



Seven mistakes when selling a company

Selling a company requires preparation, technical knowledge, and control of the negotiation. Discover seven mistakes that can undermine business value and learn how a structured approach helps protect the owner's interests.

CAMAYA INSIGHTS

By João Eliezer C. Guimarães

August 15, 2026

Over more than two decades advising business owners on mergers and acquisitions (M&A), I have learned that selling a company is more than a financial decision. The transaction involves the wealth, identity, and legacy of the person who built the business. It therefore requires both technical preparation and clarity about what the owner wants to achieve.

For business owners beginning to consider how to sell their company, the first questions often concern what the business is worth, where to find buyers, and how to preserve confidentiality. A business valuation is part of that preparation. But the outcome also depends on the quality of the information, the negotiation strategy, and the management of each stage of the sale process.

The seven mistakes discussed in this article have appeared repeatedly in real negotiations involving companies of different sizes and industries. Some begin with seemingly minor decisions, such as disclosing a price expectation too early, sharing information prematurely, or allowing the buyer to set the pace. Their consequences,

Organising documents only after the first offer has arrived will put the seller in a reactive position.

however, may only become apparent once negotiations have advanced and there is less room to change course.

Understanding these mistakes helps owners prepare more effectively and assess the role of an M&A advisor in organizing information, identifying buyers, and protecting their interests. An independent, technically sound, and structured approach helps safeguard what took years to build and creates the conditions for turning that legacy into future value.

1. Entering negotiations without preparing the company for sale

Preparing a business for sale begins before the first contact with potential buyers. Owners need to examine the company from an investor's perspective, organize the information, and identify risks that could undermine negotiations. A seller-initiated review, known as vendor due diligence¹, helps anticipate the financial, legal, tax, and operational issues that will be examined during the process.

This work takes time, particularly in companies that lack formal governance practices or a regular reporting process for shareholders and investors. Waiting until the first offer arrives to organize documents puts the seller in a reactive position precisely when preparedness matters most.

In the financial analysis, the buyer will seek to understand both the financial statements and the management accounts. Financial statements present results under the applicable accounting standards, while management accounts help explain operating performance and recurring earnings capacity. A clear reconciliation between the two is essential, with documented adjustments and consistent explanations.

The investor will also examine how the figures relate to the fundamentals of the business, including debt, working capital, contingent liabilities, ownership structure, and key contracts. Consistency across this information supports the credibility of both the company's reporting and its valuation.

Before entering negotiations, the owner needs to answer a simple question. Is the information needed to support the company's value already organized, or will it be assembled under pressure from the buyer?

2. Starting the process without adequate professional advice

Buyers, particularly strategic groups and investment funds, often have acquisition experience, dedicated teams, and specialist advisors. For the business owner, selling a company may be a once-in-a-lifetime event. That difference in familiarity affects the negotiation.

Terms such as locked box², completion accounts³, working capital peg⁴, earnouts, representations and warranties⁶, escrow⁷, non-compete⁸, and Enterprise Value to Equity Value Bridge⁹ are part of many professional buyers' everyday vocabulary. Recognizing the terms is not enough. Owners need to understand how these mechanisms affect the price, payments, liabilities, and proceeds they ultimately receive.

Two offers with the same headline value can produce very different outcomes for the seller.

An apparently attractive offer may become less valuable when it includes difficult performance targets, prolonged holdbacks, unfavorable working capital adjustments, or disproportionate contractual obligations. Comparing offers, therefore, requires looking beyond the headline number.

An M&A advisor helps the owner assess these terms, organize the negotiation, and coordinate with other specialists. The role includes challenging assumptions, substantiating positions, and anticipating the consequences of decisions that may initially seem secondary.

Issues that were not understood or negotiated early enough may surface in the final agreement, when there is less room for change. Technical preparation allows the seller to negotiate on a more balanced footing and defend the company's value with well-supported arguments.

3. Setting a price before structuring the negotiation

"How much is my company worth?" is a central question for anyone considering a sale. A well-supported valuation is essential. The mistake is turning that reference point into a stated asking price before understanding the buyer's interest and the terms of the potential transaction.

At the first sign of interest, many owners feel pressure to name a figure to keep the conversation moving. A number disclosed too early, however, can set a ceiling on the negotiation without reflecting the company's potential value to that particular investor.

The valuation needs to be considered alongside the transaction structure, payment terms, allocation of risk, and synergies the buyer expects to capture. Two offers with the same headline value can produce very different outcomes for the seller.

A well-managed competitive process allows the owner to compare alternatives and discuss the company's value in a broader context. Buyers with different strategic interests provide additional reference points for assessing both price and other terms.

Preparation should build conviction about the value of the business and the discipline to decide when, how, and on what basis to communicate it.

4. Confusing cordiality with aligned interests

In the sale of a company, buyer and seller may both want to complete the transaction while having different priorities. The owner seeks a combination of value, liquidity, certainty, and continuity of the company's legacy. The buyer seeks a return on investment and terms that limit risk exposure.

These interests can converge, but that alignment must be developed and reflected in the transaction terms. A cordial relationship facilitates dialogue without eliminating disagreements over price, warranties, liabilities, or payment terms.

The risk arises when personal rapport takes the place of critical analysis. A willingness to engage does not mean agreement with the seller's expectations, just

Information quality directly influences perceived risk and confidence in the transaction.

as an expression of enthusiasm does not constitute a commitment to acquire the business.

Professional buyers know how to cultivate relationships and manage the negotiating environment. Sellers need the same discipline, assessing proposals and requests on their substance and their consequences for the seller's interests.

Trust and clear boundaries can coexist. When selling a company, the quality of the relationship should support a well-founded negotiation.

5. Allowing uncertainty to erode the offer

Due diligence is a decisive stage in the business sale process. It is when the buyer examines the information in greater depth and tests the assumptions supporting its offer. Issues identified at this stage may lead to revised terms, requests for additional protections, or the termination of negotiations.

Not every question arises from a confirmed liability. Informal contracts, inconsistent accounting policies, undocumented provisions, or discrepancies between reports can also create uncertainty. When evidence is insufficient to clarify these matters, the buyer may seek protection through price reductions, holdbacks, or additional conditions.

Preserving value, therefore, requires more than making documents available. It means explaining the figures, demonstrating consistency across the information, and responding to questions with verifiable evidence.

It is also important to distinguish genuine risks from overly conservative interpretations. An adjustment proposed by the buyer should be assessed against the facts, the agreed criteria, and its economic effects. The same issue should not result in overlapping concessions without justification.

The better the preparation for due diligence, the greater the seller's ability to resolve questions and support the negotiated terms. Information quality directly influences perceived risk and confidence in the transaction.

6. Underestimating confidentiality during the sale

Confidentiality should guide the process from the outset. Premature disclosure of a potential sale can create uncertainty among employees, customers, and suppliers, affecting commercial relationships and operating performance.

Preserving confidentiality requires deciding who needs to participate, what information each person can access, and when it will be shared. Key employees may contribute to preparing and analyzing the information, but their involvement should be planned, with clear responsibilities and access proportionate to their role.

When approaching potential buyers, a blind teaser¹⁰ presents the business without revealing its identity. Before disclosing sensitive information, the parties should enter into a non-disclosure agreement, known as an NDA¹¹, and assess the necessity and level of detail of each disclosure.

Information can be shared through a data room¹², with access permissions, activity logs, and restrictions appropriate to the sensitivity of the documents. Watermarks

Maintaining control involves making decisions based on information, considering alternatives, and using independent judgement.

identifying recipients also help reinforce control, although no measure can eliminate the risk of unauthorized disclosure entirely.

This is particularly important when competitors participate in the process. Not every interested party will submit a final offer, but they may retain knowledge of the information disclosed.

Communication about the transaction should follow a dedicated plan, aligned with applicable obligations and transaction milestones. Well-managed confidentiality protects the business while negotiations remain underway.

7. Letting the buyer run the process

One of the costliest mistakes is allowing the sale to advance solely in response to the buyer's requests. Without a clear roadmap, the owner loses the ability to coordinate timelines, compare alternatives, and decide when to make commitments.

A structured M&A process establishes stages, information requirements, evaluation criteria, and decision points. This organization helps keep interested parties on a comparable footing and reduces the risk of granting exclusivity before the principal transaction terms have been clarified.

Genuine alternatives also influence the negotiation. When the seller depends on a single interested party, the business owner is more exposed to delays and changes in position. Carefully identifying potential buyers broadens the available options while respecting confidentiality and each party's suitability.

Another risk is devoting so much attention to the sale that operating performance suffers. Results below expectations during negotiations may weaken the owner's position and call the assumptions behind the offer into question.

An advisor on the sale of a business should help organize the work, coordinate buyer interactions, and keep the process moving, allowing management to remain focused on the company. Independence, experience, and execution capabilities deserve careful consideration when selecting an advisor.

Maintaining control means approaching decisions with information, alternatives, and independent judgment. That is how owners preserve their ability to negotiate the future of the company they built.

Glossary

¹ **Vendor due diligence:** a review initiated by the seller to identify risks, contingent liabilities, and financial, legal, tax, or operational inconsistencies before potential buyers conduct their assessment.

² **Locked box:** a pricing mechanism based on financial statements as of a date before closing. It generally does not involve a subsequent adjustment for cash, debt, and working capital at closing, but includes protection against unauthorized transfers of value and other agreed mechanisms.

³ **Completion accounts:** a mechanism under which the purchase price is adjusted based on the company's accounts as of closing. The calculation is typically

completed after the transaction closes, following the definitions and principles established in the agreement.

⁴ **Working capital peg:** the reference level of operating working capital agreed between buyer and seller. The difference between this benchmark and the working capital measured at the contractually specified date may result in a purchase price adjustment.

⁵ **Earnout:** a variable portion of the purchase price contingent on the achievement of targets or events after the transaction, such as revenue, EBITDA, or other agreed performance measures.

⁶ **Representations and warranties:** contractual statements and assurances about the company and the transaction, covering matters such as financial information, corporate affairs, contracts, and contingent liabilities. Inaccuracies may give rise to contractual consequences, including indemnification obligations.

⁷ **Escrow:** an account in which part of the transaction proceeds is held as security. The agreement specifies the conditions for using and releasing the funds.

⁸ **Non-compete:** a contractual obligation restricting competitive activity, with limits on scope, duration, and territory, subject to the agreed terms and applicable law.

⁹ **Enterprise Value to Equity Value Bridge:** a reconciliation between the value of the operating business, known as Enterprise Value, and the value attributable to shareholders, known as Equity Value. It includes adjustments for debt, cash, and other negotiated items, including potential differences between working capital and the agreed benchmark. Equity Value does not necessarily equal the sellers' net proceeds after taxes, expenses, and holdbacks.

¹⁰ **Blind teaser:** an introductory presentation describing the company's main characteristics and investment highlights without revealing its identity, used to assess potential buyers' interest.

¹¹ **Non-disclosure agreement (NDA):** an agreement establishing confidentiality obligations and restricting the use and disclosure of information shared during the assessment of a transaction.

¹² **Data room:** an organized environment, usually virtual, used to provide documents and information to authorized due diligence participants, with access controls and activity monitoring.



© 2026 Camaya Partners®, LLC. All rights reserved. The content of this article and the Camaya Partners website, including text, photographs, images, logos, trademarks, audio elements, software, visual identity, layout, and trade dress, is owned by Camaya Partners or third parties that have authorized its use. Reproduction, distribution, modification, or use of any of these elements, in whole or in part, without the prior written authorization of Camaya Partners or the respective owner is prohibited. Unauthorized use may give rise to civil and criminal proceedings under applicable law.