INSIDE CORPORATE FINANCE

The Advisory Side of the Deal

Complete 10-Part Series

Corporate Finance • Capital Raising • Deal Execution

Contents

A Good Company Is Not Always an Investable Company

Inside Corporate Finance: The Advisory Side of the Deal

One of the most common misunderstandings in corporate finance is assuming that a good business will automatically be attractive to investors or lenders.

It will not.

A company may have strong products, loyal customers, experienced management and an attractive market position, yet still struggle to raise capital. The reason is simple: investors and lenders do not assess only whether a company is "good". They assess whether the opportunity presented to them is **investable**.

That requires something more specific: understandable numbers, a credible use of funds, an appropriate capital structure, clear governance and a realistic path to repayment or return.

The difference between a good company and an investable company is therefore often not the underlying business. It is the way the business is prepared and presented for a transaction.

Good performance is not enough

Consider a profitable manufacturing company generating €25 million of annual revenue. It has been operating for fifteen years, has established customers and wants to raise €8 million to expand production.

On paper, this sounds attractive.

But the first questions from a financing source will immediately go deeper.

How much EBITDA does the company generate? How volatile has it been over the last three years? What debt is already outstanding? How concentrated are the revenues among the largest customers? What exactly will the €8 million finance? When will the new capacity become operational? How much additional cash flow should it generate? And how will the lender ultimately be repaid?

If management cannot answer these questions clearly, the quality of the underlying company may not be enough to obtain financing.

Capital providers need to understand not only **where the business is today**, but what happens to their money tomorrow.

"We need capital to grow" is not a funding strategy

A recurring weakness in fundraising processes is an imprecise use of funds.

A company may say that it wants €10 million "for growth", "international expansion" or "working capital". Those expressions are too broad to support an investment decision.

A credible funding request should normally be broken down.

For example:

€4 million for a new production line, €2 million for inventory required to support the additional capacity, €1.5 million for commercial expansion into two new markets, €1 million for technology and systems, and €1.5 million of liquidity buffer during the ramp-up period.

Now the capital provider can analyse the request.

It can test whether the amount is proportionate, whether the assumptions are reasonable and whether the proposed capital structure fits the intended use.

This distinction matters because different uses of funds often require different forms of capital. A short-term working capital requirement should not necessarily be financed in the same way as a five-year industrial expansion. Acquiring another company creates different funding needs from covering operating losses.

The advisory work therefore starts before approaching the market: **the company must first understand exactly what it is financing and why.**

The financial story has to reconcile

Investors and lenders quickly lose confidence when the numbers do not tell a consistent story.

A business plan may project rapid growth while historical revenues have been flat. EBITDA may be presented one way in management accounts and another way in the fundraising materials. The company may describe itself as highly cash-generative while consistently increasing short-term borrowing.

None of these points necessarily makes the business unattractive. But they need to be explained.

The financial model, management presentation, historical accounts and funding request should tell the same story.

If EBITDA is being adjusted for exceptional costs, the adjustments should be identifiable and defensible. If growth is expected to accelerate significantly, management should be able to explain what has changed: new contracts, additional capacity, geographic expansion, a new distribution channel or another concrete driver.

A capital provider does not expect every company to be perfect.

It does expect the numbers to be coherent.

The wrong capital can turn a good company into a bad transaction

Being investable also means seeking the **right type of capital**.

A company may be perfectly healthy but pursue a financing structure that does not fit its cash flows.

For example, a business with limited current profitability but significant future growth potential may struggle to support a large amount of amortising debt. Equity or a more flexible capital structure may be more appropriate.

The opposite can also be true. A mature company with predictable cash flows may not need to sell a substantial equity stake simply because management assumes that equity is the only source of growth capital.

This is why the first advisory question should not be:

“Who can provide the money?”

It should be:

“What capital can this company reasonably support?”

Only then should the search for investors or lenders begin.

Governance matters more than many founders expect

A transaction also exposes the internal organisation of the company.

Who actually makes decisions? Are shareholder relationships clear? Are related-party transactions properly documented? Is the corporate structure unnecessarily complicated? Are key contracts signed and available? Are there unresolved disputes between shareholders? Does management reporting provide reliable information?

These issues often appear secondary to founders who have operated the business successfully for years.

To an external investor or lender, they are part of the risk assessment.

A €50 million company that cannot quickly produce basic corporate documentation may appear less institutional than a smaller business with clean governance, reliable reporting and a well-organised data room.

Preparation therefore affects perception.

And perception affects execution.

Management must be able to explain the transaction

A good adviser can prepare financial materials, organise documentation and structure the funding request.

But management eventually has to defend the opportunity itself.

When meeting a potential investor or lender, the CEO or CFO should be able to explain, in relatively simple terms, what the company does, how it makes money, why it needs capital, what the funding will achieve and what the principal risks are.

Overcomplicated answers can be as damaging as incomplete ones.

If the investment proposition requires forty minutes to explain before the capital provider understands what is actually being financed, the transaction probably needs further preparation.

The best opportunities are often relatively easy to summarise:

This is the business. This is what it earns. This is the capital required. This is what the capital will finance. This is the expected result. This is how the investor earns a return or the lender gets repaid.

That clarity is not superficial. It usually reflects substantial work behind the scenes.

Becoming investable before approaching the market

One of the most expensive mistakes in corporate finance is approaching investors or lenders too early.

Once a financing source has reviewed an opportunity and rejected it because the materials were incomplete, the numbers inconsistent or the structure unrealistic, restarting the conversation later can be difficult.

The better approach is to identify the weaknesses before the market does.

That may mean improving financial reporting, clarifying the use of funds, reducing an unrealistic funding request, resolving a shareholder issue, reorganising the corporate structure or simply preparing a better explanation of the company's performance.

Sometimes this work changes the transaction itself.

A company initially seeking €15 million of equity may discover that €8 million of debt plus a smaller equity component produces a better result. Another may conclude that it should postpone fundraising for six months until a major customer contract is signed and the valuation can be supported more convincingly.

That is part of advisory work: not simply taking a company's initial request to the market, but determining whether the proposed transaction actually makes sense.

A good company is the starting point

Strong fundamentals remain essential. No amount of structuring can turn a fundamentally weak business into a compelling investment proposition.

But good fundamentals alone do not create an executable transaction.

An investable company combines the quality of the underlying business with a funding request that can be understood, analysed and ultimately approved.

The numbers need to reconcile. The use of funds needs to be specific. The capital structure needs to fit the business. Governance needs to withstand scrutiny. Management needs to communicate clearly. And the proposed transaction needs to offer a credible economic outcome for whoever is providing the capital.

That is the difference between saying **“this is a good company”** and being able to say:

“this is a transaction the market can actually finance.”

Debt or Equity? Choosing the Right Capital for the Business

Inside Corporate Finance: The Advisory Side of the Deal

When a company needs capital, one of the first questions is usually whether to raise **debt or equity**.

The answer is often treated too simplistically. Debt is described as cheaper because shareholders are not diluted. Equity is described as safer because it does not need to be repaid. Both statements can be true, but neither is enough to determine the right structure.

The real question is not which form of capital is better in general. It is **which form of capital the business can realistically support, given its cash flows, growth plan, risk profile and objectives**.

A company can raise the right amount of money through the wrong instrument and still create a bad transaction.

Start with what the capital is financing

The intended use of funds should normally come before the choice of financing.

Consider two companies both seeking €10 million.

The first is a mature industrial business generating €5 million of stable annual EBITDA and wants to finance a new production facility supported by existing customer demand.

The second is a technology company still investing heavily in growth, with limited current profitability, seeking €10 million to expand into several new markets and develop new products.

The amount is the same. The financing problem is completely different.

The industrial company may be able to service debt from existing and incremental cash flows. For the technology company, requiring fixed interest payments and principal repayment before the expansion has produced predictable cash flows may put unnecessary pressure on the business.

Capital structure should therefore follow the **economic profile of the investment being financed**.

When debt makes sense

Debt can be attractive because existing shareholders retain ownership and, if the investment performs well, the upside remains with them.

But debt is not simply capital without dilution. It creates contractual obligations.

Interest must be paid. Principal must eventually be repaid. Financial covenants may need to be respected. Security may be required. Certain corporate actions may be restricted without lender consent.

For that reason, lenders will focus heavily on the company's ability to generate cash.

A company with predictable revenues, stable margins and strong operating cash flow is generally better positioned to support leverage than one whose future performance depends on assumptions that have not yet been tested.

The key question is not whether management believes the company will grow.

It is whether the business can continue servicing its obligations **if growth is slower than expected**.

A financing structure that only works under the management team's most optimistic forecast is usually too aggressive.

The repayment path needs to be visible

One of the most practical questions in a debt transaction is also one of the simplest:

where does the money for repayment come from?

If a company borrows €15 million for five years, the lender needs a credible answer.

Repayment may come from operating cash flow, refinancing, asset disposals or, in certain structures, a bullet payment supported by a clearly identifiable liquidity event.

What matters is that the repayment strategy is connected to the actual business model.

For example, financing a property development with debt can make sense where repayment is expected from identified asset sales. Financing continuing operating losses with short-term debt while assuming that “the next round” will repay the lender is a much more fragile proposition.

The debt product should also match the timing of the investment. Long-term capital expenditure financed with a facility that must be repaid before the asset starts generating cash creates an obvious maturity mismatch.

When equity is more appropriate

Equity is generally better suited to capital needs where the return is uncertain, the investment horizon is long or the business needs flexibility before generating meaningful cash.

An investor accepts that capital may remain at risk for several years and normally expects compensation through participation in the future value of the company.

For the business, this removes the immediate repayment burden. But the cost is different rather than absent.

The founders are giving up part of the ownership and, frequently, part of the control.

An equity investor may request board representation, information rights, vetoes over certain decisions, anti-dilution protections or specific exit rights. Future dividends and sale proceeds are shared with the new shareholder.

A founder considering equity financing should therefore look beyond the valuation.

Selling 25% of the company is not simply “raising €10 million at a €40 million valuation”. It means introducing another shareholder into decisions that may affect the company for many years.

The right investor can add expertise, credibility, relationships and additional capital. The wrong investor can create strategic friction that is difficult to reverse.

Dilution is not always the most important cost

Entrepreneurs often reject equity because they do not want to dilute their ownership.

That instinct is understandable, but percentage ownership should not be considered in isolation.

Owning 100% of a company worth €20 million is economically different from owning 70% of a company that, with the right capital and execution, becomes worth €100 million.

The opposite is equally true: raising equity at an unnecessarily low valuation can permanently transfer substantial value away from existing shareholders.

The relevant question is therefore not simply how much ownership is being given away, but **what the capital is expected to create in return**.

If €10 million of new equity allows the company to enter a market, acquire a competitor or build capacity that would otherwise be impossible, dilution may be economically rational.

If the capital merely covers recurring losses without a credible path to improvement, the same dilution may only postpone the underlying problem.

Sometimes the answer is both

The choice is not always binary.

Many transactions combine debt and equity.

Suppose a company needs €20 million to acquire a competitor. Funding the entire amount with equity may cause unnecessary dilution. Funding the entire amount with debt may create excessive leverage.

A structure combining €12 million of debt with €8 million of new equity may produce a more sustainable balance.

Other forms of capital can sit between traditional senior debt and ordinary equity: subordinated debt, mezzanine financing, convertible instruments, preferred equity or vendor financing.

Each comes with a different combination of return, control, priority and risk.

The purpose of structuring is not to select the most sophisticated instrument available. It is to create a capital stack that the company can actually sustain.

What the balance sheet already looks like matters

A financing decision cannot be made without looking at what is already there.

A company generating strong EBITDA may appear capable of taking on additional debt, but the conclusion may change if it already has significant bank facilities, shareholder loans, leasing obligations and short-term liabilities.

Similarly, a company with little financial debt may still have large working capital requirements that absorb most operating cash flow.

Investors and lenders therefore look at the business in context.

How much leverage exists today? When does existing debt mature? What security has already been granted? Are there covenants restricting new borrowing? How much cash does the company actually generate after capex and working capital?

These questions determine the capacity for additional financing far more reliably than a headline EBITDA figure alone.

The advisory role is to challenge the initial request

Management often begins a financing process with a predetermined view: “we want €15 million of debt” or “we want to sell 20%”.

That view should be treated as a starting point, not necessarily as the final structure.

A proper advisory process tests the request against the business.

If the company cannot support the proposed debt, the solution is not simply to search for a more aggressive lender. It may be to reduce the debt component, add equity or redesign the investment plan.

If the company can comfortably support borrowing, selling a large equity stake simply because an investor is available may not be optimal either.

Sometimes the best advice is to raise less capital. Sometimes it is to raise more but for a longer period. Sometimes the right recommendation is to delay the transaction until financial performance supports better terms.

The objective is not merely to obtain funding. It is to obtain funding **without damaging the company that the funding is supposed to help grow**.

Capital should fit the business, not the other way around

Debt and equity solve different problems.

Debt works best where the company can demonstrate a credible ability to service and repay capital without compromising the business.

Equity works better where the company needs risk-bearing capital, flexibility and time before the expected return materialises.

And in many cases, the right answer is a combination of both.

The most important point is that financing should not begin with the instrument.

It should begin with the company: its cash flows, its objectives, its existing balance sheet, its risks and the investment it is trying to make.

Only then does the real financing question become clear:

not “debt or equity?”, but “what capital structure gives this business the best chance of succeeding after the money arrives?”

PART 3

What Investors and Lenders Actually Look At First

Inside Corporate Finance: The Advisory Side of the Deal

Companies approaching investors or lenders usually begin by explaining what makes their business exceptional: the market opportunity, the product, the management team and the growth potential.

All of this matters. But it is rarely where a professional capital provider begins.

Before becoming interested in the upside, investors and lenders want to understand the **quality of the business, the reliability of the information presented and the risks attached to the capital being requested**.

Management naturally starts with potential. Capital providers tend to start with evidence.

How does the business actually make money?

This is one of the simplest questions in corporate finance, but also one of the most revealing.

A company may have substantial revenues and an impressive customer base, yet still struggle to explain clearly where its economic value is generated.

What drives revenue? How recurring is it? What determines margins? How much capital is required to support growth? How concentrated is the business around a few customers, suppliers or individuals?

Consider two companies generating €40 million of annual revenue.

One has recurring contracts, diversified customers and a 20% EBITDA margin. The other depends on two customers for most of its turnover, operates at much lower margins and absorbs significant working capital as it grows.

The headline revenue is the same. The quality of that revenue is very different.

Professional capital providers therefore look beyond size. They want to understand the **economics behind the numbers**.

Historical performance gives credibility to the forecast

Every financing process involves forecasts, but forecasts are more credible when they can be connected to historical performance.

If a company has consistently produced €3 million of EBITDA and now forecasts €8 million within two years, the increase may be entirely reasonable. But there needs to be an identifiable explanation.

Perhaps a new factory is becoming operational. Perhaps new customer contracts have already been signed. Perhaps an acquisition will add scale or margins.

What matters is the bridge between the historical business and the projected one.

A business plan that assumes higher revenue and profitability each year without identifying the operational drivers behind those assumptions will be treated cautiously.

Investment committees and credit committees do not underwrite optimism. They underwrite assumptions that can be tested.

Cash matters more than the headline EBITDA

EBITDA is useful, but it is not cash.

A company can report attractive profitability while consuming substantial liquidity through capital expenditure, working capital, taxes or debt service.

For a lender, the distinction is fundamental: interest and principal are paid with cash.

For an equity investor, cash conversion also reveals something important about the quality of the business. A company that requires increasing amounts of capital simply to maintain growth may be less attractive than its income statement initially suggests.

If a business generates €6 million of EBITDA but requires €4 million of annual capex and another €1.5 million of working capital, the picture changes considerably.

This is why a financing case should never be built around a single attractive metric.

The market will eventually reconstruct the full picture. It is better to present it properly from the beginning.

Existing leverage changes the analysis

A company seeking €10 million of new debt cannot be assessed only on the basis of that €10 million.

The lender will examine everything already sitting on the balance sheet: bank facilities, leasing, factoring, shareholder loans, guarantees and other obligations.

Maturity dates matter as much as nominal amounts. €15 million of debt can be manageable if it is supported by strong cash generation and well-distributed maturities. The same amount can become problematic if most of it must be repaid within twelve months.

Equity investors also care about leverage because debt sits ahead of shareholders and can reduce strategic flexibility.

The relevant question is therefore not simply how much debt exists, but **how the entire capital structure interacts with the company's cash generation**.

Concentration risk can change the investment case

Customer concentration is another area investors and lenders examine quickly.

A €50 million business may look highly attractive until it becomes clear that one customer represents €20 million of annual revenue.

The same applies to dependence on one supplier, one licence, one distribution channel or one individual who controls most of the commercial relationships.

These concentrations are not necessarily fatal. A major customer may have worked with the company for twenty years under a strong contractual relationship.

But the dependency needs to be understood.

A useful advisory question is:

what could disappear tomorrow and materially change the business?

Whatever the answer is will probably become a major focus of due diligence.

Management credibility is tested through consistency

Capital providers invest not only in numbers but also in the people expected to deliver them.

Management credibility is not demonstrated by an impressive biography. It is demonstrated through command of the business.

A good management team knows its numbers, understands why actual performance differs from budget and can discuss risks without becoming defensive.

If the CEO presents one set of assumptions, the CFO another and the financial model a third, confidence falls quickly.

Interestingly, acknowledging a problem can sometimes strengthen the investment case. Investors and lenders are accustomed to businesses having weaknesses. What concerns them is management that does not understand or cannot quantify those weaknesses.

Governance indicates how institutional the company really is

Governance also matters because external capital changes the relationship between the company and its stakeholders.

Are financial statements reliable and produced on time? Are shareholder relationships clear? Are related-party transactions documented? Are major decisions properly authorised? Can the company produce its corporate and financial documentation efficiently?

For founder-led businesses, institutional capital can require a degree of transition.

Informality may have worked perfectly when ownership and management were concentrated in the same hands. Once external capital enters the company, the same informality can appear as risk.

This does not mean introducing unnecessary bureaucracy. It means ensuring that the organisation can withstand external scrutiny.

Different capital providers look for different things

A lender is primarily concerned with repayment and downside protection. It will focus heavily on cash flow, leverage, security, covenants and resilience under adverse scenarios.

An equity investor accepts greater risk but expects greater upside. It will therefore place more weight on growth, scalability, management, competitive positioning, valuation and exit potential.

The same company can therefore be attractive to one type of capital provider and unsuitable for another.

The adviser's role is not simply to present the company positively. It is to understand **what matters to the specific investor or lender being approached**.

Evidence before ambition

A capital provider may initially look at revenue, EBITDA and leverage, but the decision ultimately depends on the coherence of the entire proposition.

Does the business model make sense? Are the forecasts connected to reality? Does the company convert earnings into cash? Is leverage sustainable? Are key dependencies understood? Does management appear credible?

A good financing presentation should not pretend that the company has no weaknesses. It should demonstrate that management understands them. That is what sophisticated investors and lenders are ultimately looking for: **not perfection, but evidence that the risks are visible, understood and compatible with the return being offered.**

Use of Funds: Why “Growth” Is Not a Financing Strategy

Inside Corporate Finance: The Advisory Side of the Deal

A company seeking capital will eventually face a deceptively simple question: **what exactly will the money be used for?**

The answer is often surprisingly vague. “Growth”, “international expansion”, “working capital” or “general corporate purposes” may describe the broad objective, but they tell an investor or lender very little about what will actually happen once the capital reaches the company.

A credible financing request requires more than an amount. It requires a clear connection between **capital, deployment and expected economic outcome**.

If a company is asking for €10 million, the capital provider should be able to understand why €10 million is needed rather than €6 million or €15 million, when it will be deployed, what it will finance and what effect that expenditure is expected to have on the business.

The use of funds is therefore not a secondary section of the presentation. It is one of the foundations of the transaction.

From an amount to an investment plan

Consider a manufacturing company seeking €12 million “to expand production and support growth”.

The statement is plausible, but not particularly useful.

A more credible request might identify €6 million for a new production line, €2 million for additional inventory and receivables generated during the ramp-up period, €1.5 million for the opening of a new commercial market, €1 million for technology and automation, and €1.5 million as liquidity reserve during implementation.

The total amount has not changed. The quality of the financing proposition has.

The investor or lender can now analyse whether the production line is appropriately costed, whether the additional working capital is consistent with projected revenues, when the new capacity will become operational and whether the liquidity buffer is sufficient.

In other words, the funding request has become **testable**.

That is essential because professional capital providers are not simply deciding whether they like the company. They are deciding whether they are comfortable financing a particular deployment of capital.

The use of funds should explain the financing structure

Different uses of capital naturally support different financing instruments.

Long-term industrial capex that is expected to generate predictable cash flows over several years may be suitable for medium- or long-term debt. A temporary working-capital requirement may instead call for a revolving or short-term facility. An acquisition may require acquisition finance, equity or a combination of both. A high-risk expansion into an untested market may be difficult to finance entirely through senior debt.

This is why “we need €10 million” is only the beginning of the conversation.

The adviser should ask what each euro is expected to finance and then determine whether the proposed capital structure matches the economic life and risk of that expenditure.

A common mistake is to do the opposite: management first decides that it wants debt or equity and then attempts to fit every capital requirement into that instrument.

The financing structure should follow the use of funds, not dictate it.

Capital expenditure and operating losses are not the same thing

The distinction becomes particularly important when a company describes its funding requirement as “growth capital”.

Suppose two businesses each seek €8 million.

Company A needs the money to build a facility that will increase production capacity by 40%, with customer demand already substantially identified.

Company B expects to lose €8 million over the next eighteen months while attempting to reach sufficient scale to become profitable.

Both may legitimately describe the funding as capital for growth. Economically, however, the two propositions are completely different.

In the first case, the capital is being invested in an identifiable asset expected to generate incremental cash flow. In the second, the capital is funding a period during which the company's operating model remains cash-negative.

That distinction will materially affect the type of capital available, the risk assessment, the expected return and the conditions attached to the financing.

Precise use-of-funds analysis therefore prevents broad terminology from obscuring the real economics of the transaction.

A use of funds should connect to measurable results

The strongest financing cases do not stop at explaining where the money goes. They explain **what the money is expected to produce**.

If €5 million is being invested in additional production capacity, what capacity does it create? What incremental revenue can that capacity support? When does production begin? What margins are expected?

If €3 million is allocated to an acquisition, what EBITDA is being acquired and what integration costs are anticipated?

If capital is required for working capital, what growth in receivables or inventory explains the requirement, and when should that working capital convert back into cash?

This does not mean every investment must have an immediate or perfectly measurable return. Technology, brand development and geographic expansion may have longer or less predictable payback periods.

But the economic rationale should still be intelligible.

The use of funds should provide the bridge between **the financing being requested today and the business the company expects to have tomorrow**.

The amount requested should withstand scrutiny

Another recurring problem arises when the funding amount appears to have been selected before the underlying requirements were calculated.

Management may initially decide that it wants to raise €20 million because that amount provides comfort or because it represents what the market is believed to be able to provide.

Once the expenditure plan is examined, however, the business may only have a credible requirement for €13 million.

Raising more capital than necessary is not automatically positive. Debt creates interest and repayment obligations. Equity creates dilution. Undeployed capital sitting on the balance sheet may therefore impose a cost without producing a corresponding return.

The opposite problem is equally serious. Underestimating the capital requirement can force the company back into the market before the original investment has produced results, often from a weaker negotiating position.

Good advisory work should therefore challenge the amount requested rather than merely package it.

The relevant question is: **how much capital does the business actually need to execute the plan with a reasonable margin of safety?**

Timing matters as much as amount

A company may genuinely require €20 million over three years without needing €20 million on day one.

If €5 million is required immediately, another €7 million after twelve months and the remainder only once specific milestones have been achieved, a staged financing structure may be more efficient.

This can reduce financing costs and, in an equity transaction, potentially reduce dilution if later capital is raised at a higher valuation after milestones have been delivered.

It can also improve the risk profile for the capital provider by linking additional funding to execution.

The use-of-funds analysis should therefore consider **when capital is required**, not simply its aggregate amount.

This is especially important in project-based businesses, acquisition programmes, development situations and companies undertaking substantial capex.

What investors and lenders infer from the answer

The use-of-funds discussion also tells the capital provider something about management itself.

A team that can explain precisely why it needs €12 million, how the amount was calculated, when it will be spent and what results are expected demonstrates a degree of financial discipline.

A team that cannot explain why it needs €12 million rather than €10 million raises a different question: how carefully has the underlying business plan actually been prepared?

For that reason, the use of funds is not merely a financial schedule. It is also an indicator of **management's understanding of its own capital requirements**.

Professional investors and lenders will often challenge individual assumptions precisely to see whether the financing request has been built from the business upwards or simply from the desired amount downwards.

Capital should have a job

Every financing transaction begins with a need for money, but a serious financing proposition should end with something much more precise.

The capital should have a defined purpose, a deployment timetable and an identifiable economic rationale. The amount requested should reconcile with the business plan, and the financing instrument should be appropriate for what the money is intended to achieve.

“Growth” may explain why a company wants capital.

It does not explain why someone should provide it.

A credible use of funds does.

The most useful question for management is therefore not simply **“How much capital do we want to raise?”**

It is: **“What specific job will that capital perform once it enters the business?”**

PART 5

Valuation Is Not Just a Number

Inside Corporate Finance: The Advisory Side of the Deal

Few subjects in corporate finance generate more disagreement than valuation.

Founders often begin with a number they believe reflects what they have built. Investors approach the same company through return expectations, comparable transactions and risk. Lenders may care less about theoretical enterprise value and more about cash generation, asset coverage and downside protection.

All three can look at the same business and reach very different conclusions.

This is because valuation is not simply the result of applying a multiple or building a discounted cash flow model. It is the point where **financial performance, expectations, risk, market conditions and negotiating leverage meet**.

A valuation may be mathematically defensible and still be commercially unrealistic.

The number depends on what is being valued

The first source of confusion is often conceptual.

When someone says that a company is "worth €50 million", what does that actually mean?

Is €50 million the enterprise value of the operating business? Is it the equity value attributable to shareholders after debt and cash? Is the number based on 100% of the company or a minority stake? Does it assume that existing shareholders retain part of the business?

These distinctions are not technicalities.

A company with an enterprise value of €50 million and €15 million of net debt does not necessarily deliver €50 million to its shareholders in a sale. The starting equity value may instead be substantially lower, subject to the final transaction mechanics.

Before discussing whether a valuation is high or low, the parties need to agree on **what the number actually represents**.

Multiples are useful, but they are not explanations

A common approach is to value a company by applying a multiple to EBITDA, revenue or another financial metric.

A business generating €5 million of EBITDA at an 8x multiple produces an enterprise value of €40 million.

The arithmetic is simple.

The difficult question is why the multiple should be 8x.

Why not 6x? Why not 10x?

The answer depends on the quality of the business behind the EBITDA.

Growth rate matters. Recurring revenue matters. Margins matter. Customer concentration matters. Capital intensity matters. Management dependency matters. Geographic exposure, cyclicality and competitive position all matter.

Two companies with identical EBITDA can therefore deserve materially different valuations.

The multiple is the conclusion of an analysis, not a substitute for one.

EBITDA itself may be negotiable

Even before discussing the multiple, the parties may disagree about the earnings to which it should be applied.

Management may present an **adjusted EBITDA** that removes exceptional costs, restructuring expenses, one-off legal fees or other non-recurring items.

Some adjustments may be entirely reasonable.

Others may be more optimistic.

If a company has incurred “one-off” consulting costs every year for the last four years, the buyer may reasonably question whether they are truly exceptional. The same applies to recurring founder expenses, under-market management salaries or projected synergies that have not yet been realised.

This is why valuation discussions often become less about the headline multiple and more about the quality of the underlying earnings.

A buyer offering 9x on €4 million of sustainable EBITDA may be valuing the company more conservatively than a seller asking 7x on €6 million of aggressively adjusted EBITDA.

The multiple cannot be separated from the number beneath it.

Growth is valuable when it is credible

Future growth can justify a premium valuation, but only when the market believes it.

A company growing revenues by 25% annually with contracted customers, visible capacity and stable margins presents a very different case from one projecting the same growth because management believes the market opportunity is large.

Investors will ask what supports the forecast.

Are new contracts signed? Has production capacity already been installed? Is the sales pipeline measurable? Has the company entered the new market before? What investment is required to achieve the projected growth?

The more speculative the growth, the greater the discount a buyer or investor is likely to apply.

This is one of the central tensions in valuation.

The seller naturally wants to be paid for tomorrow's potential. The buyer naturally wants to avoid paying today for value that it will have to create itself after closing.

The final valuation often reflects where the parties compromise between those two positions.

Risk changes value

Valuation is also an expression of risk.

A company with one customer representing 50% of revenues may be profitable, growing and well managed, but the concentration risk can reduce the price an investor is willing to pay.

The same may happen where the business depends on one regulatory licence, one founder, one supplier or one proprietary technology whose ownership is uncertain.

These issues can affect valuation in several ways.

The investor may apply a lower multiple. It may require part of the consideration to be deferred. It may introduce an earn-out. It may require stronger warranties or indemnities. It may simply decide not to proceed.

This is why improving a company's valuation is not only about increasing EBITDA.

Reducing concentration, professionalising management, improving reporting, strengthening governance and resolving legal uncertainty can all increase value because they reduce the risk attached to future cash flows.

The market sets a boundary

Management may have a carefully prepared valuation model showing that the company is worth €80 million.

If comparable businesses are currently trading or being acquired at valuations implying €50 million, the market will be difficult to ignore.

Comparable companies and precedent transactions are imperfect. No two businesses are identical, and transaction circumstances differ.

But they establish a reference point.

Capital providers operate in an opportunity set. An investor considering one company is usually comparing it with other possible uses of capital.

If similar businesses offer comparable growth and risk at significantly lower valuations, the premium needs to be explained.

This is why valuation is always partly relative.

A business is not valued in isolation from the market in which the capital provider can invest elsewhere.

Transaction structure can bridge a valuation gap

Buyer and seller do not always need to agree on one number immediately.

Suppose the seller believes the company is worth €60 million because a new division will significantly increase earnings. The buyer values the current business at €50 million but accepts that the upside may materialise.

An **earn-out** could bridge part of the difference.

Alternatively, the seller may retain equity, receiving part of the value today and participating in future upside.

Deferred consideration, rollover equity and other structures can serve a similar purpose.

These mechanisms do not eliminate disagreement. They convert part of the disagreement into a future economic test.

That can be useful when the valuation gap is driven by genuinely different views about future performance rather than fundamentally incompatible expectations.

The highest valuation is not always the best transaction

This is particularly important when comparing competing offers.

Buyer A values a company at €70 million but requires a substantial earn-out, financing condition and prolonged diligence.

Buyer B offers €65 million in cash, fully funded, with limited conditionality and a shorter execution timetable.

Which offer is better?

The answer cannot be derived from valuation alone.

The seller should consider certainty of proceeds, timing, conditions, financing risk, post-closing exposure and probability of completion.

A headline valuation is only one component of transaction value.

The same principle applies in fundraising. An investor offering the highest valuation may also demand governance rights, liquidation preferences or other terms that materially change the economics for existing shareholders.

A strong adviser therefore evaluates the **whole transaction**, not simply the number at the top of the term sheet.

Valuation has to survive the market

Founders are understandably attached to the value they believe they have created.

Investors are equally understandably focused on the return they expect to generate from the capital they deploy.

The adviser's role is not to choose one side.

It is to build a valuation case that can withstand scrutiny.

That means understanding sustainable earnings, growth, risk, market benchmarks, capital structure and transaction terms. It also means recognising when expectations have moved beyond what the market is likely to support.

Valuation is therefore not a single number produced by a model.

It is an argument about value.

And the strongest valuation is not the one that looks best in a spreadsheet.

It is the one that **another party is prepared to accept, finance and ultimately close**.

Why Preparation Often Determines the Outcome of a Deal

Inside Corporate Finance: The Advisory Side of the Deal

Many corporate finance transactions appear to fail because of price, financing conditions or investor appetite. In reality, a surprising number begin to weaken much earlier, for a simpler reason: **the company was not ready for the process it entered**.

Preparation in corporate finance is not a cosmetic exercise. It is not simply producing a polished presentation or building a data room before speaking to investors. It means ensuring that the business, its numbers, its documentation and its management can withstand the scrutiny that inevitably follows once external capital is involved.

A strong company can lose credibility through poor preparation. A well-prepared company, by contrast, can often make a complex transaction significantly easier to execute.

The first materials establish the level of trust

Investors and lenders form an initial view of a company very quickly.

The first financial information, management presentation and transaction summary do more than communicate facts. They establish an expectation about the quality of everything that will follow.

If revenue in the presentation differs from the latest financial statements, EBITDA adjustments cannot be reconciled, or the capital requirement changes from one document to another, the issue is not simply technical.

The capital provider begins to question the reliability of the information.

This is why the first step should be a basic **consistency exercise**.

Historical accounts, management accounts, forecasts, debt schedules, cap tables and transaction materials should reconcile. Any differences should be understood and capable of being explained.

A financing process should not be the moment when management discovers that different departments have been working with different versions of the same numbers.

The data room is part of the transaction, not an archive

A poorly organised data room can materially slow a deal.

Imagine an investor asking for the company's main customer contracts. Management responds that they will be uploaded “over the next few days”. Then several versions appear, some unsigned, others expired, with no clear indication of which contracts remain in force.

The problem is not merely administrative.

The investor may begin to question whether customer relationships are properly documented at all.

A useful data room should therefore be built around the questions a sophisticated counterparty is likely to ask: corporate documentation, financial statements, debt, material contracts, employment, intellectual property, litigation, tax, licences and other relevant matters.

It should also distinguish between documents that exist, documents that are still being collected and documents that simply do not exist.

Trying to conceal gaps usually creates more concern than acknowledging them.

Preparation does not mean pretending the company is perfect. It means knowing where the imperfections are before someone else discovers them.

The business plan has to survive questioning

A financial model can produce almost any result if the assumptions are sufficiently optimistic.

The real test begins when an investor asks what sits behind the numbers.

If revenue is forecast to increase by 30%, what creates that growth? New contracts? Additional production capacity? Higher prices? Geographic expansion? Acquisitions?

If EBITDA margin rises from 12% to 18%, what operational change produces the improvement?

If working capital improves materially, why?

Management should be able to move from every significant assumption in the model to an identifiable business explanation.

This matters because financing decisions are not based solely on the model's output. They are based on whether the assumptions are **credible enough to underwrite**.

A forecast that has been properly challenged internally before going to market is usually far more resilient once diligence begins.

Known weaknesses should be addressed before the market raises them

Preparation is particularly valuable when the company has an obvious weakness.

Perhaps one customer represents 35% of revenue. Perhaps the CFO joined only recently. Perhaps a substantial shareholder loan remains outstanding. Perhaps one subsidiary has incomplete financial reporting.

These issues do not necessarily prevent financing.

But they should have an explanation and, where possible, a mitigation plan.

For example, customer concentration may be less concerning if the relationship is governed by a long-term contract and the customer has been with the company for fifteen years.

A governance weakness may be manageable if the company is already implementing stronger reporting and board procedures.

What undermines confidence is not the existence of risk. It is discovering that management has never seriously considered it.

A well-prepared company can often turn a weakness from a surprise into a manageable diligence point.

Management needs to prepare, not rehearse

Preparing management does not mean teaching executives scripted answers.

It means ensuring that the people representing the company understand the transaction consistently.

The CEO should know the principal financial metrics. The CFO should understand the commercial assumptions behind the model. Both should agree on why the company is raising capital, how much it needs and what it intends to do with it.

Disagreement inside the company becomes obvious very quickly in investor meetings.

If the CEO describes an aggressive acquisition strategy while the CFO explains that the capital is mainly required to strengthen liquidity, the investor will notice.

Good management preparation therefore focuses on alignment, not performance.

The objective is that the company speaks with **one coherent financial and strategic narrative**.

Preparation improves negotiating leverage

Preparation is not only defensive. It can also improve the company's negotiating position.

A company that can provide reliable information quickly reduces uncertainty for the counterparty. Reduced uncertainty can shorten diligence, make internal approval easier and limit the number of assumptions investors or lenders need to build into their pricing.

The opposite is also true.

Where information is incomplete, the capital provider will often compensate through more conservative terms: lower valuation, higher pricing, greater security, additional conditions or broader contractual protection.

Uncertainty has a cost.

Good preparation cannot eliminate business risk, but it can prevent **information risk** from being added unnecessarily to the transaction.

Timing the market also means timing the company

Sometimes preparation leads to an uncomfortable conclusion: the company should not approach the market yet.

Suppose management expects a major customer contract to be signed within three months, or a new production facility to become operational shortly afterwards. Closing those milestones before launching a financing process may materially strengthen the investment case.

Similarly, a company experiencing a temporary deterioration in earnings may achieve better terms by waiting until performance stabilises, provided it has sufficient liquidity to do so.

The adviser's role is therefore not always to launch the process as quickly as possible.

Sometimes the most valuable advice is to spend several months preparing the company so that it approaches the market from a stronger position.

The objective is not merely to raise capital. It is to raise it under the best conditions the business can reasonably achieve.

The best transaction processes often look uneventful

Well-prepared transactions can appear deceptively straightforward.

Documents arrive when requested. Numbers reconcile. Management answers questions consistently. Problems are identified early. Investors understand the business quickly. Negotiations focus on the real commercial issues rather than correcting information gaps.

That apparent simplicity is usually the result of work completed before the process became visible.

Preparation cannot guarantee that an investor will invest, a lender will approve a facility or a transaction will close.

It can, however, remove many of the avoidable reasons why a good opportunity fails.

In corporate finance, execution begins well before the first investor meeting.

The market should not be the place where a company discovers whether it was ready for the transaction.

The Management Meeting: When the Numbers Meet the People

Inside Corporate Finance: The Advisory Side of the Deal

By the time an investor or lender meets a company's management team, it will often have already reviewed the financial statements, business plan, funding request and preliminary due diligence materials.

On paper, the opportunity may look attractive.

The management meeting is where the capital provider begins to test whether the **people behind those numbers are as credible as the numbers themselves**.

This is why a management meeting should never be treated as a presentation exercise or a ceremonial step in the process. It is part of the investment decision.

A strong meeting can materially increase confidence in a transaction. A weak one can create doubts that no financial model can easily repair.

The objective is not to repeat the presentation

One of the most common mistakes is spending most of the meeting reading through slides the investor has already received.

The capital provider does not need management to repeat that revenues increased from €30 million to €38 million. It wants to understand **why** they increased, whether the growth is sustainable and what management would do if the assumptions behind the forecast prove wrong.

The most useful meetings therefore move quickly from presentation to discussion.

If the business expects to enter two new markets, who will lead the expansion? Has the company already tested demand? How much investment is required before the new markets become profitable?

If margins are expected to improve by three percentage points, what specifically produces that improvement?

If the company intends to make acquisitions, does management have experience integrating them?

The meeting is where a financial forecast becomes an operating proposition.

Knowing the numbers is different from memorising them

Investors and lenders do not expect every CEO to remember every line of the accounts.

They do expect management to understand the economics of the business.

A CEO should know the principal revenue drivers, margins, major customers and strategic priorities. A CFO should be able to explain cash generation, working capital, leverage and the assumptions underlying the forecast.

Questions will often move beyond the numbers shown in the presentation.

What happens to EBITDA if the largest customer reduces volumes by 20%? How much additional working capital is required if revenues grow faster than expected? What happens if the new production facility opens six months late?

Good management teams do not necessarily have an immediate numerical answer to every hypothetical question.

What matters is whether they demonstrate **command of the underlying business**.

There is a significant difference between saying “I do not have the exact figure with me, but we can provide it after the meeting” and attempting to improvise an answer that later proves inconsistent with the financial model.

Credibility is more valuable than appearing infallible.

Difficult questions are part of the process

Management teams sometimes interpret challenging questions as evidence that an investor dislikes the company.

Often, the opposite is true.

A serious capital provider needs to understand what could go wrong before committing capital.

Why did EBITDA decline last year? Why did two senior executives leave? Why is customer concentration increasing? Why has the company missed its budget twice?

Defensive answers rarely help.

If margins declined because raw-material costs increased faster than the company could reprice customers, explain it. Then explain what changed: perhaps contracts were renegotiated, pricing mechanisms introduced or alternative suppliers secured.

The strongest response generally follows a simple pattern:

identify the problem, quantify its impact and explain what management has done about it.

Experienced investors know that businesses have problems.

A management team that understands its problems can inspire more confidence than one that insists none exist.

Consistency across the management team matters

A management meeting can also reveal whether the organisation is genuinely aligned.

Suppose the CEO describes the funding as capital for international expansion, while the CFO later explains that most of the proceeds will be required to support existing working-capital needs.

Both statements may contain some truth, but together they create uncertainty about the real purpose of the transaction.

The same problem arises if management gives different views on expected growth, acquisition strategy or leverage.

This is why preparation should include internal alignment before the meeting.

Everyone does not need to use identical language. They do need to share the same understanding of the company's strategy, financial position and funding requirement.

Contradictions are particularly damaging because they raise a broader concern: if management is not aligned while raising the capital, how will it be aligned when executing the plan?

The people behind the forecast matter

Financial models often assume that management remains in place and executes successfully.

That assumption deserves scrutiny.

An investor may want to understand which executives are genuinely critical to the business, whether the second layer of management is strong and how dependent the company remains on its founder.

Consider a founder-led business where the CEO personally manages the relationships with the five largest customers.

That may demonstrate impressive commercial ability. It may also reveal concentration risk around one individual.

The relevant question becomes whether those relationships belong to the company or effectively to the founder.

Similarly, an ambitious growth plan may require capabilities the organisation does not yet possess. Doubling the size of a company may require a stronger finance function, additional commercial leadership or more sophisticated reporting.

A credible management team should be able to recognise those gaps.

Saying “we need to hire a COO before entering three new markets” can be considerably more convincing than pretending the existing organisation can absorb unlimited growth.

The investor is evaluating the relationship as well

Particularly in equity transactions, the management meeting is also the beginning of a potential long-term relationship.

A private equity investor may sit on the board for five years. A minority investor may require regular interaction with management. Even a lender may need quarterly reporting and ongoing dialogue around covenants or strategic developments.

The capital provider is therefore asking questions that extend beyond competence.

How does management react when challenged? Does it communicate transparently? Can difficult subjects be discussed constructively? Is the team receptive to external input without becoming dependent on it?

These characteristics are difficult to capture in a spreadsheet, but they matter once external capital enters the company.

A business can be financially attractive and still become an undesirable transaction if the parties conclude that working together will be unnecessarily difficult.

Advisers should prepare management, not script it

The adviser's role before the meeting is important, but it should not involve teaching management artificial answers.

Over-rehearsed responses are usually visible.

Preparation should instead focus on the issues that are likely to receive attention: historical performance, forecast assumptions, use of funds, leverage, customer concentration, management gaps and principal transaction risks.

Management should know where the difficult questions are likely to come from and ensure that the relevant facts are available.

The adviser should also decide who answers what.

The CEO does not need to answer detailed questions about the debt schedule if the CFO is better placed to do so. Likewise, the CFO should not necessarily lead a discussion about commercial strategy if that is clearly the CEO's responsibility.

A good meeting should resemble a competent management team discussing its own business — not several executives competing to answer every question.

When the numbers meet the people

Financial information tells an investor what the company has achieved and what management expects to achieve next.

The management meeting tests whether there is sufficient confidence in the people expected to deliver it.

The strongest management teams are not necessarily the most polished presenters. They are the ones that understand their business, know their numbers, recognise their risks and can explain their decisions clearly.

They do not avoid difficult questions. They answer them.

And they do not try to demonstrate that nothing can go wrong. They demonstrate that **if something does go wrong, they understand the business well enough to respond**.

That is why a management meeting can change the direction of a financing process.

It is the moment when the investment case stops being only a set of assumptions on paper and becomes a judgment about the people who will have to turn those assumptions into results.

The Highest Offer Is Not Always the Best Offer

Inside Corporate Finance: The Advisory Side of the Deal

In a competitive transaction, attention naturally gravitates toward the largest number on the table.

If one buyer offers €100 million and another offers €95 million, the first proposal appears obviously superior. The same instinct applies in fundraising: the investor offering the highest valuation seems to be providing the best terms.

But corporate finance transactions are not settled by headline numbers alone.

An offer has value only to the extent that it can be **executed, financed and ultimately converted into proceeds for the company or its shareholders**. Price matters enormously, but so do conditionality, timing, financing certainty, due diligence requirements, governance rights and the credibility of the counterparty.

The adviser's job is therefore not simply to identify the highest offer.

It is to understand what each offer is actually worth.

Headline value and executable value are different things

Consider a business receiving two acquisition proposals.

Buyer A offers €105 million. Its offer is subject to extensive confirmatory due diligence, acquisition financing, investment committee approval and several commercial conditions.

Buyer B offers €100 million. Financing is already committed, diligence is substantially complete and the remaining conditions are limited.

The €5 million difference is real. But so is the difference in **execution certainty**.

If Buyer A ultimately reduces its offer after diligence, fails to obtain financing or spends three months negotiating without reaching signing, the nominal premium may disappear entirely.

This does not mean the seller should automatically accept the lower bid. It means that the two proposals cannot be compared using price alone.

A useful assessment asks not only:

“How much are they offering?”

but also:

“What has to happen before they actually pay it?”

Conditionality has a price

Every condition attached to an offer introduces an element of uncertainty.

Some conditions are unavoidable. Regulatory approval may be required. Confirmatory due diligence is normal. Corporate approvals may be necessary.

Others deserve closer scrutiny.

A buyer that retains broad discretion to reconsider the transaction after exclusivity effectively asks the seller to remove the business from the market without providing equivalent commitment in return.

This becomes particularly important once competitive tension has disappeared.

A buyer may submit an attractive initial valuation to secure exclusivity and then attempt to renegotiate after gaining access to detailed information and knowing that competing bidders have moved on.

The issue is not that every price adjustment is illegitimate. Due diligence can reveal genuine information that changes value.

The advisory question is whether the original offer was sufficiently developed to represent a credible commitment rather than simply **a price designed to win access to the next stage of the process**.

Financing certainty can outweigh a modest price premium

How the buyer intends to fund the transaction matters.

An offer backed by available cash or committed financing is different from one dependent on a financing process that has barely begun.

Suppose Buyer A offers €80 million subject to obtaining €60 million of acquisition debt. Buyer B offers €77 million with committed funds.

The seller is not choosing simply between €80 million and €77 million.

It is choosing between two different combinations of value and financing risk.

This is particularly important where the seller will enter exclusivity, incur transaction costs or make strategic decisions based on the expectation that the deal will close.

A failed transaction has costs beyond advisory fees. Employees may become distracted, customers may become uncertain and alternative buyers may no longer be available on the same terms.

For that reason, **certainty of funds is itself an economic term**.

Timing also has value

A transaction closing in six weeks and one closing in six months are not economically identical.

The seller may need liquidity. The company may require capital for expansion. Market conditions may deteriorate. Management may spend substantial time supporting diligence rather than running the business.

Longer execution also creates more opportunities for something to change.

This does not mean faster is always better. Complex transactions genuinely require time.

But when evaluating competing proposals, advisers should examine whether the timetable is realistic and what remains outstanding before completion.

A buyer that can move decisively may deserve preference over a nominally higher bidder whose internal decision-making process remains uncertain.

Speed, when backed by proper preparation, can therefore be part of the value proposition.

In equity fundraising, valuation is only one term

The same principle applies when raising equity.

Suppose Investor A offers to invest €10 million at a €50 million valuation, while Investor B proposes the same amount at €45 million.

At first glance, Investor A is clearly better because existing shareholders suffer less dilution.

But the rest of the term sheet may tell a different story.

Investor A may request extensive veto rights, preferential economic protections, restrictive anti-dilution provisions and significant control over future financing or exit decisions.

Investor B may offer a lower valuation but significantly cleaner governance and greater strategic flexibility.

The company therefore needs to understand the **economic and governance consequences of the entire package**.

A high valuation can become expensive if the rights attached to it constrain the company for years.

Conversely, accepting unnecessary dilution simply because an investor appears easier to deal with can also destroy shareholder value.

The task is to compare the full economics rather than optimise one variable.

Counterparty quality matters

An offer also has a qualitative dimension.

Who is making it?

Does the buyer have a history of completing transactions? Does the investor understand the sector? Can it provide additional capital later? Is its decision-making process clear? Does it have the resources necessary to support the proposed strategy?

For a seller making a complete exit, these questions may matter less after the purchase price is safely received.

For a founder retaining equity or management continuing with the business, they can be fundamental.

A slightly higher valuation may not compensate for spending the next five years with a shareholder whose objectives are fundamentally incompatible with those of management.

The identity of the counterparty therefore becomes part of transaction value whenever the relationship survives closing.

The adviser should compare offers on a risk-adjusted basis

A proper comparison of competing offers should therefore examine several dimensions together: headline valuation, certainty of financing, conditions, timing, required diligence, governance, post-closing exposure and counterparty credibility.

The exercise need not become artificially mathematical. Some factors cannot be reduced perfectly to a probability-adjusted spreadsheet.

But the principle is useful.

A €100 million offer with an 80% realistic probability of completion is economically different from €98 million with near-certain execution.

Likewise, €20 million of equity at a higher valuation may be less attractive if the accompanying terms materially restrict future strategic options.

Good advisory work makes these differences visible before the client commits to one route.

The best offer is the best transaction

Price remains one of the most important elements of any corporate finance transaction.

But price only measures what the counterparty proposes to deliver.

It does not measure the probability that it will be delivered, how long it will take, what conditions attach to it or what the company must give up in return.

The best offer is therefore not necessarily the one containing the largest number.

It is the one that provides the strongest combination of **value, certainty, timing and acceptable risk**.

And sometimes the most important contribution an adviser can make is explaining why the offer that looks smaller on the first page may be worth more by the time the transaction actually closes.

PART 9

Why Deals Lose Momentum

Inside Corporate Finance: The Advisory Side of the Deal

Not every corporate finance transaction fails because the economics are wrong.

Some fail because they simply **lose momentum**.

The investor remains interested. The lender has not rejected the credit. The valuation gap is manageable. Yet the process slows, questions remain unanswered, documents arrive late, internal approvals are postponed and what once looked like a live transaction gradually becomes a dormant one.

This is one of the most underestimated risks in deal execution.

Momentum matters because a transaction is not managed in isolation. Investors, lenders, management teams and advisers are all working on several priorities at the same time. Once a deal stops progressing, attention shifts elsewhere.

The longer the inactivity lasts, the more difficult it becomes to recreate the urgency that existed at the beginning.

Delays change the perception of the deal

A company may consider a two-week delay insignificant.

The capital provider may interpret it differently.

Suppose an investor requests a detailed debt schedule, customer concentration analysis and updated monthly accounts. Management takes three weeks to provide them, and several figures then need clarification.

None of this necessarily means the company is weak.

But the investor begins to ask other questions.

Why was the information not readily available? How reliable is internal reporting? Will the company be able to meet future reporting obligations? Is management genuinely prioritising the transaction?

Operational delays can therefore become **signals about institutional quality**.

This is why speed in a transaction should not be confused with rushing.

The objective is not to answer every question immediately. It is to respond within a credible timetable and communicate clearly when additional work is required.

Too many advisers can create more friction than expertise

Corporate finance processes often involve multiple advisers: corporate finance, legal, tax, accounting, technical, commercial and sometimes sector specialists.

That can be necessary.

But every additional participant creates another potential decision point.

Problems emerge when advisers are not coordinated.

The lawyer may negotiate a structure that the financial adviser has not modelled. The accountant may provide figures that differ from the management presentation. A shareholder may introduce a new adviser halfway through the process who reopens issues everyone believed had already been settled.

The result is not additional sophistication. It is **transactional noise**.

A good process therefore needs a clear centre of coordination.

Someone must understand what has been agreed, what remains open, who owns each workstream and which issues genuinely require escalation.

Without that coordination, technically good advice can still produce a badly managed transaction.

Constantly changing the deal destroys confidence

Transactions evolve. New information emerges, valuation changes and structures are refined.

But there is a difference between legitimate evolution and a transaction whose fundamentals change every week.

A company may initially seek €15 million of debt, then ask for €20 million, then introduce an acquisition into the use of funds, then decide that part of the transaction should become equity.

Any one of those changes may be reasonable.

Together, they may give the capital provider the impression that management has not decided what transaction it actually wants.

The same problem arises when shareholders repeatedly revise their valuation expectations or introduce new conditions late in the process.

Every material change requires the counterparty to reassess the transaction internally.

Financial models may need to be updated. Investment committees may need to reconsider the proposal. Legal documentation may need to be redrafted.

A process can therefore lose weeks not because anyone has stopped working, but because the **starting point keeps moving**.

Good advisory work should help stabilise the transaction before it reaches that stage.

Unresolved internal disagreements eventually become external problems

Many deals appear aligned from the outside while significant disagreements remain inside the company.

One shareholder wants to sell. Another wants to retain equity. Management wants growth capital rather than an exit. The founder is prepared to accept the valuation but not the governance terms.

If these disagreements are not resolved early, they usually surface at the worst possible moment.

The investor may spend months conducting diligence only to discover that the shareholders have not agreed whether they are actually willing to proceed.

This is particularly damaging because the capital provider has invested time and resources on the assumption that the company had authority to negotiate the transaction presented.

Before approaching the market, advisers should therefore identify **who the real decision-makers are and what they are prepared to accept**.

Not every detail needs to be settled in advance.

But the fundamental objective of the transaction should be shared.

Due diligence fatigue is real

The diligence process can become one of the main causes of lost momentum.

Investors and lenders have legitimate information requirements. But diligence can become inefficient when questions are repetitive, poorly organised or disconnected from material risk.

The company can also contribute to the problem by providing incomplete answers that generate additional rounds of questions.

A simple request can then become a chain:

question → partial response → clarification → new document → inconsistency → further clarification.

After several weeks, both sides may feel that the process is moving without actually progressing.

This is where an effective adviser needs to distinguish between **activity and advancement**.

A deal can generate hundreds of emails and still be standing still.

The objective should be to close workstreams, not merely keep them busy.

Decision-makers need to remain involved

Another common source of delay is insufficient access to the people who can actually make decisions.

Negotiations may proceed for weeks through advisers and junior teams, only for a principal to join late and reject a point that everyone else considered agreed.

That can be deeply disruptive.

Senior decision-makers do not need to participate in every diligence call. But they should remain sufficiently involved in major questions concerning valuation, structure, financing, governance and risk allocation.

The same applies on the investor or lender side.

Understanding who has approval authority matters. A positive conversation with an investment professional is not the same as investment committee approval. A preliminary credit view is not the same as final credit sanction.

Advisers should therefore understand the **internal approval path on both sides of the transaction**.

This allows the process to be designed around real decision points rather than assumed ones.

Silence is more damaging than bad news

Problems happen during transactions.

A document may take longer than expected. A financial result may be weaker than forecast. A regulatory issue may emerge.

What damages momentum most is often not the problem itself, but lack of communication.

If management tells an investor on Monday that updated accounts will require another ten days because the audit team is reconciling a particular issue, expectations can be managed.

If nothing arrives for two weeks and no explanation is given, confidence deteriorates.

The same principle applies to the capital provider.

If an investment committee has been postponed, the company should know. If the lender needs additional analysis, it should be communicated clearly.

In a transaction, **uncertainty expands when communication disappears**.

Maintaining momentum therefore requires transparency about delays as much as speed in resolving them.

A transaction needs a critical path

The strongest processes usually have a clear sequence.

What needs to happen before the term sheet? What is required for credit or investment committee? Which diligence workstreams can run in parallel? What needs to be completed before documentation begins? Which items can genuinely block closing?

This is the transaction's **critical path**.

Without it, teams tend to focus on whatever issue appeared most recently rather than what actually determines execution.

A minor legal comment may receive immediate attention while a fundamental financing condition remains unresolved for weeks.

Good advisory execution requires constant prioritisation.

Not every open item deserves the same attention.

The question should always be:

what is the next issue that can prevent this transaction from progressing?

Solve that first.

Momentum is part of transaction value

A deal with strong momentum benefits from something difficult to quantify but commercially important: **conviction**.

People respond quickly. Senior teams remain engaged. Open issues are progressively resolved. Each stage produces enough confidence to justify moving to the next.

Once momentum is lost, the reverse happens.

Questions take longer. Meetings are postponed. Internal attention moves elsewhere. Small issues begin to look larger because there is less overall confidence in the process.

This does not mean that a transaction should be forced forward simply to preserve speed.

Sometimes slowing down is necessary.

But a deliberate pause is very different from a process drifting because no one is managing it.

Deals need progress, not just interest

Interest starts a corporate finance transaction.

Progress completes it.

A good company, an attractive valuation and a credible counterparty are not always enough if the transaction cannot maintain a coherent path from initial discussion to final decision.

Documents need to arrive. Decisions need to be made. Changes need to be controlled. Advisers need to be coordinated. Problems need to be communicated.

The adviser therefore has another role beyond valuation and structuring: **protecting the momentum of the process**.

Because deals rarely die in a single dramatic moment.

More often, they lose energy gradually until everyone eventually realises that the transaction is no longer moving.

And by that point, restarting it can be considerably harder than keeping it alive in the first place.

PART 10

What Makes a Deal Actually Close?

Inside Corporate Finance: The Advisory Side of the Deal

Corporate finance is full of transactions that look convincing on paper.

The company is attractive. The investor is interested. The lender has appetite. The valuation appears workable. The structure makes sense.

And yet some of those transactions never close.

The reason is that a good opportunity and an executable transaction are not the same thing. Closing requires several elements to remain aligned at the same time: **economics, information, capital, decision-making, documentation and people**.

The final stage of a deal is therefore rarely about discovering one last brilliant idea. More often, it is about removing enough uncertainty for all parties to become comfortable making an irreversible decision.

That is what execution ultimately means.

There must be a transaction both sides actually want

The starting point sounds obvious, but it is frequently overlooked.

A deal can progress for months even though buyer and seller, company and investor, or borrower and lender remain fundamentally misaligned on one central issue.

Perhaps the seller expects a €60 million valuation while the buyer can justify no more than €50 million. Perhaps the company wants long-term growth capital while the investor expects an exit within three years. Perhaps the lender requires security the shareholders are ultimately unwilling to provide.

These issues should not remain hidden behind diligence and documentation.

A transaction becomes executable when the principal parties understand the core economics and are genuinely prepared to accept them.

Good advisers therefore try to identify **deal-breakers early**, before the process consumes significant time and cost.

Progress is valuable only if it is moving toward a transaction that both sides are actually willing to sign.

The numbers need to survive diligence

Initial interest is often based on a relatively limited information set.

Closing requires much greater confidence.

Historical financials need to reconcile. EBITDA adjustments need to withstand scrutiny. Forecast assumptions need to remain credible. Debt, working capital and cash generation need to be understood.

If every new layer of diligence materially changes the investment case, confidence deteriorates.

This does not mean diligence must reveal a perfect company. It means that the business investors eventually discover should broadly resemble the business originally presented to them.

A company that enters the process claiming €8 million of EBITDA and emerges from diligence with €5 million of sustainable earnings has not simply encountered a technical adjustment. It has changed the economics of the transaction.

The closer the initial presentation is to the underlying reality, the easier execution becomes.

Funding must be real, not theoretical

A transaction cannot close without capital.

That sounds elementary, but financing certainty is often established later than it should be.

A buyer may agree a valuation before acquisition financing is fully arranged. A company may sign a term sheet assuming a lender or co-investor will subsequently provide part of the required capital. An investor may still need internal approval before funds are genuinely committed.

The question should therefore always be:

where exactly will the money come from at closing?

For debt, that means understanding conditions to drawdown, security requirements, documentation and final approval.

For equity, it means knowing who has investment authority, whether commitments are binding and whether additional investors are required.

A credible transaction has a clearly identifiable path from commitment to cash.

Without that, everything else remains conditional.

Decision-makers need to be aligned before the end

Transactions often lose time because negotiations are conducted by people who cannot ultimately approve the result.

Management may reach agreement while shareholders remain unconvinced. An investment professional may support the transaction while the investment committee has unresolved concerns. A lender's relationship team may be positive while credit has not yet reviewed the structure.

The closer the transaction gets to closing, the more expensive these surprises become.

Good execution requires understanding the **approval architecture** on both sides.

Who can say yes? Who can say no? What information do they need? When will they decide?

Senior decision-makers do not need to manage every workstream, but they should be involved early enough that fundamental objections are not introduced after weeks of work.

Documentation should reflect the deal, not reopen it

Legal documentation is essential, but it works best when the major commercial issues have already been resolved.

If every draft agreement reopens valuation, financing, governance or risk allocation, the transaction is not really in documentation. It is still being negotiated at a fundamental level.

The legal documents should translate the agreed deal into enforceable obligations and deal with the risks identified through diligence.

They will inevitably generate negotiation. But there is a difference between negotiating how an agreed principle should operate and discovering that the parties never agreed on the principle at all.

The more ambiguity that remains when documentation starts, the greater the risk that legal drafting becomes the place where hidden commercial disagreements finally emerge.

Problems need owners

Every transaction develops issues.

A customer consent is missing. Updated accounts are late. A regulatory question emerges. A lender requests additional security. A warranty becomes difficult to give.

Problems are not necessarily dangerous when someone clearly owns them.

Execution weakens when an issue exists but nobody is responsible for resolving it.

A well-managed transaction therefore has identifiable owners for the principal workstreams and a clear understanding of what can block the next stage.

The adviser often acts as the point connecting those streams: management, lawyers, accountants, investors, lenders and other specialists.

The objective is not to personally solve every issue. It is to ensure that **nothing critical remains unresolved because everyone assumed someone else was handling it**.

Trust becomes increasingly valuable as closing approaches

Every deal contains incomplete information.

At some point, the parties must decide whether the information available is sufficient to commit capital.

That decision becomes much easier when credibility has been built throughout the process.

Management delivered information when promised. Difficult issues were disclosed rather than hidden. The investor did not repeatedly change its position. Advisers communicated problems early. Negotiations remained commercially rational.

None of these factors appears directly in a valuation model.

Together, they create trust.

And trust matters because no contract can anticipate every possible future event.

The closer a deal gets to completion, the parties are increasingly assessing not only the transaction itself, but whether they believe the people on the other side will behave predictably once the documents are signed.

Closing is the result of alignment

A transaction closes when several things become true at the same time.

The economics are acceptable. The information is sufficiently reliable. The capital is available. The decision-makers are committed. The material risks have been allocated.

The documents reflect what was agreed. The remaining execution steps are manageable.

No single element is enough by itself.

A great business without realistic valuation may not close. A committed investor without funding cannot close. Perfect documents cannot rescue a transaction whose shareholders are no longer aligned.

This is why corporate finance advisory is ultimately an exercise in **alignment and execution**, not simply introduction or negotiation.

The adviser helps turn an opportunity into a process, and a process into a transaction that all relevant parties can actually complete.

Across this series we have looked at investability, capital structure, use of funds, valuation, preparation, management, offer selection and deal momentum.

All of those themes converge at closing.

Because the final measure of a transaction is not how attractive it looked when discussions began.

It is whether the parties were able to transform that opportunity into **capital actually deployed, ownership actually transferred or financing actually funded**.

That is what makes a deal real.