

THE BUYERS'S EDGE: HOW TO SPOT RISKS BEFORE AQUIRING A BUSINESS

By Peter C. King, CEO VR Business Sales / Mergers & Acquisitions

The market for buying and selling businesses continues to present significant opportunities, but it also carries substantial risk. Economic conditions, financing availability, and buyer sentiment may shift, yet lenders remain disciplined, due diligence remains rigorous, and valuation expectations often differ between buyers and sellers. For buyers, success depends not only on finding the right acquisition target, but on understanding why the owner is selling and whether hidden risks are driving the decision.

WHY OWNERS DECIDE TO SELL

Owners rarely share the full story behind their decision to sell. Some reasons are positive, such as retirement or a desire to cash out after years of growth. Others are warning signs. Competitive pressure, rising costs, regulatory uncertainty, or technology disruption often push owners toward the exit. If margins are shrinking or the industry is losing momentum, sellers may hope to pass those problems along before they show up in the numbers.

The first step for buyers is to look beyond the pitch. Ask for a detailed cost analysis, supplier mix, and pricing history. Test whether the business can adapt. Can it pass through costs, diversify suppliers, or innovate to maintain share? If the answers are vague, the seller may be running from a structural problem rather than executing a strategic exit.

OWNER DEPENDENCY: THE SILENT DEAL KILLER

If the owner is the head of sales, operations, and customer relationships, what exactly is the buyer buying? Lenders and buyers are focused on leadership depth and documented processes. Without a second layer of management and clear operational playbooks, deals stall or require heavy contingencies. Buyers should insist on proof that the business can run without the founder and discount heavily if that proof does not exist.

SURPRISES DESTROY TRUST

Every business has flaws. Buyers expect that. What kills deals are surprises such as undisclosed lawsuits, cybersecurity incidents, lost customers, data privacy concerns, or regulatory issues that surface late in diligence. In today's market, where diligence lists are longer and timelines tighter, surprises erode trust and often collapse deals after significant time and money have been spent. The solution is to demand full disclosure early and package risks with a clear narrative: what happened, what was done, and why it is stable now.



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VALUED REPRESENTATION



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WORKING CAPITAL: THE CLOSING TABLE TRAP

One of the most common late-stage disputes involves working capital. Sellers often assume they can take all cash and receivables. In reality, buyers expect a normal level of working capital to remain in the business. If this is not defined early, expect frustration and potential deal failure at the eleventh hour.

THE BUYER'S PLAYBOOK FOR 2026

To win in this market, buyers need discipline and foresight. A trusted VR business intermediary brings experience and expertise that resolves most of these issues before they derail a deal. Knowing how to prepare a business for sale, clean up financials, and position the company to attract qualified buyers, VR intermediares understand and manage valuations realistically, and create a structured process that reduces surprises and accelerates closing.

For buyers, VR ensures transparency and organizes diligence so that risks are identified early and framed properly. For sellers, VR helps avoid common mistakes such as unrealistic pricing, poor documentation, and waiting too long to plan an exit. In short, leaving the process to an experienced Intermediary protects value for both sides and turns a stressful transaction into a strategic success.

BOTTOM LINE:

The most successful buyers understand that identifying risks early is not about avoiding acquisitions. It is about entering the right opportunities with realistic expectations, proper deal structures, and a clear plan for creating value after closing.

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