OLIVEWOOD ADVISORS

WHEN A BUYER CALLS

The Business Owner's Playbook for Unsolicited Offers

The Call That Gets Your Attention

Most unsolicited offers arrive quietly. A call from a strategic buyer. An email from a private equity group. Or a referral relayed by a trusted advisor. For business owners these moments can feel validating. After decades of growing revenue, securing customer relationships, and building a strong team, an inbound buyer signals that others see value in what's been created.

That emotional boost is real, but it can also be dangerous. An unsolicited offer can give buyers disproportionate leverage because they know they may be the only bidder at the table. Without other potential suitors aware of the opportunity, the buyer is largely in control of the pace, structure, and pricing expectations.

Getting an offer
is the beginning of a negotiation,
not its conclusion.

What you do next
determines whether you truly unlock value,
or whether you leave it on the table.

Why Buyers Make Unsolicited Offers

Buyers don't randomly pick companies and make offers. Unsolicited interest is strategic.

Historically, buyers have several motivations for initiating contact:

To avoid competition

When buyers know multiple players might be interested, the price goes up. If they can engage you alone, they can shape terms before anyone else competes.

To control information flow

Without a formal process or advisor involved, buyers can extract insight without equal exchange.

To see if early engagement yields an advantage

By engaging before a formal process begins, buyers may try to shape the conversation before other parties enter the picture.

Experience suggests that in many private M&A negotiations, sellers and buyers begin with a *single direct negotiation* because it reduces upfront effort for the buyer. But, that absence of competition often reduces the sales price and other important leverage points in structuring a deal in your favor.

In other words, buyers are financially motivated to *run the process with you, and you alone*.

What Are the Real Risks of Negotiating Alone?

Owners often think: “If the offer is fair, why not just take it?”

But here’s the important distinction: **A fair offer based on no competition is not the same as a true market response.**

Negotiating on your own exposes you to three key risks:

1 *Price Anchoring Without Tension*

When a buyer presents a valuation range first, that becomes the psychological anchor for all future discussion. Without other bidders on the table, the buyer has no incentive to test upward. Even the threat or presence of additional potential bidders is correlated with higher premium outcomes — even if those bidders never formally submit offers.

This means that just having other buyers that might show interest increases the bids from the single buyer already engaged.

2 *“Structure” Risk Becomes More Significant*

Professional buyers understand that the headline value isn’t the final value. Terms and the structure of the deal can be more important than the multiple itself.
When negotiating alone, owners can give greater leverage to the buyer as they shape important deal dynamics, such as:

- Cash at close vs. rollover equity
- Earn-outs tied to future performance
- Working capital adjustments
- Escrow holdbacks
- Post-transaction employment contracts for you and/or key management
- Indemnification caps
- Board advisory and governance participation

Without competitive urgency, buyers often prioritize structural protections for
themselves, which can negatively impact your optionality, legal protections and net proceeds over time.

3 *You Lose Leverage Throughout the Process*

Competitive tension is your strongest lever. When buyers know they are the only one sitting at the table, they operate from a position of power. This leverage shows up as:

- Slowing the process deliberately
- Pushing diligence costs back on the seller
- Structuring seller financing and earn outs in buyer-favorable ways
- Focusing negotiations on protective terms
- Creating artificial urgency

In contrast, when multiple buyers are aware of each other (even if not actively bidding) sellers often receive higher offers and better structures because buyers want to outbid perceived competition.

Understanding Who Is Calling, and Why It Matters

Not all unsolicited buyers behave the same way.

Understanding who is calling you (and how they typically operate) helps you interpret their offer, their timeline, and their likely intentions after closing.

At a high level, most buyers approaching middle market business fall into one of four categories. Each brings different motivations, capital structures, and post-close operating philosophies.

Strategic Buyers

INDUSTRY COMPETITORS OR ADJACENT OPERATORS

Strategic buyers are typically companies already operating in your industry: competitors, suppliers, customers, or adjacent players.

They may be motivated by:

- Expanding geographic reach
- Adding product lines
- Securing customer relationships
- Expanding share of wallet through revenue synergies
- Achieving cost synergies
- Increasing market share

Because strategics can often realize operational efficiencies (overhead consolidation, purchasing power, cross-selling), they may justify higher valuations in some cases.

However, those same synergies can create cultural risk.

Strategic buyers sometimes:

- Consolidate facilities
- Replace overlapping leadership
- Centralize back-office functions
- Integrate systems aggressively

For owners who value independence, employee continuity, or brand legacy, it's important to understand how the strategic buyer has treated past acquisitions.

Some operate decentralized models. Others absorb acquisitions quickly. The difference matters.

Private Equity

PLATFORM INVESTMENT

In a platform investment, a private equity firm acquires majority ownership of your business as the foundation of an investment thesis in your industry.

They are typically looking for:

- Strong management teams
- Scalable infrastructure
- Market-leading brand position
- Clear growth runway
- Add-on acquisition opportunities

Platform investments often allow management to remain in place. Many PE firms prefer continuity because they rely on leadership to execute growth.

However, PE-backed companies typically operate under:

- Defined investment timelines (often 5–7 years)
- Performance targets
- Leverage on the balance sheet
- Defined exit strategy

This doesn't mean they are short-term operators. But they are financially driven and disciplined around return targets.

For some owners, this can be an attractive structure, particularly if rollover equity is part of the deal and there is an opportunity for a "second bite" at the apple.

For others, the time horizon and growth pressure may feel misaligned.

Private Equity

ADD-ON ACQUISITION

In this case, you are being acquired by a PE-backed company as an add-on to an existing platform. The buyer is not just the PE firm — it is the platform company itself.

This structure often seeks:

- Operational synergies
- Geographic expansion
- Customer base expansion
- Cross-selling opportunities

Add-ons can be attractive if the platform is well-run and aligned culturally. But autonomy is often reduced more quickly than in a platform investment. Leadership overlap can create redundancy. Brand identity may eventually be consolidated.

Understanding how the platform has integrated prior acquisitions is critical.

Family Offices

PRIVATE CAPITAL BACKED BY A SINGLE FAMILY OR SMALL GROUP OF FAMILIES

Family offices are investment groups managing capital for a wealthy family (or small group of families). Increasingly, they are active buyers of lower to middle-market businesses.

Unlike private equity firms, family offices are not typically governed by a fixed fund life. They often invest their own capital and may not operate on a defined 5–7 year exit timeline.

This can create important differences. Family offices often seek:

- Long-term capital preservation
- Stable cash flow businesses
- Companies with durable leadership
- Generational wealth building
- Lower leverage structures
- Cultural alignment with their existing operating companies

Because they are not bound by institutional fund timelines, some family offices take a longer- term view. That can appeal to owners who care deeply about legacy, employee continuity, and community presence.

However, family offices vary widely.

Some operate very much like private equity firms: structured, performance-driven, growth-focused.

Others are more passive capital providers and rely heavily on existing management teams.

Key questions to ask a family office buyer include:

- What is your investment horizon?
- How many operating companies do you currently own?
- How involved are you operationally?
- How do you evaluate capital expenditures?
- Have you sold businesses previously, or do you hold indefinitely?

Family offices can be strong cultural fits in the right circumstances, particularly for owners who want stability and lower leverage.

But as with any buyer type, alignment depends on the specific group, not just the category.

Why Buyer Type Matters

The type of buyer at the table can dictate not only the future of the business, but also how you participate while you transition out of the business. After all, you're choosing a partner for years to come.

The buyer type can affect:

- Valuation appetite
- Deal structure
- Cultural continuity
- Leadership retention
- Re-investment in the company
- Time horizon
- Post-close autonomy

Two buyers may offer similar headline valuations, but their operating philosophies and long-term intentions may differ significantly.

If culture and legacy matter to you, the "who" can be just as important as the "how much."

Before focusing on numbers, understand the buyer's model. That context can influence everything that follows the transaction.

Buyer Type Comparison Overview

Buyer Type	Typical Investment Horizon	Use of Leverage	Management Retention	Cultural Continuity Risk	Capital Investment Approach	When It Fits Best
Strategic Buyer	Long-term (integrated into existing business)	Varies	Often selective (overlap may reduce leadership roles)	Moderate to High (integration driven)	Invests where synergies justify	When operational synergies are strong and cultural integration is acceptable
Private Equity (Platform)	3–7 years typical hold	Moderate to High	Usually retained; incentivized	Moderate (performance-driven)	Growth-focused, ROI-driven	When leadership wants growth capital and potential second liquidity event
Private Equity (Add-On)	Tied to platform's timeline	Moderate to High	May reduce redundancy	Moderate to High (integration likely)	Integrated with platform strategy	When operational fit within a larger platform creates value
Family Office	Often long-term or indefinite	Typically Moderate to Low	Often retained; varies by office	Low to Moderate (varies widely)	Patient capital; selective growth	When stability, lower leverage, and legacy alignment are priorities

What To Do (and Not Do) in the First 30 Days After an Offer

Here's where your approach really matters.

Don't give away detail too early. Do not treat an unsolicited offer like a firm deal; treat it like an invitation to explore.

Instead, you can:

1. *Acknowledge the interest*
   Be respectful, but don't commit to specifics.
2. *Require an NDA before detailed info exchange*
   This is standard and signals formality.
3. *Clarify your personal objectives first*
   Decide what exit outcome truly aligns with your goals, both in the long term and short term.
4. *Get clarity on structure before discussing numbers*
   Many sellers focus on multiples but overlook cash timing, rollover, and earn-outs.
5. *Ask yourself: If other buyers knew you were exploring this, would they respond?*
   If the answer is yes, you may be leaving money on the table without introducing tension.

You can also use this period to learn more about the potential buyer. No matter who approaches you – strategic, private equity, or family office – the fundamentals matter.

Before moving too far down the road, ask these five questions directly.

1

What Happened to the Last Three Companies You Acquired?

This tells you more than any pitch deck. Ask these questions:

- *Are those leadership teams still in place?*
- *Were facilities consolidated?*
- *Were there workforce reductions?*
- *Did those businesses retain autonomy?*

Patterns matter.

2

What Is Your Investment Horizon?

Are they:

- *Building for the long term?*
- *Planning to exit in 3–5 years?*
- *Rolling up companies for resale?*

Their timeline becomes your company's timeline.

3

How Do You Approach Capital Investment?

In industrial businesses, equipment and facilities matter. Ask:

- *Do you reinvest aggressively?*
- *How do you evaluate capex decisions?*
- *Who approves major expenditures post-close?*

Deferred investment erodes competitive position.

4

How Involved Are You Operationally?

Clarify:

- *Will the business remain autonomous?*
- *Will reporting be centralized?*
- *Will leadership roles change?*
- *How are strategic decisions made?*

Understanding governance structure prevents surprises.

5

What Does "Success" Look Like to You?

This question reveals alignment. Listen for:

- *Growth targets*
- *Margin expansion goals*
- *Exit expectations*
- *Cultural priorities*

Leading these conversations can feel awkward to some, but they set the table for communicating your seriousness and professionalism from the start. After all, if their definition of success conflicts with yours, it will surface eventually … it's better to uncover it early.

Why Competitive Tension Matters

Competitive tension doesn't just feel better.It quantifiably increases outcomes. Academics and practitioners alike have long noted that **latent competition — even the mere possibility of other bidders — increases the final deal premium** that sellers realize in negotiated deals. It's logical that higher expected competition correlates with higher bid premiums.

In practical terms:

- Sellers who explore broader interest often see higher multiples than the initial unsolicited indication.
- A broad or targeted buyer outreach process, even if it doesn't result in dozens of bids, demonstrates to each buyer that others could be interested. That latent tension causes them to adjust their price expectations and consider flexibility in the terms and structure that are most important to you.

The implication for owners is clear: *introduce credible competitive tension early*, even if you never run a full formal auction, and buyers will adjust their behavior accordingly.

What If the Unsolicited Buyer Is the Right Buyer?

While running a full process is likely to yield more potential buyers, not every unsolicited offer should be rejected. Sometimes:

- The buyer is a strong strategic fit
- The price range is compelling
- The cultural alignment feels right
- The timing matches your runway
- The buyer has a reputation you respect

If there's a strong financial, strategic and culture fit, the unsolicited buyer may in fact be the ideal long-term partner.The mistake isn't engaging that buyer; it's engaging that buyer *alone*.

A Strong Buyer Still Needs to Compete

Even if you believe the unsolicited buyer could be the right fit, you should ask one simple question:

> *"If they truly want this business, would they still want it if others were evaluating it too?"*

Strong buyers are not afraid of competition. In fact, credible buyers expect it. When buyers know they are the only party at the table, several dynamics naturally occur:

- They move more slowly
- They protect themselves more aggressively on terms
- They anchor price cautiously
- They assume limited upward pressure

When buyers believe there may be alternatives, even informally, their behavior changes:

- They put forward stronger initial indications
- They improve structure (more cash at close, fewer contingencies)
- They compress timelines
- They reduce retrading risk late in diligence

This is not about creating artificial drama. It is about ensuring the buyer treats the opportunity with appropriate seriousness.

Informal Competition Is Often Enough

Competitive tension does not always require a public auction.In many transactions, it can be as simple as:

- Informing the buyer that you are exploring your options
- Seek clarity on terms and structure, beyond the headline value or offer
- Engaging 5–10 logical buyers confidentially, even if just for feedback and additional data points
- Establishing a defined timeline for indications of interest, letters of intent and due diligence periods
- Allowing the original buyer to sharpen their pencil knowing others are reviewing the opportunity

This limited exposure to more suitors can materially influence behavior. The goal is not to play buyers against each other recklessly. The goal is to ensure that:

- The price reflects market demand
- The structure reflects competitive pressure
- The terms reflect urgency; not convenience

The Risk of Not Introducing Tension

If you proceed with a single buyer from the beginning, you are signaling:

- They do not need to outbid anyone
- They do not need to accelerate timing
- They do not need to improve structure beyond “acceptable.”

In many singular negotiations, the seller does not know what a better offer might have looked like, because no one else was invited to the table.

You rarely regret confirming market interest. You often regret assuming it.

Your Decision Tree

STEP 1

Are you personally ready to sell?

Yes

NO

Pause. Use this offer as an input to learn about the market for your planning.

STEP 2

Have you evaluated structure (not just price)?

Yes

NO

Get clarity before deeper engagement.

STEP 3

Could other logical buyers be interested?

Yes

Competitive tension likely adds value.

NO

Parallel negotiations with others may be informative to at least get signals on valuation and the overall M&A market for your industry.

STEP 4

Is cultural fit a priority?

Yes

Ensure a culture and values fit is discussed and measured.

NO

Prioritize structure and price.

STEP 5

Does the structure of the deal protect your interests?

Yes

NO

Introduce competitive tension to negotiate the levers that are most material to you.

Proceed toward formal negotiation.

An unsolicited offer feels nice, but it's often not the final chapter. It's the opening act.

If buyers believe they are the only suitor, they behave differently than if they know others are watching.

Competitive tension doesn't always require a "full process" – just *strategic exposure to alternatives that apply pressure for a stronger bid*.

And that can change your outcome, whether you work with one or ten interested buyers.

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