the one-page glossary for business owners

understand the deal terms before you're in the room.

Let's be honest:

Most founders don't walk around fluent in finance speak.

You're not expected to be an expert in deal terms, but you deserve to understand the ones that shape your future. And the best relationship you'll ever have doesn't leave you guessing. This guide breaks down the terms that come up most in the deal process in plain english, with a quick hit on why they matter.

term	what it means	why it matters
Accretion / Dilution	Measures whether a buyer's earnings per share go up (accretive) or down (dilutive) post-deal.	Most relevant to public companies, but still a helpful shorthand for understanding if a deal is financially attractive.
Add-Backs	Adjustments made to earnings to reflect true profitability —like backing out one-time expenses or personal perks.	Affects how your business is valued and how buyers view "real" cash flow.
Asset Purchase vs. Stock Purchase	Asset = Buyer picks and chooses what they acquire, limiting legal liability. Stock = Buyer takes everything as-is, which can have tax benefits for the seller.	Impacts taxes, liabilities, and how cleanly the business can be separated or transitioned.
Buy-Side vs. Sell-Side	Buy-side = advising buyers. Sell-side = advising sellers.	Knowing who's at the table helps clarify incentives, goals, and typical negotiation plays.
CIM (Confidential Information Memorandum)	A deep-dive document that tells your company story to prospective buyers.	This is often your first impression— so clarity, positioning, and data quality all count.
Data Room	A secure digital folder with all your due diligence docs.	It's where buyers go to verify what you're saying. Missing info = lost time and trust.
Deal Structure	How the deal is constructed: cash, stock, earnouts, rollovers, financing.	Structure can matter more than price. It impacts taxes, payout timing, and risk.
Due Diligence	The buyer's full-body scan of your business.	Done well, it confirms value. Done poorly, it kills momentum or the deal.
EBITDA	A proxy for cash flow: earnings before interest, taxes, depreciation, amortization.	Commonly metric used by buyers to value companies.
Enterprise Value (EV)	What the business is worth including debt net of cash (seller keeps cash).	It's the headline number buyers care about, not just your equity.
Exclusivity (No-Shop)	An agreement to stop talking to other buyers for a set time.	Signals you're serious, but also means you're now on the clock.
Indication of Interest (IOI)	An early, non-binding note saying, "we're interested" (and maybe for how much).	Sets expectations and helps you vet who's worth engaging further.
Letter of Intent (LOI)	A more detailed, or binding roadmap of the deal including price, terms, and timing.	This is the fork in the road: sign it, and you're headed into exclusivity and diligence.

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you don't need to know every term by heart. but you should have a partner who'll walk through them with you, answer every question, and flag every tradeoff.

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term	what it means	why it matters
Multiple	How many times your EBITDA or revenue a buyer is willing to pay.	It's how valuation math usually works. But not all multiples are created equal.
Private Equity (PE)	Firms that buy, improve, and sell businesses over a 3–7 year window.	Their model drives how they evaluate your company, run diligence, and structure deals.
Proprietary vs. Auction Process	Proprietary = one-on-one. Auction = many buyers at once.	Each approach comes with trade-offs in speed, price, and control.
Quality of Earnings (QoE)	A financial vetting report showing what earnings are real, recurring, and reliable.	Often the backbone of buyer confidence (or concern).
Rollover Equity	You keep some ownership post-close and ride the next growth wave. Typically used by private equity buyers.	Aligns incentives, boosts upside, and keeps you in the game.
Reps & Warranties	Promises the seller makes about the business that are spelled out in the purchase agreement.	Tell the truth and there is nothing to worry about here in regards to legal or financial consequences.
Retention / Earn-Out +	Part of your payout depends on hitting future goals.	It bridges the gap when buyer and seller views don't align.
Synergies	The magic a buyer expects when combining companies.	Synergies help justify higher valuations and can shape your role post-sale.
Term Sheet	A lighter LOI. Typically used earlier or in PE/VC deals.	Sets tone, signals intent, and kicks off serious conversations.
Valuation	What your company is worth, based on metrics, comps, and modeling.	It's the big question. And it's part math, part market, part story.
Working Capital Adjustment +	The price adjustment made at closing based on how the business's actual working capital compares to the agreed target (the peg).	If working capital is above the peg, the seller may get more money. If it's below, the price may go down. It's not a penalty, it's a tool to keep both sides aligned and the handoff smooth.
Working Capital Peg	The "normal" level of working capital the buyer and seller agree should be in the business at closing based on past performance.	Get this right, and the final deal price stays steady. Miss the mark, and the NWC adjustment kicks in. When we do our job right this isn't a factor.

+ = Top terms to be familiar with in the industry

Have questions? Want help interpreting the fine print? This is what we do. Give us a call when you're ready for the real conversation.

412.206.1415 www.franklinnova.com