Buyer Red Flags Guide

How to tell a serious buyer from a time waster, before you share anything

Selling a business attracts a lot of people who are not going to buy one. Some are wasting your time by accident, some on purpose, and a few will use the process to learn how your business works. You cannot avoid talking to buyers, but you can find out which kind you have quickly and cheaply. Every question below can be asked in the first conversation and none of them is rude.

We publish this knowing it will be used on us. That is the point. If a buyer objects to being asked these questions, you have your answer.

Before you share anything

01 They will not name the buying entity

What it looks like. Everything is 'we' and 'our fund' with no company behind it. The email is a Gmail address. The website has no registration number.

What to ask. Which registered company would sign the purchase agreement, and what is its number?

A good answer sounds like. A name and a number you can look up in thirty seconds, with filings that match what they told you about themselves.

02 Proof of funds is always one step away

What it looks like. Funding is confirmed 'subject to exclusivity', or 'once we are further along', or it is a screenshot with the account details cropped out.

What to ask. What is the source of the money, and at what point can I see evidence of it?

A good answer sounds like. A clear structure: our own cash, or a named lender, or a fund with a stated size. Being told it comes later is fine if they tell you exactly when.

03 They are not actually the buyer

What it looks like. They talk about 'our network', 'our investors', 'matching you with the right partner'. They want your financials to show someone else.

What to ask. Are you buying this yourself, or introducing me to someone who might?

A good answer sounds like. Either answer is fine. What is not fine is discovering the difference in month two. An intermediary who says so up front can still be useful.

04 An NDA that only protects them

What it looks like. A mutual NDA is standard. A one-way NDA where you disclose and they do not, or one with no non-solicit of your staff and suppliers, is not.

What to ask. Can we make this mutual, and can it include a non-solicit on my team and suppliers?

A good answer sounds like. Yes, without discussion. This is normal and any real buyer has signed one before.

During diligence

05 The scope keeps growing and the clock never starts

What it looks like. Each answer produces three new questions. There is no diligence list, no end date, and no sense of what would satisfy them.

What to ask. What is the full list of what you need, and what date do you expect to complete it?

A good answer sounds like. A written list and a date. Real buyers work to a timetable because their own money or their investors' money is waiting on it.

06 Operational curiosity that is not about risk

What it looks like. Questions about your exact supplier contacts, your creative testing process, your keyword list, your margins per SKU, long before anything is agreed.

What to ask. How does this affect the offer? I can share it at the right stage.

A good answer sounds like. A reason tied to valuation or risk. Legitimate diligence is about whether the profit is real and repeatable, not about how you achieved it.

07 The retrade on something they already knew

What it looks like. The price drops late in the process, and the reason given is a fact that was in the very first pack you sent.

What to ask. This was disclosed before you made the offer. What changed?

A good answer sounds like. Nothing, because a serious buyer prices what they were told. A price only moves honestly when diligence finds something genuinely new.

08 No decision maker in the room

What it looks like. Every point has to go back to a partner, a committee or an investor you never meet, and the answers take a week each.

What to ask. Who signs this off, and can I speak to them?

A good answer sounds like. Either the person in front of you decides, or they introduce you to whoever does. A buyer who cannot get you to the decision maker may not have one.

At the offer

09 Almost none of it is cash at completion

What it looks like. The headline number is large and most of it is an earnout, deferred consideration or shares in the buyer.

What to ask. What lands in my account on the day we complete, as a number and as a percentage?

A good answer sounds like. A specific figure. Deferred elements are normal and sometimes sensible, but you should be comparing offers on cash at completion, not on the headline.

10 An earnout you do not control

What it looks like. Your remaining payment depends on performance after the buyer has taken over marketing, pricing and supply.

What to ask. Which of the things this earnout depends on will I still control?

A good answer sounds like. Either you keep genuine control of the levers, or the earnout is tied to something simple and hard to manipulate, like gross revenue. If neither, treat it as worth nothing and decide whether the cash alone is enough.

11 No escrow, no completion mechanics

What it looks like. Funds will be wired 'on the day'. There is no third party holding anything and no defined order for transferring assets.

What to ask. Which escrow or solicitor client account are we using, and in what order do assets move?

A good answer sounds like. A named escrow provider or a solicitor. This costs very little and it protects both of you, so resistance to it is the tell.

12 The paperwork does not match the conversation

What it looks like. The heads of terms say something different from what was agreed on the call. Warranties are unlimited. The non-compete covers industries you have never worked in.

What to ask. Can you point me to where the terms we agreed appear in this document?

A good answer sounds like. They can, immediately. Drafting differences happen. A pattern of them going one way does not.

The four questions worth asking every buyer

1. WHICH REGISTERED ENTITY WOULD SIGN?

Then look it up. Incorporation date, filed accounts, who controls it. Two minutes, and it tells you most of what you need.

2. WHERE IS THE MONEY AND WHEN CAN I SEE IT?

Not whether they have it. When you will see evidence, and what that evidence will be.

3. HOW MANY OF THESE HAVE YOU COMPLETED?

A first-time buyer is not disqualified, plenty of good deals are somebody's first. But it changes how much of the process you should expect to drive.

4. WHAT WOULD MAKE YOU WALK AWAY?

The most revealing question in the list. A serious buyer answers it precisely, because they have already thought about it. A tyre kicker has not.

One thing that is not a red flag

A buyer who tells you early what they will not do. A stated maximum, a range they work within, an admission that they cannot match what a competitive auction might produce. That reads as a weak offer and it is usually the opposite. The buyer who agrees to everything at the start is the buyer who renegotiates at the end.