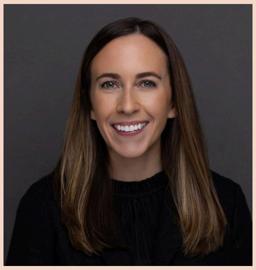
SCHNEIDER DOWNS
SD Capital

PART II

When Buyers Come Calling: Creating Leverage from an Unsolicited Offer

Part II of a two-part series on responding to unsolicited acquisition interest



By: Alyssa Fudala
SD Capital

Once an unsolicited approach has been properly framed, as discussed in **Part I**, the next step is determining how to proceed. Many business owners leave value on the table by engaging in one-on-one negotiations without fully testing the market. A disciplined response can transform a single data point into a competitive process that drives superior outcomes.

Anchor the Process to Your Long-Term Objectives

Any decision to engage in negotiations, let alone enter into a transaction, should reflect your long-term goals for the business and your ownership. For most business owners, those priorities include some combination of (and not necessarily in this order):

- Maximizing value
- Protecting employees and culture
- Ensuring business continuity
- Preserving personal legacy and relationships

These factors often carry equal, if not greater, weight than headline valuation. The most successful outcomes balance financial results with long-term alignment.

Avoid One-on-One Negotiations

Engaging a single buyer in isolation shifts leverage in their favor, limiting pricing tension and narrowing your options with respect to other deal terms. Buyers often push for you to grant them exclusivity during preliminary due diligence, under the premise of moving quickly and demonstrating early commitment. Granting exclusivity prematurely reduces optionality and negotiating leverage.

Even if the original buyer ultimately proves to be the best partner, negotiating with a single party rarely produces the best outcome.

Consider a Targeted Process to Create Competition

There are a variety of ways to create competition in an M&A process without committing to a full, broad auction (where an investment banker like us contacts a wide group of potential buyers for proposals). In many cases, a targeted process with a curated group of buyers can create sufficient competition to validate valuation, improve structure and allow you to compare potential partners as long-term stewards of your business.

The goal is not only price discovery and negotiating leverage, but also providing an opportunity to assess cultural fit, strategic alignment and how different buyers might operate and grow your business post-transaction. Even limited market exposure can materially enhance the outcome.

Evaluate More Than Price

An offer to buy your business is not just about headline purchase price. It can be equally about deal structure, strategic alignment, and long-term implications for ownership, employees and the business. Key considerations include:

- Does the offer reflect current performance or forward-looking potential?
- What assumptions is the buyer making around growth or synergies?

» How does structure (cash, earnout, rollover) align with your objectives?
» What does partnership with this buyer look like post-close?

A single offer provides no context. Without other offers to compare, it is difficult to determine whether it represents a true premium or simply a starting point.

Engage Advisors Early

An experienced advisor can be particularly valuable in unsolicited situations. They bring:

» Market intelligence on valuation and buyer appetite
» Process discipline and structure
» Access to additional qualified buyers
» A buffer between ownership and counterparties

Just as importantly, advisors help maintain objectivity and ensure decisions are made strategically rather than reactively.

Stay Focused on the Business

Transactions are inherently disruptive. For closely held businesses, the owner is often deeply involved in day-to-day operations, making it difficult to manage both the business and the process.

Without proper support, management can become distracted and performance may suffer. Maintaining strong operating performance throughout the process is critical. It directly influences valuation, credibility, and certainty of closing.

Final Takeaway

An unsolicited offer may signal that the timing is right to achieve your long-term objectives. The most effective response requires you to be disciplined and deliberate:

» Pause before acting
» Protect confidentiality
» Evaluate strategically
» Create leverage through competition
» Execute on your terms

By taking these steps and working closely with trusted, experienced advisors, you can convert unsolicited interest into a strategic win for you, your employees and your company.

About SD Capital

SD Capital is a premier, full-service, value advisory and investment banking practice that assists middle-market companies in creating and maximizing business value. We provide strategic evaluation and execution of various downstream sales and monetization pathways. With decades of combined executive experience running, owning and advising private companies our team is uniquely positioned to guide owners through the complex process of growing and selling their companies. Learn more at www.sdcapital.com.

Schneider Downs Capital LLC is a subsidiary of Schneider Downs & Co., Inc.