

The Offer Curve: How Buyer Behaviour Changes Across the Deal Timeline

A practical guide to decoding buyer signals, understanding valuation shifts, and navigating the dynamics that shape real-world offers.

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Executive Summary

"During diligence, buyers probe weaknesses, question assumptions and aim to transfer risk wherever possible. Some buyers behave professionally. Others use exclusivity to attempt tactical retrading"

In mid-market M&A, many founders assume that deals progress in a simple sequence: interest, offer, due diligence, confirmation and completion. The reality is far more nuanced. Buyer behaviour evolves throughout the process, shaped not only by financial analysis but also by psychology, incentives, internal politics and the strength of competitive tension.

The Offer Curve maps these behavioural shifts, showing why buyer enthusiasm is highest early in the process, why caution intensifies as more information is revealed and why negotiations become more rigid as the deal moves towards signing. The most important turning point, and the one that founders often underestimate, is exclusivity. Once exclusivity is granted, the balance of power changes immediately.

Competitive tension falls away, the buyer gains leverage and the full diligence process begins.

This is the point at which value is most at risk, and where high quality sell-side advisers do their most important work.

During diligence, buyers probe weaknesses, question assumptions and aim to transfer risk wherever possible. Some buyers behave professionally. Others use exclusivity to attempt tactical retrading, to

tighten structure or to revisit issues that were supposedly settled. Almost all of these attempts are driven by opportunity rather than necessity. The main reason for a buyer to alter the headline economics after exclusivity is a factual inaccuracy in the seller's financial information. Legal, operational or commercial risks that emerge during diligence are normally addressed through specific indemnities and targeted protections, not valuation cuts.

The role of the sell-side adviser is to recognise the difference between genuine risk assessment and opportunism, to control the pace and structure of the process and to prevent unjustified movement in price or terms. The Offer Curve provides founders with a practical framework for understanding how buyer behaviour changes across the deal timeline, and how disciplined advisory support protects value at the moments where the seller is most exposed.

A high headline valuation is only meaningful if the buyer can and will deliver it. The Offer Curve helps founders focus not only on numbers but on reliability, behaviour and the conditions needed to secure a final outcome that matches the initial promise.



Understanding Buyer Psychology

"The challenge is to ensure that genuine underwriting is not confused with tactical manoeuvring, and that the buyer's psychological comfort does not become an excuse to chip away at price or structure"

Every M&A process is shaped by buyer psychology. Financial models, integration plans and diligence checklists matter, but behind these sit predictable behavioural patterns that appear across buyer types, sectors and market conditions. Understanding these patterns is essential for reading the Offer Curve, anticipating inflection points and defending value throughout the deal.

Buyers are not simply analysing financial statements. They are continuously reassessing risk, internal alignment, the degree of competitive tension and the certainty of execution. Their behaviour changes because their perception of risk and leverage changes. As the process advances, the buyer is exposed to more information, more scrutiny and greater internal challenge. This produces a clear shift in mindset, and it is this shift that defines the Offer Curve.

At the outset, buyers are driven primarily by desire. They see the potential benefits of the acquisition, whether these relate to market entry, new capabilities, a deeper customer base, strategic positioning or attractive financial returns. Early enthusiasm costs nothing. It is an expression of interest, not a demonstration of commitment.

Alongside desire, however, sits fear. Even when the strategic logic is strong, buyers worry about what could go wrong. They consider integration difficulties, key person dependency, customer concentration, financial variability, cultural fit and the risk of undisclosed issues. These concerns act as a counterweight to early optimism.

Founders usually see only the desire. Experienced sell-side advisers pay equal

attention to the fear, because it is the fear that ultimately shapes buyer behaviour as the process unfolds.

As engagement deepens, the buyer's mindset evolves. Curiosity gives way to evaluation. Questions become sharper and more targeted. Assumptions are tested. The buyer begins to think less like an entrepreneur imagining upside and more like a risk manager assessing exposure. This is the natural point at which enthusiasm becomes conditional. It is not a sign of retreat but the start of serious underwriting.

The most significant psychological shift occurs at the point of exclusivity, because exclusivity removes competitive tension and gives the buyer a much stronger position. Once inside exclusivity, buyers scrutinise the business in a way that is necessarily more formal, more cautious and more forensic. The tone becomes more controlled and the pace becomes more deliberate. This is normal, but it also creates a clear opportunity for opportunistic buyers to push for concessions that are not supported by evidence.

This is where robust sell-side representation is essential. The challenge is to ensure that genuine underwriting is not confused with tactical manoeuvring, and that the buyer's psychological comfort does not become an excuse to chip away at price or structure.

Understanding buyer psychology allows founders to interpret behaviour correctly, avoid emotional reactions and maintain control of both value and momentum.



Offer Curve Explained

"Buyers start with curiosity, move through phases of evaluation and enthusiasm, then shift into caution, scrutiny and final commitment as the deal approaches signing"

The Offer Curve describes the predictable behavioural arc that buyers follow as a deal progresses. Although every transaction has its own specific characteristics, the psychological pattern is remarkably consistent. Buyers start with curiosity, move through phases of evaluation and enthusiasm, then shift into caution, scrutiny and final commitment as the deal approaches signing.

The early phase is marked by low effort and high enthusiasm. Buyers appear energetic, positive and highly engaged. As dialogue continues, buyers begin to test credibility. Their questions become more structured. They examine growth drivers, margin quality, customer concentration, operational control and management depth. Curiosity shifts into focused evaluation. Enthusiasm remains, but it becomes conditional on what the buyer learns. The Offer Curve rises more slowly, grounded now in a clearer assessment of substance rather than in initial excitement.

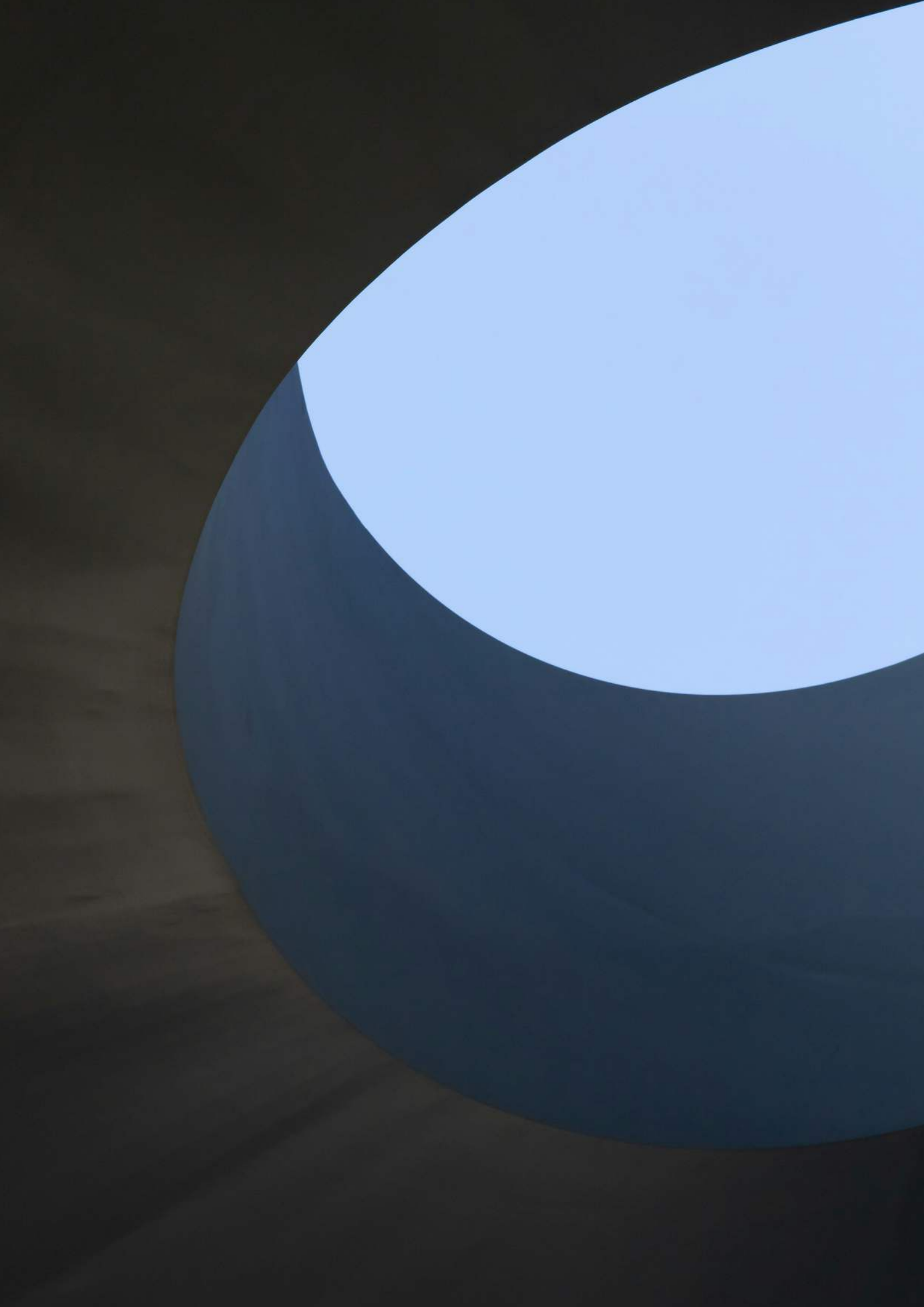
The emotional high point occurs when indicative offers are submitted. Buyers have the least leverage at this moment, and it is common for them to present strong valuations to gain priority and secure a route to exclusivity. A confident headline number, supported by a persuasive narrative, is often used to anchor the founder's expectations and outmanoeuvre competing bidders. Experienced sell-side advisers take advantage of this imbalance by pushing buyers to commit to clear timelines, specific structures and defined diligence scopes before exclusivity is granted. The aim is simple: reduce the buyer's ability to shift terms once they are in a stronger position.

The shape of the curve changes fundamentally once exclusivity begins. Competitive tension disappears, the buyer gains leverage and the detailed diligence process begins. The buyer now moves from imagination to verification, from narrative to evidence, and from optimism to caution. The tone becomes more formal, the questioning more forensic and the pace more controlled. The Offer Curve appears to dip at this stage, not because the valuation should change, but because the buyer's psychology has shifted from desire to risk management.

It is during this period that weaker advisers lose value and stronger advisers protect it. Many buyers attempt to use the tone of diligence to justify changes to the deal, but in the absence of a factual inaccuracy in the seller's information, these attempts are tactical rather than legitimate. The task of the sell-side adviser is to anticipate these moves, challenge them confidently and prevent opportunistic erosion of price or structure.

As diligence nears completion, the process enters the negotiation phase. Buyers refine drafting, focus on risk allocation and present their requirements with increasing firmness.

The final stage involves crystallising the transaction. Internal committees provide final approvals, integration planning solidifies and legal documents are tightened. Any remaining adjustments should relate only to clearly identified factual matters or to the precise mechanics of indemnities and protections.



The Diligence Dip: A Shift In Tone

"The longer diligence lasts, the more opportunity a buyer has to identify points of leverage, and the more exposed the seller becomes to fatigue and pressure"

For founders, the most emotionally difficult point in any M&A process is the Diligence Dip. This is the moment when the buyer's tone changes, when initial optimism gives way to a more serious and methodical approach, and when the scrutiny becomes intense. The change can feel abrupt, even adversarial. In reality, it is a predictable shift that reflects the buyer's move from high-level assessment to detailed verification.

The Diligence Dip takes place inside exclusivity, which means the buyer is operating from a position of increased leverage. Exclusivity removes competitive tension and gives the buyer the time and authority to dig deeply into the business. The buyer's mindset changes from possibility to risk management.

It is essential to separate the psychological impact of the Diligence Dip from the economic implications. The change in tone is normal. A change in valuation is not. The only legitimate reason for a buyer to alter the headline price after exclusivity is a factual inaccuracy in the seller's information, usually a misstatement in the financials or a material change in trading conditions. Almost every other form of risk that emerges during diligence is addressed through specific indemnities, limited escrows or targeted protections, not through a reduction in price.

This distinction is critical, because opportunistic buyers often attempt to use the intensity of diligence as a platform for retrading. They raise concerns aggressively, exaggerate issues, question assumptions that were previously noted and present ordinary commercial risks as though they were deal breakers. Their aim is to test the seller's resolve and to see

whether the change in leverage that exclusivity creates can be converted into an economic advantage.

This is the stage where an experienced sell-side adviser becomes indispensable. The adviser anticipates attempts at opportunistic retrading, challenges unjustified reasoning and protects the integrity of the original terms. Skilled advisers ensure that any concerns raised during diligence are dealt with proportionately and factually, without allowing the buyer to recast ordinary risks as grounds for a valuation adjustment.

The Diligence Dip can also be emotionally draining for founders. A business they have built over many years is examined line by line, contract by contract and decision by decision. Queries that are designed to be analytical can feel accusatory. The buyer's shift from warmth to formality can be misinterpreted as a loss of interest.

The longer diligence lasts, the more opportunity a buyer has to identify points of leverage, and the more exposed the seller becomes to fatigue and pressure. Momentum protects value at this stage, and a good adviser controls pace, coordinates responses and prevents unnecessary delays. Clear information flow and thorough preparation reduce uncertainty and keep the process on track.

The purpose of diligence is to replace assumption with evidence. For founders, this phase is not a judgement of their competence but a standard process of verification. For advisers, it is the point at which discipline, experience and calm negotiation determine whether the deal proceeds on the terms that were originally agreed.



The Negotiation Tension Zone

"When handled correctly, this stage leads to a balanced and clearly defined set of final terms that reflect the true nature of the business and the real risks involved"

As diligence progresses and the buyer's understanding of the business becomes more complete, the tone of the process changes once again. The buyer shifts from gathering information to shaping the final structure of the deal. Their language becomes more formal, their demands more specific and their focus turns to the allocation of risk. This stage is the Negotiation Tension Zone, and it is one of the most sensitive points in any transaction.

It is during the Negotiation Tension Zone that buyers typically request additional protections and refine the structure of the transaction. Certain adjustments are legitimate. Buyers may seek to introduce narrowly defined indemnities and other protections to account for risks identified during diligence. These are ordinary parts of the process.

However, this is also the phase where the risk of opportunistic behaviour increases. Some buyers attempt to use this stage to revisit points that were settled before exclusivity, or to push for structural changes that are not supported by evidence. They may attempt to extend earn out periods, increase rollover requirements or introduce broad conditions that give them optionality. These tactics rely on the assumption that the seller, having already invested significant time and emotional energy and having granted exclusivity, will concede rather than risk destabilising the deal.

A disciplined sell-side adviser does not allow this assumption to stand. This is the point in the process where advisory experience matters most. The adviser identifies which requests are reasonable and which are tactical, controls the pace of

negotiation and prevents the buyer from using drafting exercises as a means to reopen economic points. By creating a clear separation between factual risk and opportunistic manoeuvring, the adviser ensures that the negotiating balance remains steady and that the economic terms agreed before exclusivity remain intact.

The Negotiation Tension Zone is also the point at which founders are most vulnerable to fatigue. After months of work, it is natural to want the process to conclude quickly. Buyers understand this and may attempt to apply pressure by presenting their positions as final or non-negotiable. A calm adviser is essential at this stage. They act as a buffer, absorbing pressure, maintaining perspective and ensuring that concessions are made only when they are justified and proportionate.

Founders who bypass their advisers during this period often weaken their own position. Direct conversations with the buyer can inadvertently reveal priorities, sensitivities or points of flexibility that the buyer can use to its advantage. They can also escalate tensions unnecessarily. For this reason, the Negotiation Tension Zone should be adviser managed from start to finish.

When handled correctly, this stage leads to a balanced and clearly defined set of final terms that reflect the true nature of the business and the real risks involved. When handled poorly, it allows buyers to exploit the dynamics created by exclusivity and to shift value in their favour. The role of the adviser is to ensure that only legitimate issues influence the shape of the final deal and that the seller's value is protected.



Why Offer Integrity Matters

"A committed buyer prepares internally, engages consistently, responds professionally and does not use exclusivity as a licence to shift terms unnecessarily"

Headline valuation is only meaningful if the buyer can and will deliver it. Many founders focus on the number that appears in the indicative offer. They assume that once a buyer has put forward a value, the hard work is done and the remaining steps are administrative. Experienced advisers know that the opposite is true. The headline number is the start of the examination, not the end of it.

Offer integrity is the quality that determines whether a deal proceeds smoothly to completion or collapses under pressure. It reflects the buyer's intention to complete the transaction, their organisational ability to follow through and their behaviour throughout the process. These three elements together are what distinguish a reliable buyer from a fragile one.

Commitment is the buyer's genuine intention to complete the deal. A committed buyer prepares internally, engages consistently, responds professionally and does not use exclusivity as a licence to shift terms unnecessarily. A buyer without commitment may appear enthusiastic early on, but will hesitate when scrutiny increases or when internal debate emerges.

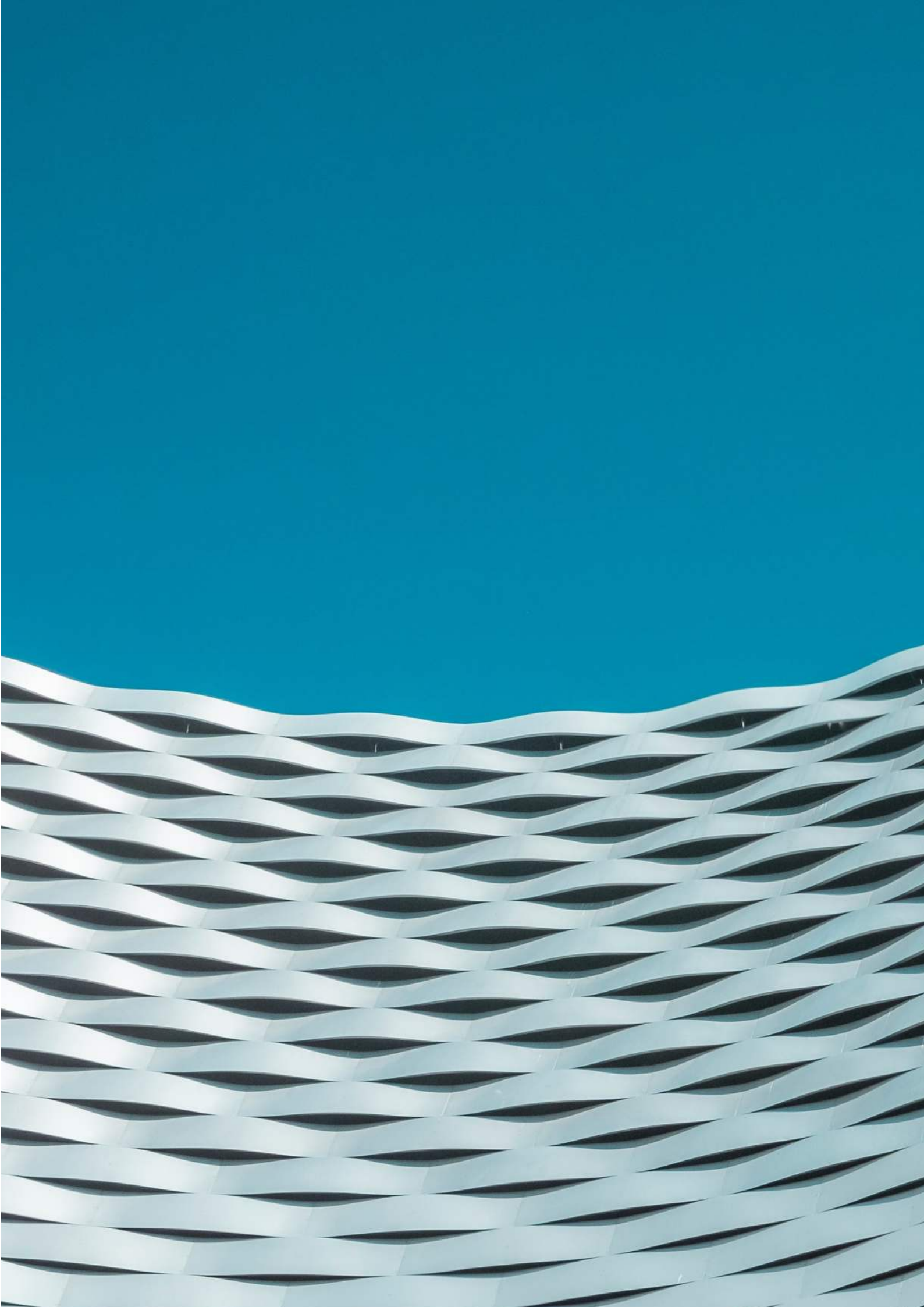
Capability is the buyer's ability to execute the transaction. This includes financial resources, internal alignment, decision-making clarity and the operational capacity to complete diligence properly. A buyer with high capability moves with confidence, knows what they need and progresses in a structured manner. A buyer with low capability creates confusion, slows the process and often attempts to compensate for weak preparation by shifting risk onto the seller.

Conduct is the behavioural element. Buyers reveal their true nature during diligence and negotiation. Serious buyers remain calm, respectful and organised even when discussing difficult issues. Opportunistic buyers exploit ambiguity, introduce unnecessary complexity, delay responses or apply pressure to unsettle the seller. Conduct is one of the most reliable predictors of whether a deal will complete on the terms first presented.

For founders, assessing offer integrity is as important as evaluating valuation. A slightly lower valuation from a reliable buyer is often worth more than a higher valuation from a fragile or inconsistent counterparty. A buyer with strong integrity will complete the transaction with fewer surprises, fewer delays and far less emotional cost. A buyer with weak integrity may consume months of time, expose the business to distraction and attempt to renegotiate key points once the seller is locked into exclusivity.

This is why disciplined sell-side advisers emphasise integrity from the outset. They analyse not only the number, but also the buyer's behaviour, the clarity of their communication, the coherence of their internal team and the realism of their structure. They push buyers to commit before exclusivity and ensure that the terms agreed in the indicative phase are defended during diligence.

Offer integrity is the foundation of a deal that completes on time, on terms and without unnecessary friction. It is not a soft concept. It is a practical tool that protects value. For founders, learning to prioritise integrity alongside valuation is often the difference between a deal that looks attractive and a deal that actually delivers.



The Offer Integrity Index

"Low integrity becomes visible when buyers propose structures that are unnecessarily complex or heavily weighted towards contingent payments. These structures often give the buyer maximum optionality at the seller's expense"

Founders often compare buyers by looking only at valuation. This is understandable, but it is also one of the most common reasons deals fail or deteriorate during exclusivity. A high headline number can disguise a lack of commitment, weak internal alignment or a strategy designed to retrade later. The Offer Integrity Index provides a structured way to assess not only the valuation itself but the likelihood that the buyer will stand behind it.

The Index evaluates six core dimensions of buyer reliability. Each dimension is scored from one to five and together they provide a clear picture of how dependable a buyer really is. The objective is not merely to choose the highest number, but to choose the buyer who will deliver that number with discipline, professionalism and minimal friction.

1. Valuation Credibility (score up to 5)

A credible valuation is evidence based and grounded in a clear strategic or financial rationale. High integrity buyers explain how they reached their number, reference relevant transactions and articulate the assumptions behind their offer. They show that the valuation is the product of structured thinking rather than enthusiasm.

Low credibility appears when the valuation is rounded, heavily caveated or supported by vague references to synergies. Buyers who cannot explain their number clearly at the indicative stage are unlikely to defend it once exclusivity begins.

2. Structure Realism (score up to 5)

The structure of the offer must be deliverable. A realistic structure includes a substantial cash payment at completion,

limited earn out exposure, moderate rollover expectations and a clean overall design. Buyers with strong integrity can point to previous transactions where they have delivered similar structures.

Low integrity becomes visible when buyers propose structures that are unnecessarily complex or heavily weighted towards contingent payments. These structures often give the buyer maximum optionality at the seller's expense.

3. Conditionality Load (score up to 5)

Even before exclusivity, buyers reveal how many exit routes they intend to keep open. High integrity buyers present a concise and clearly defined set of conditions. Their language is specific and they avoid unnecessary caveats.

Low integrity buyers include broad conditions that leave significant room for later adjustment. Heavy reliance on phrases such as "subject to further diligence" or "pending internal discussion" suggest lower conviction and a higher risk of retrading.

4. Diligence Behaviour (score up to 5)

A buyer's behaviour during diligence is one of the strongest indicators of reliability. High integrity buyers operate in an organised and consistent manner. Their questions are focused, relevant and aligned with the financial and operational realities of the business. They communicate clearly and progress at a professional pace.

Low integrity buyers overwhelm the seller with unfocused, duplicative or excessively detailed requests. They introduce long periods of silence, shift priorities unpredictably or adopt an adversarial tone.

This behaviour is often a precursor to opportunistic retrading once the seller is locked into exclusivity.

5. Internal Alignment and Approvals (score up to 5)

Reliable buyers demonstrate clear internal alignment. Different members of their team deliver consistent messages, and there is clarity on who holds final decision making authority. Strong buyers escalate issues to their investment committee early and work through internal debate before asking for exclusivity.

Low integrity buyers frequently change their narrative, and speaking to different employees can leave you with very different impressions of how the process is unfolding. You will often get the same questions from multiple different buyer contacts, and get the sense of very little internal communication.

6. Cultural and Strategic Fit (score up to 5)

A buyer who genuinely understands the business and shares its core values is far more likely to complete the deal. High integrity buyers articulate a clear integration plan, demonstrate respect for the founder and show realistic expectations of the business.

Low integrity buyers often rely on generic synergy claims, lack sector understanding or present a strategic rationale that is inconsistent or weak. Even a financially strong offer can fail if cultural fit is poor.

The Offer Integrity Score

Each of the six dimensions above is scored from 1 to 5. Total score out of 30:

25-30 → High-integrity offer

20-24 → Moderate-integrity offer

15-19 → Fragile offer

Below 15 → Likely to collapse

This gives founders a structured, evidence-based framework for selection, rather than being seduced by headline numbers.



Conclusion: Mastering Deal Dynamics, Not Just Valuation

"The difference between a deal that collapses and a deal that completes is rarely the quality of the business. It is the structure of the process, the discipline of the negotiation and the integrity of the buyer"

M&A is often described in financial terms, but numbers tell only part of the story. The real progress of a deal is shaped by psychology, behaviour and the shifting balance of leverage between buyer and seller. The Offer Curve brings these forces into focus. It explains why buyer enthusiasm is strongest at the start, why caution intensifies during diligence, why negotiation becomes more tense as the deal approaches signing and why the true test of buyer integrity takes place inside exclusivity.

Across the mid-market, the same patterns repeat. Early offers reflect excitement rather than commitment. Indicative valuations show interest rather than readiness. The Diligence Dip reflects risk analysis rather than loss of confidence. The Negotiation Tension Zone is a test of resolve for both buyer and seller, while the final stage reflects the buyer's true willingness and ability to complete.

Success in M&A depends on understanding the full deal dynamic. It requires the ability to read buyer psychology, manage leverage, control tempo and respond to pressure with clarity and discipline. This is where experienced sell-side advisers provide the greatest value. They prevent buyers from using exclusivity to shift terms, they protect the headline valuation agreed at the outset and they guide founders through the moments where the balance of power changes most sharply.

The Offer Curve is not a prediction. It is a framework. It shows founders what professional buyers already understand and what less experienced sellers often discover too late. It reveals the stages at

which value is most at risk and the behaviours that distinguish reliable buyers from fragile ones.

Founders who apply this framework make better decisions. They avoid emotional anchoring, they recognise opportunistic behaviour early, they maintain competitive tension for longer and they select buyers who will complete the transaction on the terms they promised.

The difference between a deal that collapses and a deal that completes is rarely the quality of the business. It is the structure of the process, the discipline of the negotiation and the integrity of the buyer. When founders recognise this, and when they are represented by advisers who understand buyer psychology as deeply as they understand valuation, they place themselves in the strongest possible position. They achieve clarity, protect value and secure outcomes that reflect the true potential of their business.

