Selling Your Business? The Highest Price Might Be the Worst Deal.

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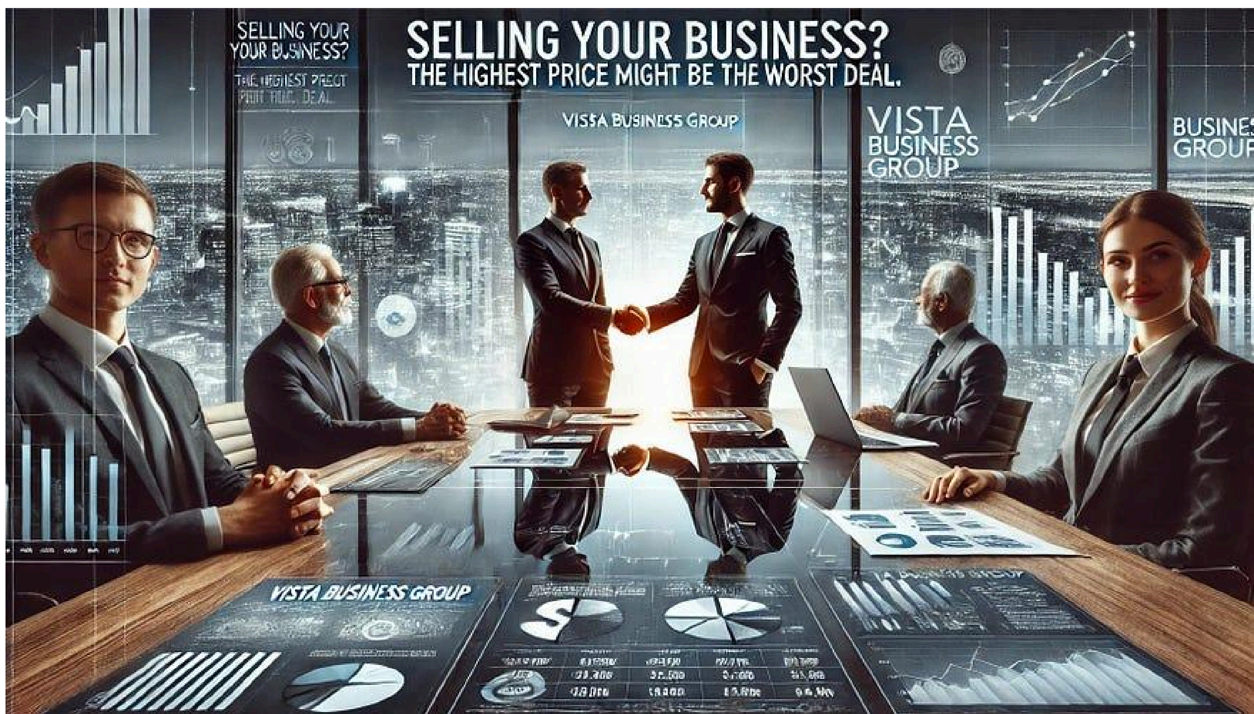

Introduction

A while ago, a close friend of mine, who's also someone I have a lot of respect for, decided to sell his company. His question to me was, "*How much do you think I can sell it for? …. M&A company X said I could sell it for Y*." I'm not mentioning names or numbers here, but it was a very large number.

It's a common question — after all, he had spent years building his business, and now he wanted to know what his hard work was worth. But he was focused on the sale price before even considering the structure of the deal, the terms, or what he actually wanted from the transaction.

He will naturally become more selective as different types of offers come in, but this mindset is common among business owners. It's easy to be swayed by an M&A firm that highlights the biggest number. Choosing an M&A advisor based purely on the largest projected sale price can lead to major regrets. Here's why:

1. The "Big Number" Is Often an Illusion

Some M&A firms inflate sale price expectations just to win your business. They throw out a big number, knowing it sounds impressive, only to later **"adjust" expectations** when buyers push back.

Instead of focusing on an inflated projection, choose an M&A advisor who provides:

- Realistic, data-driven valuation models
- Comparable market sales for reference
- A full breakdown of deal structure, not just headline numbers

A great deal is about getting paid what your business is truly worth in a way that ensures financial security, favorable terms, and a smooth transition — rather than just chasing a big number that may never materialize.

2. Deal Structure Matters More Than Price

Imagine you receive two offers for your business:

- **Offer A**: $30M, but only $5M in cash upfront, $10M in a seller's note (buyer pays you over time), and $15M in an equity rollover (you retain partial ownership).
- **Offer B**: $25M, with $22M in cash upfront and $3M in a seller's note.

At first glance, Offer A looks better — after all, it's $30M vs. $25M. But look deeper:

- The seller's note means you're financing part of the deal, which is risky.
- The equity rollover means you only get paid if the new owner succeeds, which is out of your control.
- Less cash upfront means more uncertainty and potential payment delays.

In many cases, **a lower total sale price with more cash at close is actually the better deal**. A good M&A advisor will help you evaluate the real value of an offer, not just its headline number.

3. Transition Period & Earnouts: Hidden Risks in "Big Offers"

You may not get most of the money in cash upfront from the buyer. Instead, the buyer may:

- Require you to stay on for two or more years as part of an earnout, where future payments depend on business performance.
- Set unrealistic growth targets that could reduce your payout.
- Extend the transition period, keeping you tied to the business longer than expected.

This means that even if you sell for a “higher price,” you might:

- **Work longer** than expected for someone else.
- **Lose control** of key decisions affecting your payout.
- End up making **less money** than a cleaner, lower-structured deal.

A great M&A firm helps you secure a **seller-friendly structure** — one that ensures you actually receive the money you’re promised without unnecessary risks.

4. The Right Buyer Matters More Than the Price

Selling a business isn’t just about the highest bidder. The right buyer:

- Respects the legacy you’ve built.
- Has the financial strength to actually pay what they promise.
- Offers a smooth transition for employees and customers.

Many sellers regret choosing a buyer based only on price when they later realize:

- The new owner struggles financially, leading to **missed payments on the seller's note**.
- Employees face layoffs or cultural shifts that **hurt the business' future**.
- The buyer lacks the expertise to sustain success, **putting your equity rollover at risk**.

Your M&A firm should vet buyers for more than just money — they should prioritize fit, credibility, and execution certainty.

5. A Smart M&A Firm Maximizes What You Keep, Not Just What You Sell For

A common mistake sellers make is focusing only on the top-line sale price, ignoring:

- **Taxes** — How much of the sale goes to the IRS? (Capital gains vs. ordinary income matters.)
- **Deal Costs** — Are there hidden fees reducing your actual payout?
- **Indemnification & Liabilities** — Are you still responsible for past issues after selling?

The best M&A firms don't just negotiate a high price — they structure the deal to maximize what you actually take home after taxes and risks.

Final Thoughts: What to Look for in an M&A Firm

Rather than being swayed by the firm that dangles the highest number, focus on selecting one that offers realistic projections and a well-structured deal:

- Provides realistic valuations based on market conditions

- Focuses on deal structure and getting you more cash upfront
- Prioritizes buyer quality, not just the offer size
- Helps minimize risks, taxes, and liabilities post-sale

A great M&A deal isn't only about chasing the biggest number — it's about getting the right deal for you. That means cash at close, limited risk, and a transition that works for your future.

Our Expertise, Your Advantage

If you're thinking about selling your business and want expert advice on maximizing your real return, let's talk. **Vista Business Group** specializes in securing the best deals for business owners — not just the biggest promises.

If you're interested in selling your business with a trusted advisor, contact Vista Business Group today at (913) 944-2285.