

M&A Nugget: A Failed Transaction is Not the End — It is the Beginning of M&A Success

January 6, 2026

By Glenn D. Solomon



Many business owners have experienced a failed transaction. After devoting months, if not years, and extraordinary amounts of time, resources, and money to complete a business sale, the acquirer backs out. The reasons vary from external forces (general market or industry conditions) to seller's internal issues (usually operational or financial challenges) to substantial due diligence items that raise the risk level for the acquirer (such as a large unanticipated liability, tax debt, or technology debt) to a change in the acquirer's business direction.

Although a termination of a transaction by an acquirer is disappointing, it can also present an opportunity to the business owner. The failure of a transaction should lead the business owner to examine the reasons for the acquirer backout and address them diligently and continuously. For example, one common internal factor leading to a buyer backout is an inadequate sales team, resulting in lower than expected revenues, or an insufficient EBITDA. Like a major league baseball team that makes a sizeable investment by signing a free agent, investing in an upgrade in the sales team can provide an ultimate payoff multiple times the investment. If an acquirer backout is a result of risky due diligence items that arose, steps should be taken to address them, for instance, by implementing more robust risk management policies and procedures.

The fact is that many sellers left standing at the altar by their purchaser ultimately engage in a very successful transaction. Two specific experiences I have had in this regard are (1) a seller whose purchaser backed out in early 2020 because of lower than hoped for EBITDA projections, the seller then doubling down its efforts to increase sales and EBITDA with a resulting transaction three years later with the same purchaser for a purchase price 40% higher than the proposed 2020 purchase price; and (2) a seller's potential acquirer backed out of a \$100,000,000 purchase in 2022, leading to the seller redoubling its efforts to increase sales and EBITDA, with an ultimate sale only one year later for an enterprise value of \$160,000,000.

The lesson here is that in the M&A world, as in life, a failure can lead to great success.