

1. Understanding the Post-Due Diligence Negotiation Game

📌 Where Negotiation Begins in the M&A Process

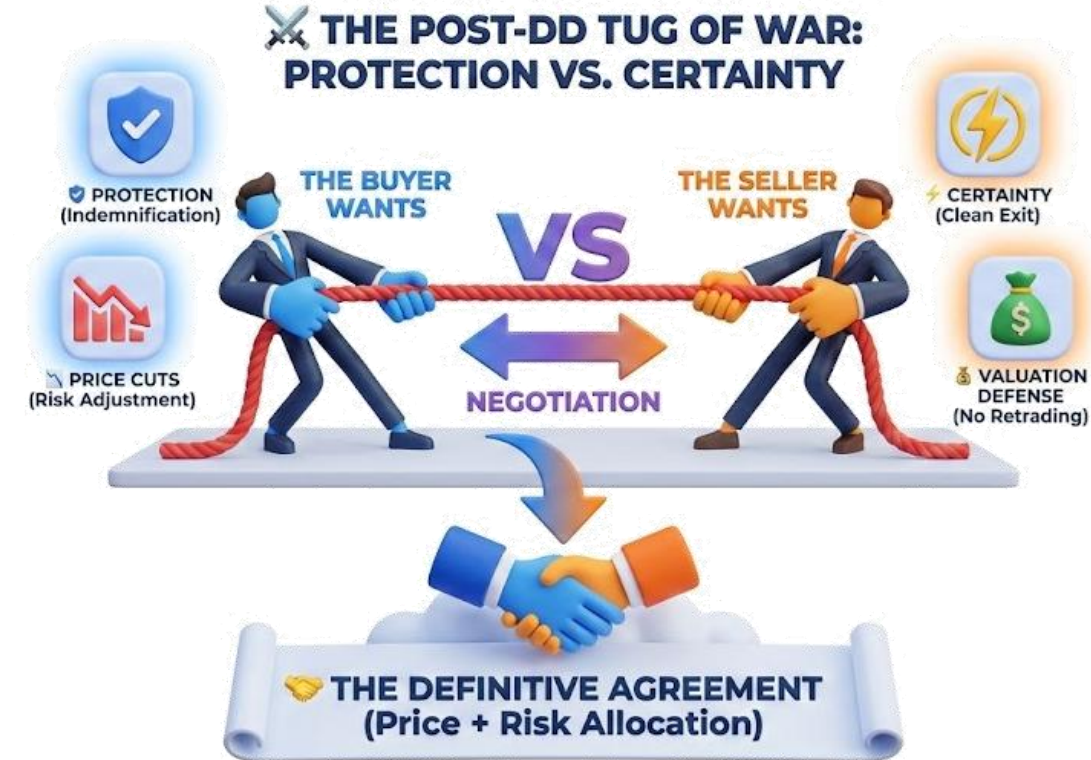
- M&A negotiation starts after full due diligence, not before.
- Both parties exchange detailed information over several months.
- The buyer identifies risks, validates assumptions, and quantifies issues.
- The seller understands buyer knowledge and anticipates pushback.
- This phase targets **price**, **risk allocation**, and **deal certainty**.

🎯 Buyer Objectives in Post-DD Negotiation

- Buyers convert identified risks into enforceable protections.
- Every due diligence risk becomes a negotiation issue.
- Buyers shift exposure via price cuts, structure, or legal terms.
- Risk mitigation uses **price cuts**, **WC**, **escrow**, or **indemnities**.
- Buyers also seek speed and deal certainty.

🛡️ Seller Objectives in Post-DD Negotiation

- Sellers defend agreed valuation and limit closing conditions.
- They argue issues were known or immaterial.
- Sellers seek clean exits with minimal post-close liability.
- They push fast closing with limited conditions precedent.
- Buyer protection versus seller certainty defines **negotiation tension**.



1. Understanding the Post-Due Diligence Negotiation Game (Part 2)

The Four Negotiation Levers

- Post-DD negotiation trades four levers between buyers and sellers.
- First lever is "**price**" including base value and closing calculations.
- Second lever is "**structural adjustments**" covering WC, net debt, earnouts.
- Third lever is "**protective provisions**" like R&W, indemnities, escrows.
- Fourth lever is "**conditions precedent**" required before closing.
- Lever interaction determines negotiation strategy and outcome.

Price and Adjustment Mechanisms

- Price negotiation extends beyond headline purchase price.
- Buyers prefer completion accounts tied to closing-date financials.
- Sellers prefer locked box pricing fixed at historical dates.
- Working capital adjustments ensure normalized operating liquidity.
- Net debt adjustments capture liability movements pre-closing.
- These mechanisms can shift tens of millions.

Protective Provisions and Deal Certainty

- Protective provisions allocate post-closing risk legally, not economically.
- Indemnities define payment responsibility for pre-closing issues.
- Escrow holdbacks retain purchase price for claim coverage.
- Conditions precedent allow termination if requirements fail.
- MAE clauses define deterioration justifying walk-away.
- Sellers see risk; buyers see essential protection.

