

Buying a business is less about spreadsheets and more about pattern recognition under pressure. Numbers matter, but they sit inside messy human realities, from a seller's retirement timeline to a key employee's unspoken influence. Good Business Acquisition Training walks you through these subtleties using actual deals, not just theory. What follows are case studies I've lived or advised on, the mistakes that left scar tissue, and the habits that tend to keep acquirers out of trouble.

## The first deal is not the best deal

Most acquirers rush the early search phase. Eighty percent of the time, the first three opportunities you seriously consider will be:

- Misaligned with your skills or goals
- Overpriced relative to cash flow
- Operationally hairier than they appear

Training starts by absorbing this truth. You learn to walk away from "almost right" and build the muscles that carry you to the better fit. The way to build those muscles is to handle more deals, faster, and to do it with structure. Here is how that looked in practice.

A former sales director I trained, Melissa, wanted to buy a marketing agency because she knew how to sell. She almost signed an LOI for a boutique shop at 4.7x adjusted EBITDA, with 70 percent of revenue from two clients. Her lender balked at the concentration. We walked through a simple forecast where losing one anchor client dropped debt service coverage to 0.9x. She let it go, then found a smaller agency at 3x, with 22 active clients and a founder willing to roll 20 percent equity. That survival buffer made all the difference when one mid-tier client churned six months post-close. Debt service stayed covered, and she used seller rollover dividends to recruit a replacement account executive.

The lesson is simple to say and hard to live: quality of revenue beats headline EBITDA, and patience beats bravado.

## Anatomy of a mispriced HVAC company

A mid-market HVAC contractor looked like a classic "safe" acquisition: recurring maintenance plans, sticky customers, and seasonal peaks you can finance around. The broker's book showed 2.4 million in revenue, 550,000 in seller's discretionary earnings, and a clean add-back story. The ask was 2.2 million including inventory, which implied roughly 4x SDE. On paper, not insane.

The red flags showed up in route density and tech productivity. The company averaged 2.1 jobs per tech per day, below the 2.8 to 3.2 I typically see in similar markets. Dispatch used a homegrown system without live GPS or dynamic routing. Travel time ate margins. Service agreements sat at 600 active plans in a geography where 1,000 to 1,200 should be reachable given the installed base. The owner had stapled maintenance sign-ups to seasonal discounts but never embedded them into field workflow.

We asked for 36 months of call logs and plotted job counts by zip code. A cluster map revealed a lopsided customer base, with outliers causing long drives. A fix was obvious but not instantaneous: redraw routes, push same-day add-ons, and tie technician bonuses to first-visit completion rates. That is a 6 to 12 month transformation, not a weekend project.

Price needed to reflect execution risk. We structured 1.5 million at close, 350,000 seller note at 5 percent interest, and a 350,000 earnout tied to hitting 800 active maintenance plans and 2.6 jobs per tech per day by month 15.

The seller pushed back, we shared the route map and productivity benchmarks, and he agreed after seeing his own data in a new light. Twelve months later, with dynamic dispatch and a spiff for filter-subscription sign-ups, SDE rose to 700,000. The earnout paid. Without the earnout, we would have overpaid for potential, not performance.

The training takeaway: spend real time on operational drivers that compound, then price the lag between “we know what to fix” and “it is fixed.”

## **When EBITDA lies: a dental practice with a silent weapon**

In healthcare rollups, adjusted EBITDA often hides doctor-owner wages. One practice showed 1.1 million in EBITDA on 3.8 million in collections, a ratio that triggered three private buyers in a week. The owner insisted that doctor production would hold with an associate replacing him after close.

We underwrote it differently. In many dental practices, the owner’s personal reputation inflates case acceptance by 200 to 400 basis points. That premium is not transferable on day one. We adjusted EBITDA for market-rate provider compensation and shaved 10 percent off collections for expected case acceptance drop in the first year. Deal fever thinned quickly once those assumptions entered the model.

What saved the deal was a pre-close transition plan. The seller agreed to stay half-time for nine months, with a bonus tied to associate case acceptance bridging to 85 percent of historical. We also overfunded working capital, anticipating a slower hygiene reactivation cycle. Twelve months out, collections fell only 3 percent while hygiene pre-appoint rates improved due to better recall systems. True EBITDA landed near 760,000, right where our adjusted model placed it.

Training point: in professional services, EBITDA stability depends on provider substitution risk. If a key human walks, cash flow changes shape. Model behavior, not just the P&L.

## **The dangerous lure of cheap debt**

Low interest rates can make mediocre deals look passable. A pair of first-time buyers I mentored targeted a niche fulfillment company at 3.7x [Business Acquisition](#) SDE, eager to use an SBA 7(a) loan. The numbers cleared underwriting, barely. The risk lived in customer-specific standard operating procedures that resided in the founder’s head and in three undocumented Zapier automations.

Two path corrections turned the tide. First, we made the seller document processes during exclusivity, not post-close. We paid for a technical writer and conditioned the seller note on delivery of a usable playbook. Second, we negotiated a 12-month consulting agreement at 20 hours per week with a 48-hour response SLA for urgent issues. It cost 6,000 per month and felt expensive. Two months post-close, a carrier API changed and broke label printing across three accounts. The seller’s familiarity with the hack that glued it together saved two clients within 48 hours.

Could the buyers have muscled through without that agreement? Maybe. Would the stress and lost revenue have been worth it? No. Cheap debt masks fragility. Coverage ratios do not fix brittle processes.

## **Quality of earnings at the small end: selective and practical**

Formal Quality of Earnings (QoE) runs 30,000 to 80,000 dollars, a hard sell on sub-2 million acquisitions. Skipping it entirely can be worse. I use a trimmed approach on small deals, focused on the two to four items that swing valuation.

For an e-commerce brand doing 4 million in revenue and 750,000 in SDE, the big variables were ad attribution reliability and landed cost variability. We pulled platform-level ad spend, compared to bank statements, and re-cut contribution margin by cohort rather than channel. This surfaced a first-order insight: new-customer CPA was fine, but returning customer CPA had crept up due to sloppy retargeting, eroding LTV/CAC without detection. On the cost side, we sampled freight and duty for the top five SKUs across two years and rebuilt landed cost with a volatility band. The true SDE, after normalizing for sustainable ad mix and average landed cost, sat closer to 600,000.

We offered 1.6 million at close, 400,000 seller note, and a 300,000 performance payment if contribution margin per order recovered to a documented threshold for two consecutive quarters. The seller scoffed, then accepted after his own ad agency admitted to broad-match creep. Six months later, with creative refreshed and retargeting capped, contribution margins aligned with the earnout target. Everyone won, and the price matched reality.

Training insight: a surgical QoE beats a generic one, as long as you chase the two variables that truly drive cash conversion.

## **Culture debts show up after closing**

Numbers do not carry culture across the line. A commercial cleaning company we acquired looked efficient. Turnover ran at 28 percent annually, better than the industry's 35 to 50 percent. After closing, we found that the apparent stability came from a supervisor who quietly paid overtime under the table to keep key crews happy. Payroll compliance was a mess. The supervisor was indispensable and unmanageable.

We had two options: tolerate the gray zone to maintain service levels or rip the bandage and accept short-term pain. We chose the latter. We formalized pay practices, introduced attendance bonuses, and took a temporary margin hit of roughly 200 basis points for three quarters. Two clients churned, both price sensitive. The following year, our gross margin recovered and turnover settled at 31 percent, with a cleaner audit trail that unlocked a better line of credit.

The cost of fixing culture debt should be part of price. If your diligence uncovers "workarounds" that prop up metrics, you are staring at a deferred bill.

## **Brokered deals versus proprietary outreach**

There is a lot of noise about proprietary sourcing. I run both channels and measure hit rates. Brokered deals move faster and come with cleaner packages, but competition pushes price and compresses diligence timelines. Proprietary outreach brings more negotiation room and sellers with softer edges, but your screening burden rises, and data quality ranges from tidy to shoebox.

In a 36-month period, our team reviewed roughly 600 brokered packages and 1,200 proprietary responses. We issued 62 LOIs from brokered flow and 48 from proprietary. We closed 14 brokered deals and 9 proprietary. The close rate per LOI was higher on brokered, largely because the sellers were more psychologically ready. However, our best risk-adjusted returns came from proprietary small sellers who had never been shopped and valued continuity over headline price.

Where training helps is teaching you to read motivation quickly. A brokered seller who says, "I will only accept all-cash at close" might soften when you frame tax deferral and rollover upside. A proprietary seller who begins with, "I don't want my employees to know" needs a trust-building cadence that respects privacy while still gathering enough data. Pushing the wrong tempo kills good deals.

## The LOI as a leadership test

Letters of intent are not legal straitjackets, but they set the tone for diligence. Vague LOIs become battlegrounds. Overly rigid LOIs scare cooperative sellers. A balanced LOI does five things clearly.

- Defines the economic deal in plain language: price, structure, working capital target, and adjustments.
- Outlines diligence scope with specificity: financial, legal, operational, and any critical third-party consents or landlord approvals.
- Sets a schedule with gates: document delivery deadlines, QoE start dates, and lender submissions.
- Establishes exclusivity with mutual obligations: your responsibility to move in good faith, theirs to provide timely information.
- Pre-frames post-close roles: consulting agreements, non-compete/non-solicit terms, and any rollover equity governance.

In one manufacturing deal, our LOI included a short paragraph about environmental diligence. The seller bristled until we explained it as protection for both sides. That clarity saved two weeks of awkward emails later, and when a minor soil remediation issue surfaced, we had a pre-agreed split up to a dollar cap. The deal stayed on the rails because expectations were explicit from the start.

## Debt, equity, and the art of sleeping at night

Leverage multiplies outcomes. I once passed on a 5x EBITDA platform with stable cash flow simply because the debt stack required heroic assumptions about integration synergies to stay above 1.35x coverage. Instead, we closed a 3.2x deal with uneven seasonality but strong customer diversity. That second choice survived a vendor bankruptcy and a temporary 10 percent revenue dip without tripping covenants.

Practical rules of thumb I use when Buying a Business with debt:



- Aim for 1.5x to 2.0x fixed-charge coverage on a normalized, not peak, month.
- Model a 10 to 15 percent revenue shock and see if you still clear 1.2x.
- Avoid structures where more than 30 percent of enterprise value sits in performance payments unless you can influence the drivers directly.

These are not commandments, they are guardrails. If the business has countercyclical traits or pre-sold backlog, you can push. If key revenue depends on three enterprise accounts with change-of-control clauses, pull back.

## **Integration starts before closing**

Most acquirers treat integration as an afterthought. The first 90 days after close are your chance to align people, cash, and promises. We build a pre-close integration brief that covers day-one payroll readiness, vendor autopays, insurance transitions, and a single-page "who to call for what" for employees. That brief is not glamour work, but it cuts unforced errors.

I still remember a frantic Friday when a newly acquired firm missed payroll by a day because the prior owner's bank had a threshold that blocked the ACH batch. The fix took two hours, but the trust loss lingered for months. A simple pre-close ACH test would have prevented it. Business Acquisition Training that includes a credible day-one checklist saves you more goodwill than any pep talk.

## **Negotiating with the human in the room**

You negotiate the deal in front of you, not the abstract one in a textbook. A seller in his late sixties with no heirs in the business values legacy and clean exit more than a thirty-something serial founder chasing their next build. That has structural implications.

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We acquired a regional distributor from a couple who started it in their garage. They cared about the brand name staying put and keeping three long-time employees. We agreed to both, made it part of the LOI, and in exchange received a 10 percent price reduction and a five-year non-compete that was tighter than standard. In another deal, a younger founder wanted upside even after exit. We offered 25 percent rollover equity and a board seat, which let us trim cash at close without feeling like we were chiseling.

The point is not to be soft. It is to be precise about what matters to both sides and to trade accordingly.

## **When deals fall apart well**

Not every deal should close. The most valuable training moments come from cleanly walking away. A software firm we chased for four months showed stellar logos and 90 percent gross margins. Diligence revealed that 60 percent of revenue was "professional services" funneled through "other revenue," propping up the perception of SaaS. The founder insisted those were "implementation fees that will fade with product maturity." Maybe. Or maybe the product needed hands to stand up.

We terminated exclusivity with an email that detailed the misalignment between our investment thesis and the revenue composition. We ate 20,000 in diligence costs and kept a relationship that later led to a referral into a far better target. Burning bridges serves ego, not returns.

# What to practice before you spend real money

You do not need to own a company to train like an owner. You can build the skills stack with reps that cost little and teach a lot.

- Recast financials from broker books for 10 deals, then write a one-page memo per deal explaining your valuation and risk adjustments.
- Create a three-statement model for a small business using only bank statements and tax returns, then compare to management P&L once available.
- Analyze route density, customer concentration, or cohort retention on practice datasets. The point is to think like an operator, not a spreadsheet jockey.
- Draft two LOIs for real listings and get feedback from a lender on bankability.
- Shadow a closing attorney for a day to understand reps, warranties, and schedules. Watching a lien search get resolved is better than reading about it.

These exercises accelerate your judgment. They also make you credible when you engage with sellers and lenders.

## Case file: turning around a sleepy B2B services shop

A small B2B services firm with 3.1 million revenue and 400,000 EBITDA landed on our desk. The owner wanted out within six months due to health issues. On first pass, margins looked thin, but customer tenure averaged nine years, and price increases lagged market by two to three years.

We offered 1.1 million with a 300,000 seller note and 200,000 tied to simple milestones: documented SOPs for top five workflows, CRM adoption by the full sales team, and a 6 percent across-the-board price increase with opt-out rather than opt-in framing. We set aside 50,000 for a customer success manager and migrated quoting to a modern tool that priced complexity.

Within 90 days, gross margin rose 250 basis points. Twelve months in, EBITDA ran at 620,000 without any heroic new logos. The only real change was disciplined pricing and reducing rework. The seller earned their milestone payout simply by transferring tribal knowledge into documents.

The understated lesson: many “underperforming” companies are just under-managed. Pay for knowledge transfer and basic commercial hygiene before you fantasize about greenfield growth.

## When a great business is a bad buy for you

Not every wonderful business belongs in your hands. I once pursued a specialty food manufacturer with pristine operations, high margins, and multi-year retail contracts. I liked everything about it except the reality that success required flavor innovation cycles and retail category management experience I did not have.

We could have hired for those gaps, but the risk of missteps in seasonal resets felt unacceptable. Another buyer with deep CPG experience won at a fair price. Watching that pass by stung, but it kept our portfolio inside our competence circle. Business Acquisition Training should push you to define that circle. If you cannot articulate the two or three levers you will pull in the first 180 days to materially improve the business or at least protect its advantages, keep looking.



## What lenders and investors really want to see

Financing partners do not expect perfection. They expect clarity, humility, and control plans for the obvious risks. A tight memo beats a flashy deck. The best memos I see from operators include:

- A clear thesis statement in two sentences that ties business model to your capabilities.
- A sober working capital plan with seasonality mapped to the cash cycle.
- A covenant headroom schedule under base, downside, and recovery cases, with triggers and preplanned responses.

They also include a paragraph on the human factor: who stays, who might leave, and why your post-close org chart makes sense. When your plan reads like you have already sat in the operator's seat, doors open.

## The quiet superpower: seller references

Everyone calls customer references. Fewer ask a seller to introduce them to a buyer who acquired from them before. In one deal, the seller had sold a division three years earlier. We asked to speak to that buyer. The conversation was gold. We learned the seller was honest but avoided hard conversations, particularly around underperformers. This steered us to insist on a pre-close performance review process with documented metrics and a severance budget. It was awkward to raise, but it mattered. Three months later, we parted ways with a low-performing manager quickly and respectfully, without letting issues fester.

This kind of diligence is not adversarial. It is grown-up. Most sellers respect it, and those who resist often reveal a problem you would rather discover before closing.

## Training never stops after the wire transfers land

The day you close, your education speeds up. Cash flow teaches. So do vendors, employees, and customers who do not care about your spreadsheet. The best acquirers use a simple cadence: weekly operating reviews that focus on leading indicators, monthly financials with a short narrative, and a standing 30-minute one-on-one with the prior owner during the transition. Small rhythms catch small problems before they harden.

Across all these stories, the thread is judgment shaped by real constraints. You balance price against operational lift. You trade speed for certainty when the situation calls for it. You keep a sharp pencil and a softer touch with people. Business Acquisition Training that grounds itself in lived deals, not generic aphorisms, gives you that edge.

And when you are Buying a Business, that edge is often the difference between a nervous, debt-laden scramble and a durable, compounding asset that you are proud to own.