Field-proven results in business sales and acquisitions

# Can Sellers Use Buyer Warning Signs to Their Advantage?

When buyers are looking to make a purchase, the most important step they can take is to perform due diligence on both the business and the seller.  Yet, it is important to note that a large percentage of sellers fail to do their due diligence on buyers.

Deals fail all the time.  Sadly, this means that all parties lose a tremendous amount of time and effort.  Additionally, sellers not only waste time, but often lose money due to business disruptions during the process of working with a prospective buyer.

Let's dive in and look at a few warning signs that you should look for when dealing with a buyer.  The sooner you spot these red flags, the sooner you can avoid potential problems.

There are several key questions that sellers should ask. The list includes:

*-What, if any, other businesses have you considered to date?*

*-How much equity will you be committing?*

*-Do you have any experience with my kind of business?*

It is important to look for warning signs early on, as this is the way that sellers can avoid wasting considerable time.  It should also be noted that sellers shouldn't be afraid to listen to their gut instincts.  If you feel that a prospective buyer isn't serious and may only be window shopping (or if you feel that the buyer is looking for a far greater deal than you are willing to provide), then simply move on.  When you cut your losses early on, this can free you up to focus on prospective buyers that are a better fit.

What if your intermediary informs you that there has been no communication from the prospective buyer after they received the memorandum?  Simply stated, this lack of communication could mean that the prospective buyer has changed his or her mind, or was never that serious in the first place.

Another red flag you might see is when the process is turned over to a junior member of the prospective buyer's management team.  In other cases, the prospect may fail to provide details or information concerning their financial capability to successfully complete the deal.  If any of these three red flags pop up, you should consider being proactive.  You and your broker or M&A Advisor might want to reach out to the prospective buyer and ask to meet to discuss the situation.

Warning signs can also occur just prior to closing. Even after the letter of intent has been signed, there is still room for problems to arise. An inexperienced attorney representing the buyer, one that simply doesn't understand what is involved in a deal, can spell doom for what could have otherwise been a good deal. The same is true for an over aggressive attorney. One potential remedy for this situation is for your own attorney to intervene and discuss the situation.

Spotting warning signs is about more than not wasting everyone's time. When you can observe these indicators and act effectively to address them, it can help keep deals on track. Working with a business broker or M&A advisor is an excellent way to not only spot red flags, but also to know how to respond appropriately. The end result will be more successfully completed deals.

*About TOGA, The Oil & Gas Advisor:*

*The Oil & Gas Advisor's team of M&A Brokers and advisors specialize in selling businesses related to the oil, gas, and energy industry. Clients include manufacturers, distributors, services, construction and logistics firms. TOGA is USA's expert in selling propane companies. Since 1987, they have been investment banking merger and acquisitions advisors, providing certified business broker and intermediary services. TOGA's experts are award winning industry leaders with offices in Texas, Oklahoma and Pennsylvania.*


*www.OilGasAdvisor.com    844 749-6016    info@OilGasAdvisor.com*

*Offices serving the oil and gas business across North America*

**DFW, TX**
**Don Hankins**
**DHankins@OilGasAdvisor.com**
**(817) 615-8393**

**Tulsa, OK**
**John Johnson**
**JJohnson@OilGasAdvisor.com**
**(918) 749-6016**

**Tyler, TX**
**Keith Chapman**
**KChapman@OilGasAdvisor.com**
**(903) 245-9233**

**Williamsport, PA**
**Gary Papay**
**GPapay@OilGasAdvisor.com**
**(570) 584-6488**