BVC

04

NEGOTIATION

Negotiation Strategies for Buyers

How to structure winning offers without overpaying — psychology, deal structure, earnouts, and the moments that decide the price.

FREE BUYER'S GUIDE

From the makers of the free AI valuation toolkit at businessvaluationcalculator.com

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CHAPTER 1

You Have More Leverage Than You Think

First-time buyers negotiate like supplicants because they assume the seller holds the cards. Look at the actual market: most listed small businesses take many months to sell, and a large share never sell at all. Qualified, financeable, serious buyers are the scarce side of this market — that is you, if you have done the preparation in this guide.

9-12 mo
typical time on market for a main street listing

<30%
of listed small businesses ever sell (industry estimates)

1
financeable buyer at the table changes everything: you

The seller's alternative to your offer is usually not a better buyer next week. It is more months of confidentiality risk, employee anxiety, and a business that needs running while it is being sold. You do not need to be aggressive to use this — you need to be unhurried.

> *The single most powerful tool in any negotiation is the genuine ability to walk away.*
>
> **— Every M&A advisor, eventually**

CHAPTER 2

Before You Ever Make an Offer

Negotiations are mostly decided before they start, by the party who knows more and needs it less. Your pre-offer homework:

- [x] Independent valuation completed — your number, from the actual financials
- [x] Walk-away price written down (and told to someone who will hold you to it)
- [x] Seller's motivation understood: retirement? burnout? health? divorce? Each prices differently
- [x] Time on market checked — 8 months listed is leverage
- [x] Financing pre-qualified so your offer carries closing credibility
- [x] Two other deals in your pipeline — real alternatives change your posture automatically

PRO TIP

Ask the golden question early

'What are your plans after the sale?' Sounds like small talk; it is the motivation X-ray. A seller with a boat picked out negotiates differently than one who is ambivalent about leaving. Listen for speed vs. price priorities — you can usually trade one for the other.

REAL NUMBERS

Motivation is worth real money

Sellers optimizing for speed and certainty routinely accept 10-15% less from a pre-qualified buyer who can close in 75 days than from a higher offer with shaky financing. Certainty is currency — and pre-qualification mints it.

CHAPTER 3

Price Is One Lever of Many

Amateurs negotiate one number. Professionals negotiate a structure where the headline price is just the most visible term. If the seller must win on price, let them — and win everywhere else.

Lever	What it does	Typical range
Seller note	Defers 10-20% of price; aligns seller with your success	10-20% of price, 5-7 yrs
Standby provision	Counts note toward SBA equity; delays payments	24 mo full standby
Forgivable note / earnout	Price only fully paid if revenue holds	10-15% at risk
Working capital peg	Defines AR/inventory included — silent price mover	Set at trailing 12-mo avg
Training period	Seller works transition at little or no cost	90 days full-time
Escrow / holdback	Insurance against surprises post-close	5-10% for 12-18 mo
Non-compete	Protects what you bought	3-5 yrs, real geography

REAL NUMBERS

Two offers, same $1.5M headline

Offer A: $1.5M all cash at close. Offer B: $1.5M as $1.2M at close + $150K standby note + $150K forgivable note tied to 90% revenue retention. Offer B costs you less cash, shifts transition risk to the seller, and still lets them tell friends they got their price. Headlines are free — structure is where the money is.

CHAPTER 4

The Offer That Gets Accepted

Your first number anchors the entire negotiation. Anchor from your valuation, never from their ask. If your analysis says $1.05M against a $1.4M ask, opening at $1.3M because it feels polite just moved their floor up $250K.

1. **Open with evidence, not apology**
   Present the offer with the two-page valuation summary behind it: recast SDE, the multiple band, the specific quality factors. Data reads as serious, not insulting.

2. **Anchor low but defensibly**
   Open 10-15% below your target price. Every concession you later make should be traded for something: price moves up only when terms move your way.

3. **Frame around their goals**
   'This gets you closed by June with certainty' beats 'this is all it's worth.' Same number, different reception.

4. **LOI: exclusivity is the prize**
   Keep the LOI simple — price, structure, timeline, and 45-60 days of exclusivity. Everything else belongs in the purchase agreement.

> WATCH OUT
>
> **Never negotiate against yourself**
>
> If they reject without a counter, do not improve your offer. 'What number works for you?' puts the ball back. Two moves without reciprocity is a pattern — and sellers' brokers are trained to spot the buyer who bids against himself.

CHAPTER 5

Negotiating the Diligence Reprice

Diligence findings are the most legitimate negotiation moments in the entire deal. The key is how you present them: as repricing evidence, not accusations. The sequence matters —

1. **Bundle, don't drip**
   One consolidated findings conversation beats six small ones. Repeated repricing attempts exhaust goodwill; one evidence-backed adjustment reads as professional.

2. **Lead with what checked out**
   'Revenue verified clean. Three items came in different from represented...' — credibility for the good news buys weight for the bad.

3. **Price each finding specifically**
   $65K roof, $40K of disallowed addbacks x 3.0 multiple = $120K, 20% customer at risk = earnout on that revenue. Specific numbers are hard to argue with; vibes are easy.

4. **Offer structure as the bridge**
   If the seller cannot swallow a price cut, convert it: same price, bigger forgivable note. Saves face, protects you.

RED FLAG

The reprice that kills deals

Retrading — cutting price without new information — destroys trust and deals. If nothing material changed, your price should not either. Reprice on findings, never on cold feet. Sellers and brokers talk; your reputation as a buyer follows you to the next deal.

CHAPTER 6

Handling Seller Tactics

Common pressure plays

- 'We have another buyer' — usually phantom; if real, they'd close with them
- Exploding deadlines on counters
- Broker controls all communication, filters everything
- Big-round-number stubbornness ($2M because it's $2M)
- Late-stage additions: 'oh, the truck isn't included'

Your counters

- 'Understood — my offer stands through Friday.' Calm outlasts pressure
- Never move on deadline alone; deadlines are not information
- Request one direct seller conversation before LOI — motivation intel
- Trade the round number for structure that protects you
- 'Send the full asset list and we'll re-confirm the price fits it'

Brokers deserve a note: they are paid by the seller, on commission, at close. A good broker is genuinely useful — they keep deals organized and sellers realistic. Just remember whose agent they are. Be professional, share your evidence, and let them sell your repricing logic to their client — a broker who believes your number becomes your advocate in the room you are not in.

CHAPTER 7

The Walk-Away Discipline

Every negotiation principle in this guide draws its power from one source: your genuine willingness to not do this deal. The moment you decide you must have a specific business, you have handed the seller the pen.

- Walk-away price is written down before first offer
- Someone you respect knows the number and will ask about it
- Active pipeline: 2+ other deals in some stage, always
- Sunk costs pre-committed: 'diligence spend never justifies overpaying'
- Deal fever symptoms known: rationalizing findings, moving your own ceiling, dreading the walk more than the overpay

PRO TIP

The walk that comes back

Deals resurrect constantly. The seller who scoffed at your $1.05M in March calls in July after two financings fell through. Walking away politely — 'the number doesn't work for us, but I'd love to hear if anything changes' — leaves the door open. Walking away angrily closes it. You want a reputation as the buyer who was right, not the buyer who was difficult.

> *In deals, the person who cares least, wins most. Caring less is a skill you build with alternatives.*
>
> **— Acquisition entrepreneur wisdom**

CHAPTER 8

Negotiation Checklist

- [x] Independent valuation done; target and walk-away prices written
- [x] Seller motivation mapped (money / speed / legacy / employees)
- [x] Time-on-market and listing history researched
- [x] Financing pre-qualified; proof-of-funds letter ready
- [x] Opening offer set 10-15% below target, evidence attached
- [x] Structure menu prepared: note, standby, earnout, escrow terms
- [x] Working capital peg defined in the LOI
- [x] Exclusivity period (45-60 days) in the LOI
- [x] Every concession traded, never given
- [x] Diligence findings bundled into one repricing conversation
- [x] Face-saving structures offered before price cuts
- [x] Walk-away executed politely if the number breaks — door left open

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