



Glossary of Business-Sale Terms

Plain-English meanings of words you may hear when selling a business.

Please note: this is general information, not legal, tax or financial advice. Please talk with your own lawyer and accountant before you decide anything.

Asking price

The price you put on your listing. A starting point for talks.

Asset sale

The buyer buys what the business owns: equipment, stock, name.

Share sale

The buyer buys the company itself, including its history and contracts.

Due diligence

The checks a buyer does on your books, leases and contracts before the sale is final.

EBITDA

Roughly yearly profit before interest, taxes, depreciation and amortization.

EBITDA multiple

How many years of EBITDA a buyer is willing to pay.

SDE

Seller's discretionary earnings: what the business earns for one working owner.

Goodwill

The value of your name, reputation and loyal customers beyond equipment and stock.

Working capital

Roughly stock plus money owed to you, minus bills you owe.

Letter of intent (LOI)

A short letter setting out the main agreed terms before the final agreement.

NDA

A confidentiality agreement a buyer signs before seeing private details.

Vendor take-back

You are paid part of the price later, over time, with interest.

Earn-out

Part of the price depends on how the business does after the sale.

Employee ownership trust (EOT)

A trust that buys a business for the benefit of its employees.

Closing

The day money and ownership change hands.

Closing day adjustments

Amounts added to or taken off the price on closing day for items that cross the closing date, like prepaid rent, deposits, inventory and staff vacation pay. Listed on a statement of adjustments.

Statement of adjustments

The sheet, usually prepared by the lawyers, that shows the price, each adjustment, and the amount paid on closing day.

Purchase agreement

The final legal agreement for the sale, prepared by lawyers.

Heritage Handshake (sellmybusinessdirect.com) is a free listing marketplace. We are not a broker, agent, realtor, lawyer or accountant. Questions? Email hello@sellmybusinessdirect.com. Part of the free Selling a Small Business Resource Kit. © 2026 Heritage Handshake.