



Houlihan
Lokey

The Strategic Exit: Leveraging Expertise to Secure Legacy and Value

German Case Study

December 2025

Introduction: The Succession Crossroads for Owner-Managed Businesses

Germany's small and medium-sized enterprises (SMEs), the celebrated "Mittelstand," are the bedrock of the national economy, delivering nearly 50% of its economic value added and securing around 20 million jobs.⁽¹⁾

Yet, this engine of prosperity is approaching a critical juncture. With an estimated 125,000 business successions on the horizon annually for the next several years, a significant number of entrepreneurs are unprepared for this transition. A concerning 44% of owner-managers still lack a concrete succession plan, creating a precarious situation for their companies' futures.⁽²⁾

The path to a successful handover is frequently blocked by significant hurdles.

Key Obstacles⁽³⁾

The inability to find a suitable successor within the family or externally, an issue for 70% of businesses.

Disagreements over the purchase price (30%).

The inherent legal complexity of the process (30%).

Challenges in securing financing (20%).

(1) Institut für Mittelstandsforschung (Ifm) Bonn 2023, Statistisches Bundesamt (Destatis) 2023.

(2) KfW Nachfolge Monitoring 2023.

(3) KfW Nachfolge Monitoring Mittelstand 2024. Note: Percentage share of total surveyed SMEs; multiple answers possible.

(4) DIHK Report zur Unternehmensnachfolge 2025.



Against this backdrop of obstacles, many companies look beyond family succession or internal solutions. For approximately half of all firms, an external sale has emerged as a viable strategic route.⁽⁴⁾ However, such solutions only unlock their potential if approached through a structured and professional process.

A carefully prepared and well-managed M&A process offers several profound advantages:

01

Enabling Maximum Value Realisation:

A tailored, well-structured process orchestrated by an M&A advisor is meticulously designed to achieve the best possible outcome for the company and its shareholder(s).

02

Unlocking New Growth Opportunities:

The right strategic or financial partner can provide access to new markets, technologies, and financial resources that may have been previously out of reach, setting a new course for growth.

03

Ensuring Business Continuity:

A professional transition ensures the company continues to thrive and that the jobs and legacy the company has built are secured for the future.

However, the extent to which these advantages materialise depends above all on preparation. Without a thorough process of preparation, a host of different challenges quickly emerges.

According to the German Chamber of Commerce and Industry (DIHK),

38%

of owners are poorly prepared for their succession because they engage with the project far too late. A company sale is an intensely operational, structural business and legal process, and most entrepreneurs lack the specialised network and relationships required to navigate this most effectively.

Furthermore, the current environment—marked by economic and geopolitical uncertainty, rapid digital transformation, and market volatility—makes assessing future business performance exceptionally challenging. The market has decisively shifted in favour of buyers, who are now highly data-driven and conduct due diligence processes that are significantly longer and more rigorous than in the past. M&A deal timelines, for instance, have stretched by over 30% since 2020, averaging approximately nine months.⁽¹⁾

The challenge, therefore, is not to leave the outcome to chance or a last-minute scramble, but to cultivate success through structured, early preparation. This is the essence of becoming “exit-ready.” The term means more than just collecting documents for due diligence; it is a holistic process aimed at placing a company in a state that is as attractive and transparent as possible for potential partners, requiring foresight and the involvement of specialised experts.

⁽¹⁾ M&A deal trends report 1H 2024 by ideals.

This report highlights a successful example of thorough preparation and execution through a recent transaction: Houlihan Lokey advised the founding shareholder of fit GmbH, one of Europe’s fastest-growing independent brand holdings in the household and personal care sector, on its sale to an international strategic partner. Dr. Wolfgang Groß founded fit GmbH in the early 1990s, transforming a regional Eastern German dishwashing products manufacturer into a nationwide FMCG champion in household and personal care, with around €377 million in gross revenues in FY 2024.⁽²⁾

After evaluating a range of initial options, Dr. Groß decided to pursue a sale to an external party. He understood that careful preparation was essential for a successful outcome and implemented a series of measures to ensure the transfer of his life’s work to a partner capable of sustaining and growing the business. In the following sections, we outline three initiatives that are critical during the preparation phase to drive a successful sales process.





Three Core Initiatives to Achieve 'Exit Readiness'

01

Engage an M&A Advisor as a Strategic Navigator From Day One

An M&A advisor should not be viewed merely as a broker for the final transaction, but as the central architect of an entire succession strategy.

The Advantage:

A compelling investment narrative, developed with an expert advisor, shifts the focus from the past to the future, allowing you to position the company as a prime strategic opportunity and command a premium valuation.

Dr. Groß emphasises the importance of selecting the right M&A advisor:

“

For us, this decision was essential. We wanted a partner with true international reach and a strong track record in consumer goods, capable of positioning our company effectively in a competitive global market. Houlihan Lokey combined this expertise with a deep understanding of our strengths and helped us develop a compelling growth story.

A Strategic Sparring Partner: An experienced advisor begins with a thorough assessment of your company, helping you sharpen your vision, develop realistic value expectations, and build a robust business plan that will resonate with potential investors. They become a trusted partner to navigate both the financial and emotional complexities of the journey.

The Architect of the Narrative: Beyond operational readiness, the advisor is crucial in developing a compelling “future profile” and investment narrative for the company. The goal is to craft a powerful story, underpinned by insightful data, that shifts the focus from historical performance to future potential. This involves articulating a clear “investment thesis”—the answer to why an investor should choose a company—by highlighting unique selling propositions, demonstrating scalability, and proving the business’ resilience.

Access to the Ideal Investors: Leveraging their extensive networks, global M&A advisors can identify and discreetly approach qualified national and international investors who would otherwise be beyond reach. They also create valuable platforms for early dialogue, such as industry conferences, which can be used to build awareness and cultivate relationships with key investors. A prime example is the ONE Houlihan Lokey Global Conference, which provides a curated setting for companies and investors to connect well in advance of a formal sales process. Such events enable meaningful, structured discussions, allowing companies to present their vision, showcase growth potential, and gauge investor interest in a controlled environment. By fostering early engagement, advisors help build trust, spark strategic dialogue, and lay the groundwork for a smoother, more competitive transaction when the time comes.

02

Advancing Professionalisation as a Key Value Driver

Achieving operational readiness by optimising business processes and clarifying management structures is fundamental to unlocking and demonstrating your company's value. Installing an advisory board early in the process is a powerful strategic lever to accelerate this professionalisation. Equally important is establishing a capable second-level management team early on to ensure the company's independence from its founder.

The Advantage:

An advisory board prepares your company for the critical scrutiny of external parties and significantly increases both the perceived and the actual quality of the company's corporate governance and organisational structure.

Otmar Debold, former CFO of P&G for DACH and Chairman of fit's Advisory Council, emphasised:



An advisory board can be an invaluable sparring partner for founders and management teams. At fit, our board brought independent expertise and supported the company in navigating the complexities of the sales process. During negotiations, our perspective and experience proved to be a critical complement to management, helping phrase the equity story and giving both the shareholder and potential investors additional confidence. In my view, having a strong advisory board in place is one of the best ways to prepare a company for succession in a sales process and to secure the trust of future partners.

(1) PwC/INTES study, 2024.

While a founder-led business is often well perceived, investors want the confidence that robust structures and leadership are in place so the business can continue to thrive without relying solely on the founder.

Dr. Groß highlighted the impact of introducing an independent advisory board:



Having experienced FMCG experts on our advisory board was invaluable in preparing for the exit. They provided an outside perspective, challenged our thinking, and helped us sharpen our strategic focus. Their expertise gave potential investors confidence that the company was not only well managed but also well positioned for sustainable growth beyond the founder.

Far more than a simple supervisory body, a well-constituted advisory board serves as a vital strategic resource. 86% of family businesses with an advisory board believe it makes an important contribution to their company's success.⁽¹⁾ It is critically important that the advisory board is established early in the process to assess the readiness of the company and support the management in developing plans to prepare for the M&A process.

Select Key Benefits of an Advisory Board

Independent Expertise: Composed of experienced individuals and industry leaders, an advisory board brings unbiased, high-calibre counsel, stress-testing the company's strategy and providing foresight into market shifts or technological disruption.

Strengthened Governance: The presence of an advisory board signals transparency, good corporate governance, and a high degree of professionalism to potential investors, building immediate trust.

Increased Attractiveness to Investors: For an investor, a functioning advisory board is a strong indicator of a well-run, future-proof company with robust control mechanisms, which can significantly simplify the due diligence process.

03

Implement Early Legal and Tax Structuring

The complexity of legal and tax systems, particularly in Germany, demands careful, forward-looking planning to maximise transaction success and avoid unwelcome surprises. Fundamental legal and tax optimisations must be tackled well in advance before a potential sales process is initiated.

The Advantage:

Proactive legal and tax planning prevents costly surprises, secures the financial outcome, and ensures a smoother, more secure transaction.



Strategic Transaction Structuring: Specialised legal and tax advisors are essential to determine the most advantageous transaction structure (e.g., share deal versus asset deal) for both your company and the owner's personal financial situation. To achieve true tax efficiency, however, this planning must begin years in advance of a potential sale, as the right legal and ownership structures often need time to be implemented and to unfold their benefits.

Optimising "Legal Hygiene": This proactive process involves streamlining the corporate structure, clarifying ownership, ensuring full compliance with all regulations (such as data protection, environmental regulations, and employment law), and fortifying intellectual property rights. By identifying, understanding, and remedying poor hygiene factors early, you prevent them from becoming deal-breakers or leading to price reductions during the intense scrutiny of due diligence and the ensuing transaction process.

Dr. Matthias Jaletzke, M&A and Private Equity Partner at Hogan Lovells and lead partner of Dr. Groß' legal team, commented:

“

Achieving success in an M&A transaction requires early involvement, a full understanding and appreciation of the interest of the seller(s) as well as of strength and weaknesses of the company, and close cooperation of all advisors. The client must be confident that he is best represented and feels comfortable and properly assisted every step of the way. Legal and M&A advisors must ensure that the seller is fully in sync with any relevant method of determining a purchase price, and in any event with the required complex legal documentation. Proactive process management is also key to unlocking value and avoiding pitfalls.

In Summary: The Impact of Strategic Preparation on M&A Success

Meticulous preparation is pivotal to the success of any sales transaction. Thorough planning not only minimises value leakage—for example, last-minute “price chipping” driven by due diligence findings—but also keeps competitive momentum high, setting the stage for a successful and optimal transaction outcome.

Comprehensive vendor due diligence has been shown to significantly improve outcomes. In fact, 60% of executives attribute failed transactions to shortcomings in the due diligence process.⁽¹⁾



By exposing and mitigating risks early, such preparation enhances deal certainty, supports better-informed valuations, and can even accelerate timelines, making the process more efficient and predictable.

Illustrative M&A Process Timeline



(1) Bain M&A Report.

(2) VDD = vendor due diligence. Vendor due diligence is an in-depth analysis of all relevant financial, legal, and operational aspects conducted on behalf of a seller to identify potential risks or opportunities in a transaction.



Investor Landscape: Financial Sponsors vs. Strategic Investors

With more than 15,000 transactions concluded in Europe over the past 12 months, M&A momentum remains positive despite ongoing trade policy uncertainties. Regionally, the DACH market is expected to be the most dynamic in the near term, fuelled in particular by a wave of succession-driven M&A among Germany's family-owned "Mittelstand" companies.

The European M&A landscape is still dominated by strategic investors—companies operating in the same or related industries—who account for roughly 75% of completed transactions. These investors typically pursue opportunities that offer synergies and long-term integration potential. While they are often willing to pay a premium, their primary objective is to align the acquired business with their existing operations to drive sustainable growth.

By contrast, financial sponsors, including private equity firms, remain highly active, participating in around one out of every four deals in Europe over the past year. These investors typically focus on unlocking value and driving sustainable growth within a defined investment horizon.

Conclusion

In essence, companies that invest time and resources into comprehensive preparation, including strategic planning and vendor due diligence, are better positioned to achieve successful and financially rewarding sales outcomes.

Whether engaging with financial sponsors or strategic investors, a well-prepared company can navigate the complexities of the M&A process more effectively, maximising value and ensuring a smoother transaction, thereby securing legacy and value.

About Houlihan Lokey

Houlihan Lokey, Inc. (NYSE:HLI) is a global investment bank with expertise in mergers and acquisitions, capital solutions, financial restructuring, and financial and valuation advisory. Houlihan Lokey serves corporations, institutions, and governments worldwide with offices in the Americas, Europe, the Middle East, and the Asia-Pacific region. Independent advice and intellectual rigor are hallmarks of the firm's commitment to client success across its advisory services.

Authors/Contacts



Moritz von Bodman
Managing Director

Moritz.Bodman@HL.com
+49 89 413121 32



Johannes Braun
Vice President

Johannes.Braun@HL.com
+49 89 413121 30

Source: LSEG (formerly Refinitiv). 2024 M&A advisory rankings, by deal count.
(1) Excludes accounting firms and brokers.
(2) Announced or completed transactions.

No. 1

Investment Bank for All Global M&A Transactions for the Past Two Years⁽¹⁾

No. 1

M&A Advisor for the Past 10 Years in the U.S.

No. 1

Global Restructuring Advisor for the Past 11 Years

No. 1

Global M&A Fairness Opinion Advisor Over the Past 25 Years⁽²⁾





Houlihan Lokey

Important Disclosure

© 2025 Houlihan Lokey. All rights reserved. This material may not be reproduced in any format by any means or redistributed without the prior written consent of Houlihan Lokey.

Houlihan Lokey is a trade name for Houlihan Lokey, Inc., and its subsidiaries and affiliates, which include the following licensed (or, in the case of Singapore, exempt) entities: in (i) the United States: Houlihan Lokey Capital, Inc., an SEC-registered broker-dealer and a member of FINRA (www.finra.org) and SIPC (www.sipc.org) (investment banking services); (ii) Europe: Houlihan Lokey UK Limited (FRN 792919), authorized and regulated by the U.K. Financial Conduct Authority; Houlihan Lokey (Europe) GmbH, authorized and regulated by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht); Houlihan Lokey Private Funds Advisory S.A., a member of CNCEF Patrimoine and registered with the ORIAS (#14002730); (iii) the United Arab Emirates, Dubai International Financial Centre (Dubai): Houlihan Lokey (MEA Financial Advisory) Ltd., regulated by the Dubai Financial Services Authority; (iv) Singapore: Houlihan Lokey (Singapore) Private Limited, an "exempt corporate finance adviser" able to provide exempt corporate finance advisory services to accredited investors only; (v) Hong Kong SAR: Houlihan Lokey (China) Limited, licensed in Hong Kong by the Securities and Futures Commission to conduct Type 1, 4, and 6 regulated activities to professional investors only; (vi) India: Houlihan Lokey Advisory (India) Private Limited, registered as an investment adviser with the Securities and Exchange Board of India (registration number INA000001217); and (vii) Australia: Houlihan Lokey (Australia) Pty Limited (ABN 74 601 825 227), a company incorporated in Australia and licensed by the Australian Securities and Investments Commission (AFSL number 474953) in respect of financial services provided to wholesale clients only. In the United Kingdom, European Economic Area (EEA), Dubai, Singapore, Hong Kong, India, and Australia, this communication is directed to intended recipients, including actual or potential professional clients (UK, EEA, and Dubai), accredited investors (Singapore), professional investors (Hong Kong), and wholesale clients (Australia), respectively. No entity affiliated with Houlihan Lokey, Inc., provides banking or securities brokerage services, nor is any such affiliate subject to FINMA supervision in Switzerland or similar regulatory authorities regarding such activities in other jurisdictions. Other persons, such as retail clients, are NOT the intended recipients of our communications or services and should not act upon this communication.

Houlihan Lokey gathers its data from sources it considers reliable; however, it does not guarantee the accuracy or completeness of the information provided within this presentation. The material presented reflects information known to the authors at the time this presentation was written, and this information is subject to change. Any forward-looking information and statements contained herein are subject to various risks and uncertainties, many of which are difficult to predict, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. In addition, past performance should not be taken as an indication or guarantee of future performance, and information contained herein may be subject to variation as a result of currency fluctuations. Houlihan Lokey makes no representations or warranties, expressed or implied, regarding the accuracy of this material. The views expressed in this material accurately reflect the personal views of the authors regarding the subject securities and issuers and do not necessarily coincide with those of Houlihan Lokey. Officers, directors, and partners in the Houlihan Lokey group of companies may have positions in the securities of the companies discussed. This presentation does not constitute advice or a recommendation, offer, or solicitation with respect to the securities of any company discussed herein, is not intended to provide information upon which to base an investment decision, and should not be construed as such. Houlihan Lokey or its affiliates may from time to time provide financial or related services to these companies. Like all Houlihan Lokey employees, the authors of this presentation receive compensation that is affected by overall firm profitability. Houlihan Lokey does not provide accounting, tax, or legal advice. The information and material presented herein is provided for informational purposes only and is not intended to constitute accounting, tax, or legal advice or to substitute for obtaining accounting, tax, or legal advice from an attorney or licensed CPA.

HL.com
