

Why the premium is so large

The readiness premium is large because unreadiness compounds. A single gap, an undefended add-back, an unassignable contract, a thin data room, does not just cost a point of price; it raises the buyer's suspicion that other gaps exist, triggers deeper scrutiny, slows the process, and creates the conditions for a retrade or a withdrawal. Readiness works in reverse: each prepared dimension builds the buyer's confidence in the next, accelerating the process and supporting the price. The premium reflects this compounding, the difference between a deal where everything reassures the buyer and one where everything raises a question.

For a founder, the readiness premium reframes preparation from a cost to an investment with an exceptional return. Spending the time and money to make a company ready, a sell-side quality-of-earnings review, a legal clean-up, a complete data room, a sharp story, is small against a thirty-percent price effect and a large gain in the probability of closing. No negotiation tactic at the table can match what readiness delivers before the table is set, which is why the Index treats readiness as the central pre-sale discipline.

WORKED COMPARISON

The same company, ready and unready

The readiness premium is clearest when the same company is taken to market in two states. The contrast below holds the business constant and varies only its preparation, and the difference in outcome is the premium made concrete.

Consider a company with identical fundamentals in two versions. In the unready version, the founder takes the company to market reacting to an inbound, with aggressive add-backs, no sell-side review, a half-built data room, a key contract that has not been checked for assignability, and operations that depend on the founder. In the ready version, the same company arrives a year later prepared: a sell-side quality-of-earnings review has tested the EBITDA, the data room is complete, the legal house is clean, the team has depth, and the story is sharp. The business is the same; only the readiness differs.

EXHIBIT 2

One company, two states of readiness

OUTCOME	UNREADY	READY
Diligence experience	Surprises; questions; delay	Clean; questions pre-answered
Process length	Drags; loses momentum	Fast; keeps competition
Price	Discounted for risk; retrade	Priced for quality
Probability of closing	Materially lower	High
Illustrative outcome	Lower price, or no deal	~30% higher, clean close

Source: Windsor Drake illustration of the readiness premium. Directional; outcomes vary by company and process.[1]

The unready version sells, if it sells at all, at a discount and after a longer, riskier process, because the buyer discovers the gaps, prices the risk, and may retrade or walk. The ready version sells faster, at a price reflecting the company's quality rather than its risks, with a high probability of closing, because the buyer finds no surprises and proceeds with confidence. The difference, on the order of thirty percent in price plus a large gap in the chance of closing, was created entirely by a year of preparation, not by any change in the business.[1]

> *The business was identical. A year of preparation was worth roughly a third of the price and the difference between a clean close and no deal.*

The comparison is the report's argument in a single picture. Readiness is not a refinement at the margin; it is a decisive factor that can move the outcome by a third of the value and determine whether a deal happens at all. And because it is built before the process, it is available to any founder willing to do the work over a sufficient runway. The unready and ready versions of a company are the same business with two very different fates, and which fate a founder gets is, to a remarkable degree, a choice made in the years before the sale.

05 · THE ASSESSMENT

Scoring your company

The Index is only useful if a founder applies it honestly. Scoring each of the seven dimensions, ready, partial, or unready, turns a vague sense of preparedness into a specific, ranked list of work.

The assessment is straightforward. For each dimension, a founder, ideally with advisers who will be candid, judges where the company stands against the standard of what ready looks like: ready, meaning a buyer would find no material gap; partial, meaning work remains but the foundation is there; or unready, meaning a buyer would find a serious problem. The honest scoring is the hard part, because founders tend to overrate their own preparedness, and the most valuable assessment is the most critical one, the one that surfaces the gaps a buyer will find rather than the strengths the founder is proud of.[2]

WORKSHEET

Scoring the seven dimensions

DIMENSION	READY?	THE QUESTION TO ANSWER HONESTLY
Financial	R / P / U	Would a QoE confirm or cut my EBITDA?
Legal & corporate	R / P / U	Do my IP and contracts transfer cleanly?
Commercial	R / P / U	Can I withstand scrutiny of concentration and retention?
Operational	R / P / U	Does the business run without me?
Team & management	R / P / U	Is there depth beyond the founder, and will the team stay?
Information	R / P / U	Is the data room complete and organized today?
Story & positioning	R / P / U	Is there a clear, flattering, defensible equity story?

Source: Windsor Drake Exit Readiness Index. Score with candid advisers; the critical assessment is the useful one.

The output of the assessment is a profile: a company might be ready on story and commercial, partial on financial and information, and unready on legal and operational. That profile is the work plan. It tells the founder not that the company is generally unprepared, a useless conclusion, but exactly which dimensions need attention and how urgently, ranked by how badly each would hurt in diligence. The unready dimensions come first, then the partial ones, and the ready ones are maintained. The assessment converts readiness from an overwhelming abstraction into a finite, prioritized list.

> *The honest score is the useful one. Founders overrate their preparedness; the valuable assessment surfaces the gaps a buyer will find, not the strengths the founder is proud of.*

The assessment should be run early and repeated. Run a year or two before a contemplated sale, it leaves time to close the gaps the deepest of which cannot be fixed quickly. Repeated as the work progresses, it tracks the company's rising readiness and confirms when it is genuinely prepared to go to market. A founder who scores honestly, works the gaps in order, and re-scores until the profile is uniformly ready arrives at a sale prepared across every dimension a buyer will examine.

06 · THE WORK

Closing the gaps

Each readiness gap has a known remedy, and the remedies differ in how long they take. Sequencing the work by urgency and by lead time is what turns the assessment into a ready company.

The fast fixes

Some dimensions can be made ready relatively quickly. Building a complete, organized data room is largely a matter of effort and can be done in weeks. Sharpening the equity story and positioning is a focused exercise with advisers. A sell-side quality-of-earnings review takes a few months but is well-defined and can be commissioned on a schedule. These fast fixes deliver readiness quickly and should be done as a process nears, but they assume the underlying substance, the financials, the contracts, the operations, is sound enough to present.

The slow fixes

The dimensions that matter most often take the longest. Reducing customer concentration, building management depth beyond the founder, making operations independent of heroics, resolving disputes, and cleaning up tangled IP or contracts are substantive changes to the business that cannot be rushed and that must begin a year or two before a sale.[1] These slow fixes are where the runway matters: a founder who starts early can close them, while one who begins when a buyer appears cannot, and must either sell unready or delay. The deepest readiness work belongs at the start of the runway, not the end.

> *The dimensions that matter most take the longest. Reducing concentration and building team depth cannot be done in the weeks before a sale; they belong years earlier.*

Sequencing the work

The right sequence follows two rules: fix the most damaging gaps first, and start the slowest fixes earliest. A founder should rank the unready dimensions by how badly each would hurt in diligence, financial and legal gaps usually topping the list, and begin the ones that take longest immediately, even if other gaps are more visible. The fast fixes can wait until the process nears; the slow, substantive ones cannot. Run this way, the readiness work proceeds in parallel with running the business and arrives, by the time a sale is contemplated, at a uniformly ready company.

The discipline of closing the gaps is the practical core of the Index. Readiness is not achieved by a single action but by working through a prioritized list over a sufficient runway, the slow fixes started early, the fast fixes completed late, and the whole re-assessed until no dimension is exposed. A founder who does this turns a company that would have been priced for its risks into one priced for its quality, and a process that might have died into one that closes. The work is finite, the sequence is known, and the return is the readiness premium.

THE AUDIENCE

Readiness for different buyers

All seven dimensions matter to every buyer, but different buyers weight them differently. A founder who knows the likely acquirer can emphasize the dimensions that buyer cares about most, while ensuring none is left exposed.

EXHIBIT 3

What each buyer weights most

BUYER	DIMENSIONS IT SCRUTINIZES HARDEST
Perpetual holder	Financial and commercial: durable, predictable cash flow and retention
Private equity sponsor	Financial, operational, and team: cash flow plus the platform to grow it
Strategic acquirer	Legal, operational, and information: clean IP and integrability
Hyperscaler / AI buyer	Team and technology: the people and the capability

Source: Windsor Drake, from the firm's buyer research. All dimensions still matter; this shows emphasis.

The pattern follows each buyer's logic. A perpetual holder buying for durable cash flow scrutinizes the financial and commercial dimensions hardest, the quality and retention of the revenue it will hold forever. A private equity sponsor adds operational and team readiness, because it intends to grow the business and needs it to run and scale. A strategic acquirer weights legal and operational readiness and the data room, because it must integrate the company cleanly and cannot inherit tangled IP or contracts. A hyperscaler or AI buyer focuses on the team and the technology, the people and capability it is really buying. Knowing the likely buyer lets a founder anticipate which dimensions will face the most scrutiny.

Every dimension matters to every buyer, but each buyer scrutinizes some hardest. Know the likely acquirer, and prepare for what it will examine most.

This does not mean a founder can neglect the dimensions a particular buyer weights less, because a single unready dimension can still derail a deal, and the eventual buyer may not be the expected one. Rather, it means a founder running a process toward a known buyer type should ensure the dimensions that buyer cares about most are not merely ready but exemplary, while keeping the rest solid. Readiness is universal in requirement and selective in emphasis, and tailoring the emphasis to the audience is the final refinement of preparing a company to be sold.

07 · APPLICATION

What it means for founders

The Index translates into a clear discipline, most of it to be practiced long before a sale is on the horizon.

Separate readiness from quality

Recognize that building a good company and preparing it to be sold are different jobs, and that the second is often neglected. A founder proud of the business may assume it will sell well, when in fact it is unready, and the first step is to treat readiness as its own objective, measured and worked on separately from the quality of the business.

Score honestly, early, and repeatedly

Run the Exit Readiness Index a year or two before any contemplated sale, score each dimension candidly with advisers who will tell the truth, and re-score as the work progresses. The honest early assessment is what leaves time to close the gaps that cannot be fixed quickly, and the repetition is what confirms genuine readiness before going to market.

Start the slow fixes now

The most valuable readiness work, reducing concentration, building team depth, making operations independent, cleaning up legal and contractual issues, takes the longest and cannot be rushed. A founder should begin these immediately, treating them as part of building a good business rather than as a pre-sale scramble, so that the company is closer to ready whenever the decision to sell arrives.

Commission the sell-side QoE

Financial readiness is the highest single priority, and the sell-side quality-of-earnings review is its central tool. A founder should commission one before going to market, finding and addressing the EBITDA issues a buyer would find, because financial gaps are the leading cause of deal failure and the most powerful lever a buyer has to retrade.

Treat readiness as the highest-return investment

Finally, weigh readiness for what it is worth: roughly a third of the price and a large share of the probability of closing, for a cost that is trivial by comparison. No negotiation, no banker, no tactic at the table can match what readiness delivers before the table is set. A founder who internalizes this invests in readiness as the single highest-return action available before a sale.

The unifying message is that readiness is a discipline, separate from quality, largely within the founder's control, and exceptionally well rewarded. The founder who measures it, works it over a sufficient runway, and arrives at a sale prepared across all seven dimensions captures the readiness premium in both price and certainty, while the one who relies on the quality of the business alone discovers, often too late, that a good company taken to market unready sells for less, or does not sell at all.

PITFALLS

Common readiness mistakes

Founders make a recurring set of errors around readiness, nearly all rooted in confusing a good business with a sellable one or in starting too late. Each is correctable with awareness and lead time.

Assuming quality is enough

The foundational mistake is believing that a strong business will sell itself. Quality draws buyers, but unreadiness loses them, and a founder who invests everything in the business and nothing in its readiness brings a good company to market in a state that buyers find frustrating to acquire. The correction is to treat readiness as a distinct objective deserving its own attention.

Starting preparation too late

Many founders begin preparing only when a sale is imminent or an inbound arrives, by which point the slow fixes, concentration, team depth, operational independence, cannot be completed. Preparation begun late is preparation that can address only the fast fixes, leaving the deepest readiness gaps open. The correction is to begin the slow work a year or two ahead, as part of running the business.

Over-rating their own readiness

Founders consistently judge their companies more ready than buyers will. Pride in the business, familiarity with its workings, and optimism about its records lead founders to score themselves generously, and the gaps a buyer will find go unaddressed. The correction is a candid assessment with advisers who will be honest, scored against the buyer's standard rather than the founder's.

Fixing the visible, not the damaging

Founders tend to work on the readiness gaps that are easy or visible, polishing the deck, tidying the website, while leaving the damaging ones, the undefended EBITDA, the unassignable contract, untouched because they are harder. Buyers diligence the damaging dimensions hardest, and effort spent on the visible rather than the consequential leaves the company exposed where it matters. The correction is to rank the gaps by how badly each would hurt in diligence and fix the worst first.

Treating readiness as a one-time task

Readiness erodes if neglected: a clean data room goes stale, new contracts add new change-of-control issues, the team changes. A founder who prepares once and then waits can find the company unready again by the time it sells. The correction is to treat readiness as an ongoing state, maintained as the business evolves, so the company is always closer to ready than to not.

> *Founders fix the visible, not the damaging, and start too late to fix either properly. Buyers diligence the damaging dimensions hardest.*

The mistakes share a root: treating readiness as an afterthought to quality rather than a parallel discipline. A founder who separates the two, starts early, scores honestly, fixes the most damaging gaps first, and maintains readiness over time avoids the errors that leave good companies unsellable. Readiness rewards the founder who respects it as its own work, and penalizes the one who assumes the quality of the business will substitute for it.

08 · OUTLOOK

Outlook

Readiness is becoming more important, not less, as buyers diligence more deeply and as sell-side preparation normalizes. The bar is rising, and the founders who clear it will increasingly stand out.

Diligence is getting deeper

Buyers are examining companies more thoroughly than ever, aided by better tooling and increasingly by artificial intelligence that can analyze financials, contracts, and operations faster and more comprehensively than before. Deeper diligence surfaces more, which raises the readiness bar: gaps that might once have passed unnoticed now surface, and a company must be prepared to a higher standard to clear scrutiny cleanly. The readiness premium grows as diligence deepens, because the cost of unreadiness rises.

Sell-side preparation normalizes

The response, already underway, is the normalization of sell-side preparation, the sell-side quality-of-earnings review in particular, across the lower middle market. As preparation becomes standard, the unprepared company stands out by contrast, and a buyer encountering an unready company in a market of ready ones draws an unfavorable conclusion. Readiness is shifting from an advantage to an expectation, and the founders who fail to meet it will increasingly be penalized relative to peers who do.

Readiness becomes a competitive necessity

The combination, deeper diligence and normalizing preparation, makes readiness a competitive necessity rather than an edge. Windsor Drake expects the gap between prepared and unprepared sellers to widen, with the prepared capturing better prices and higher close rates and the unprepared facing steeper discounts and more failed deals. The Index exists to put a founder on the right side of that widening gap, by making readiness measurable, prioritized, and achievable over a sufficient runway.

Readiness is shifting from an advantage to an expectation. As preparation normalizes, the unready company stands out, and not in its favor.

The conclusion mirrors the report. Readiness is a separate axis from quality, worth roughly a third of the price and a large share of the certainty of closing, and it is becoming more decisive as the market grows more demanding. A founder who treats readiness as a measured discipline, scored, prioritized, and built over a sufficient runway, will increasingly out-sell one who relies on the quality of the business alone, and the Index is the tool for doing exactly that.

TIMING

When to start, and when to sell

Readiness and timing are inseparable. The decision of when to start preparing, and when to go to market, determines whether the readiness premium is captured or forfeited.

The starting point should be far earlier than founders expect. Because the most valuable readiness work, reducing concentration, building team depth, making operations independent, takes one to two years and cannot be compressed, the time to begin is well before a sale is contemplated, ideally as a standing part of running the business. A founder who waits for a buyer to appear can address only the fast fixes and goes to market with the deep gaps open, forfeiting much of the premium. The earlier the start, the more of the seven dimensions can be brought to ready, and the larger the premium captured.

The decision of when to sell should then follow readiness, not precede it. A founder who goes to market before the company is ready, tempted by a strong market or an inbound, trades the readiness premium for speed, and usually loses more in price and certainty than the timing gains. The better discipline is to prepare the company to a uniformly ready state first, then choose the moment to sell into favorable conditions, so the founder captures both the readiness premium and the market timing rather than sacrificing the first for the second. Readiness should gate the decision to sell: a company goes to market when it is ready and the conditions are right, not merely when a buyer knocks.

> *Readiness should gate the decision to sell. Go to market when the company is ready and the conditions are right, not merely when a buyer knocks.*

CONCLUSION

Readiness is the highest-return work a founder can do

A founder spends years building a good company and often almost no time preparing it to be sold. That imbalance is the single most common, and most expensive, mistake in a technology exit.

Readiness is not quality. A great business can be entirely unprepared to be sold, and it will pay for that unreadiness in a lower price, a harder process, and a real chance of no deal at all. Readiness is the separate, measurable axis of whether a company can be examined, transferred, and closed cleanly, and it is judged across the seven dimensions a buyer actually diligences: financial, legal, commercial, operational, team, information, and story. A company is only as ready as its weakest dimension, because buyers price the risks they find.

The payoff for closing the gaps is exceptional: on the order of a third of the price and a large share of the probability of closing, for a cost that is trivial by comparison. No tactic at the negotiating table can match it, because readiness is built before the table is set, over a runway of one to two years, in work largely within the founder's control. Score the seven dimensions honestly, start the slow fixes early, commission the sell-side review, and arrive at a sale prepared across every dimension a buyer will examine. The founder who does this sells a good company for what it is worth and closes the deal with confidence. The one who does not learns, too late, that being good was never enough, and that being ready was the work that mattered.

Being good was never enough. Being ready is the work that decides whether a good company sells for what it is worth, or sells at all.

REFERENCE

Readiness terms, defined

The terms below recur throughout this report and across sell-side preparation.

Exit readiness	How prepared a company is to be examined, transferred, and closed, distinct from its quality.
Readiness premium	The higher price and certainty a prepared company commands over an unprepared one.
Sell-side QoE	A quality-of-earnings review a seller commissions before the process to test its own earnings.
Data room	The organized repository of company information used in diligence.
Customer concentration	The degree to which revenue depends on a few customers; a common readiness gap.
Key-person risk	The dependence of the business on one or a few individuals, especially the founder.
Change of control	A contract provision requiring consent to transfer on a sale; a legal-readiness issue.
Equity story	The narrative of what the company is and why it is valuable, central to positioning.
Runway	The lead time before a sale during which readiness is built; the slowest fixes need the most.

Source: Windsor Drake. Definitions are for general orientation.

THE EARLY READ

Into 2026: readiness is repriced

A more selective market does not lower the value of being ready to sell; it raises it. In 2026, as buyers grew more disciplined and diligence more searching, exit readiness, the separate axis this report measures, was repriced upward, and a new dimension, AI readiness, entered the index.

The 2026 backdrop rewarded preparation more sharply than the looser years before it. With capital tighter and buyers more willing to walk, the companies that moved cleanly through diligence, with verified earnings, resolved operational issues, and a defensible narrative, captured outcomes that unprepared companies of equal quality did not. Readiness, always worth a meaningful share of price, became worth more as the penalty for unreadiness rose in a market that no longer overlooked rough edges.

A more selective 2026 repriced readiness upward and added a new dimension, the AI-durability case. Readiness is the highest-return preparation a founder can make.

AI readiness joins the index

The year added a dimension to what readiness means. Buyers now assess, as part of diligence, whether a company has a credible account of its position in an AI world, whether its data, workflows, and product compound or erode as AI-native competition spreads. This durability narrative has become, in effect, a new readiness dimension alongside the financial, legal, and operational ones this report scores. A company that is operationally ready but cannot answer the AI question is, in 2026 terms, not fully ready.

What it means for founders

The implication is to treat readiness as the highest-return preparation a founder can undertake, and to begin the standard twelve to twenty-four months before a process. In 2026, that work includes building the AI-durability case alongside the financial and operational file. The exit-readiness premium this report quantifies widened in the new year, and the founders who capture it are those who prepare for a more demanding market rather than the one that preceded it.

Sources for this section: Bain & Company and PwC 2026 outlooks (selectivity, durability); Skadden, “M&A in the AI era”; Windsor Drake exit-readiness framework.

Methodology and sources

This report draws on Windsor Drake's experience advising sellers, on published research into deal failure and diligence, and on the firm's broader research series, covering 2024 through mid-2026. The Exit Readiness Index and its seven dimensions are a Windsor Drake analytical framework synthesizing what buyers examine in diligence. The readiness premium, expressed as a spread on the order of thirty percent in enterprise value between well-run and poorly-run processes, reflects the firm's transaction experience and is an analytical estimate, not a measured or guaranteed figure; actual outcomes vary widely by company, process, and market. The deal-failure figures are drawn from published broken-deal research and reflect the methodologies of their sources.

The scoring approach is qualitative by design, intended to surface and prioritize gaps rather than to produce a precise numerical rating, and it is most useful applied candidly with experienced advisers. Readiness improves the probability and terms of a sale but does not assure one, and the report should be read as guidance on preparation rather than a promise of outcome. Nothing in this report is investment, legal, tax, or accounting advice.

Endnotes and sources

1. The readiness premium and the runway (the ~30% enterprise-value spread between well-run and poorly-run processes; the lead time the deepest fixes require): Windsor Drake transaction experience and research, including "Fintech M&A in the Consolidation Cycle."

2. Deal failure from diligence and the role of preparation (~46% of post-LOI failures from diligence findings; financial gaps as the leading cause; sell-side QoE): Axial, "Broken LOI Report" (2025); see also Windsor Drake, "Why Deals Die."

3. Diligence streams, the data room, and process speed: standard sell-side diligence practice; see Windsor Drake, "The Sale Timeline Report" and "The Deal Structure Report."

ABOUT

About Windsor Drake Research

Windsor Drake is a sell-side M&A advisory firm for founders and boards of software, financial technology, artificial intelligence, and cybersecurity companies in the lower middle market.

The firm advises technology founders through the full arc of a sale, from preparing the company for diligence and positioning it for the right buyers to running a competitive process and negotiating terms. Its research program exists to make the dynamics that decide outcomes legible to the people on the selling side, who face these transactions once or twice in a career against buyers who do them constantly.

This report is part of the Windsor Drake Research series, a set of independent studies on valuation, deal structure, process, capital markets, and consolidation across the firm's sectors. Companion titles examine why deals die, the sale timeline, the structure of private deals, what founders keep at exit, the most active acquirers of software companies, the strategic-versus-sponsor choice, the regulatory clock, the capital overhang, the talent-led acquisition of AI companies, the consolidation of cybersecurity, and the roll-up of vertical software. The series is intended to be read by founders, boards, investors, and the journalists and analysts who cover these markets.

Contact

Windsor Drake maintains offices in Toronto and New York. Founders considering a transaction, and members of the press citing this research, can reach the firm through windsordrake.com.

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