Run the Strait

A Buyer’s Guide to Winning Distressed Cross-Border Deals

Certainty of close beats headline price. This paper lays out how operator-grade diligence turns a complex cross-border target from a deal you avoid into a deal you win.

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Executive Summary

Growth is getting harder to buy. Clean domestic assets trade at full multiples in crowded auctions, and organic growth has slowed for many acquirers. There is a less crowded route to inorganic growth that most buyers avoid: distressed and near-distressed cross-border acquisition. The assets are cheaper, the competition is thinner, and the growth on the other side is real.

Most buyers avoid these deals for a single reason. They mistake **complexity** for **uncertainty**. A distressed cross-border target looks like an unknowable tangle of jurisdictions, labor regimes, currencies, and a deteriorating balance sheet, so buyers either walk or pad their bids with a risk cushion that makes them uncompetitive.

That instinct is wrong, and the error is expensive. The hazards in these deals are specific, locatable, and for the most part quantifiable. They are charted water: dangerous but readable. This paper sets out a method for reading them, a framework we call **Reading the Water**, and shows how operator-grade quantification lets a buyer offer the one thing a distressed seller values above headline price: **certainty of close**.

The paper is built around a single composite deal, drawn from real engagements and fully anonymized, in which a buyer looked at the same target twice, walked away the first time, and won it two years later. Nothing about the target's hazards changed between the two looks. The economics did. That is the entire lesson, and the framework explains why.

1. The Opportunity: The Growth Lane Most Buyers Won't Run

For many acquirers, the familiar sources of growth have narrowed at the same time. Organic growth has slowed. The obvious domestic targets are picked over. Multiples on clean, healthy assets remain full, and each of those assets draws a crowd of well-capitalized bidders. A great deal of capital is chasing a shrinking set of easy deals.

Distressed and near-distressed cross-border acquisition is the lane most of that capital never enters, and the opportunity is neither small nor theoretical. Private equity alone is sitting on roughly $1.2 trillion in buyout dry powder, a growing share of it earmarked for special situations and turnaround strategies, as a wave of overleveraged and underperforming businesses across Europe comes under real pressure. Germany, France, and parts of Southern Europe are repeatedly identified as the hunting grounds.

The decisive point is who wins these assets. It is not the buyer with the lowest cost of capital. PwC's 2026 deals outlook reads the distressed opportunity as favoring buyers with the operational capability to manage special situations, not merely the checkbook to bid on them. **The edge belongs to operators**, and specifically to operators who can quantify what they are buying.

That raises the question this paper answers. If the assets are cheaper, the growth is real, and the field is thinner, why is almost nobody in this lane, and what does it take to win here?

2. The Core Argument: Certainty of Close Beats Headline Price

In distressed cross-border deals, the seller is often a lender, an administrator, or a parent company exiting a failing asset on a compressed timeline. For that seller, the highest headline number is not the most valuable bid. The most valuable bid is the one that will actually close, on time, without being re-traded at the eleventh hour and without collapsing late in diligence.

The buyer who can quantify the target's hazards with real conviction is the buyer who can credibly offer that certainty. A buyer who understands precisely what they are acquiring does not need to hedge against their own ignorance. They can accept tighter conditions, move faster, and take the business closer to as-is, because they already know what as-is contains.

This reframes the competition. Most buyers compete on price and lose on certainty. The operator who has charted the hazards competes on certainty and wins the asset, frequently at a price the field could not justify. The reward is not a marginally better deal. It is reaching assets and markets competitors cannot reach at all, at prices they cannot justify, and closing when they cannot.

3. Why These Deals Break: Complexity That Compounds

The risks in a distressed cross-border deal do not add. They compound. Each additional country brings its own tax regime, labor law, currency, accounting standard, and regulator, and these interact. Two countries are not twice the risk of one. It is closer to the square. Layer active financial distress on top, where the historical numbers describe a business that no longer exists, and the standard domestic diligence playbook does not merely fall short. It actively misleads, because the things it treats as settled stop being settled the moment you cross a border.

The Hazards Concentrate in Four Families.

The Labor Iceberg

In much of Europe, people are not a flexible cost line. They are closer to a semi-fixed liability, with statutory severance, works council consultation obligations, and restructuring processes whose true cost dwarfs the figure a domestic buyer expects. This hazard sinks the most deals.

Earnings That Do Not Survive the Crossing

Consolidated, cross-border, distressed historical are the easiest financials in the world to misread. Local accounting standards, intercompany and transfer-pricing effects, and the flattering distortions of a declining business combine to make reported earnings unreliable to anyone reading through a single-country lens.

Trapped Cash and the Failing Parent

A healthy consolidated cash position can hide money the buyer can never freely spend. A carve-out from a distressed parent brings transitional service dependencies and stranded costs that no balance sheet shows.

The Legal Potholes That Kill the Close

Claw back and avoidance risk when buying from an insolvent seller, thin or absent warranties, conflicting insolvency regimes, and the realities of dealing with administrators and lenders can undo a deal after it appears done.

None of these hazards is random. Each sit in a known place. The task is to read them.

4. The Framework: Reading the Water

Sophisticated buyers rarely fail for lack of a scoring model. Scorecards are celebrated in theory and largely ignored in practice, built to look rigorous in a committee deck and then left in an appendix while the real decision gets made by a few people talking through what worries them. A useful framework mirrors how an experienced buyer actually thinks, so it gets used under time pressure rather than admired and set aside.

Reading the Water is that kind of framework. It does not rate hazards on a numeric scale. It reads each one the way a harbor pilot reads a channel, through three moves.

Move One: Chart It

Is the hazard knowable? Can diligence reveal its true size, or is it genuinely unknowable no matter how hard you look? The central insight of the method lives here. Most hazards that appear unknowable are simply unfamiliar. A French labor liability looks unchartable to a buyer who has never navigated one and is fully chartable to one who has. Unfamiliarity is not uncertainty.

Move Two: Sound the Depth

How deep does the hazard run relative to your **waterline**? Depth is never absolute. A hazard is fatal or survivable only in relation to the price you are paying and the way you are structuring the deal. Buyers most often get this wrong by treating depth as a fixed property of the hazard rather than a relationship between the hazard and their own waterline.

Move Three: Choose Your Line

Given how the hazard charts and how deep it runs against your waterline, route it to one of three dispositions.

Price it through. The hazard is real and possibly large, but it is knowable. Quantify it and fold it into your number.

Structure around it. The hazard is real and hard to size to the exact figure, but you can handle it in the sale agreement rather than the price, through escrow, holdback, indemnity, deferred consideration, insurance, or a specific warranty.

Steer clear. The hazard is both genuinely unknowable and deep enough to sink you. This is the rare case where you walk, or restructure so fundamentally that the hazard leaves your lane.

The Waterline Is the Key

Buyers lose these deals because they misroute hazards. Unfamiliarity makes a large, navigable hazard look like an unknowable, fatal rock, so they consign it to steer clear and walk, or they price in a worst-case cushion that makes their bid uncompetitive. The skilled buyer's edge is correct routing, and the single most valuable move is recognizing that a hazard others had written off is in fact a charted hazard they can price or structure around.

Because depth is measured against the waterline, the same hazard can route differently on two different days. Move the waterline, by changing the price or the structure, and a hazard that would have sunk you at one level sits safely above the line at another. The hazard did not change. The water did. The next section shows exactly that.

5. The Passage, Charted: A Worked Example

> *The following is a composite, drawn from real engagements and fully anonymized. Industry, geography, and all identifying details have been changed to protect the parties involved. The analytical arc is faithful to how these deals unfold.*

The Target

A two-country customer-experience outsourcing business. One operation in France: high-touch and onshore, serving lower and mid-market clients who still pay a premium for live, local-language human support. One operation in Spain: modern, automated, and digital-first, serving urban mid-market clients. The seller, a private equity firm running a roll-up, had packaged the two together as a single integrated platform, marketed as one company with a single technology stack and a single way of working, and priced at an integrated-platform premium.

The Buyer's Thesis

A foreign-owned global customer-experience group wanted into the traditional market the French operation served, a market it had repeatedly failed to enter on its own. The French book, a set of sticky relationships in a market outsiders could not easily crack, was the prize. The buyer already operated in the modern market the Spanish business served, so it had no need to pay a premium for that side.

The First Look

Diligence took the integrated-platform story apart hazard by hazard.

The Labor Iceberg

The seller's model treated headcount as a flexible cost line, as a domestic buyer would expect. In France that is the wrong mental model. Statutory severance is only a floor, and over 95% of French employees are covered by collective bargaining agreements that routinely stack more generous terms on top. Beyond severance sits the process: a collective redundancy at a company of this size requires formal works council information and consultation, a job-saving plan, and labor administration sign-off, with a consultation period of two to four months, and buyers increasingly treat that consultation risk on par with merger-control clearance. Mishandle it and employee representatives can seek an injunction to delay the close, or have redundancies declared void.

In a people-driven business there is a second face to the iceberg. The client relationships live partly in the staff, so a botched restructuring costs not only severance but the book itself, through attrition.

Charted? Fully, for a reader who knows the jurisdiction. Deep? Deep enough to sink a buyer who misreads it. The hazard was large but navigable, and its size was partly controllable through early, well-sequenced engagement with the works council. That lever must be pulled carefully enough not to trigger flight risk or leaks in a confidential, distressed process. The skill is *not to engage early*. It is engaging early enough to shape the number without detonating the process.

Earnings That Did Not Survive the Crossing

The consolidated P&L showed a healthy blended margin. Pulling the two countries apart told a different story. Local accounting treatment, which can reshape reported margins between frameworks and hide items an untrained eye misses, intercompany pricing that shifted profitability between the two entities, and the flattering distortions of a declining business combined to disguise the truth. Re-based and un-consolidated, the French margins were worse than the blend implied and deteriorating, while the Spanish operation was quietly carrying the group.

Trapped Cash and the Failing Parent

The consolidated cash position looked comfortable and softened the premium. Traced entity by entity, much of it was committed or otherwise unavailable, the ordinary gap in a cross-border group between cash that exists and cash you can actually deploy. And because the seller was a private equity owner exiting a roll-up, the target leaned on the parent for shared technology, back-office functions, and contracts. Carving it out would bring transitional service arrangements, stranded costs, and separation risk, all harder to manage against a distressed parent on a short clock.

The Legal Potholes

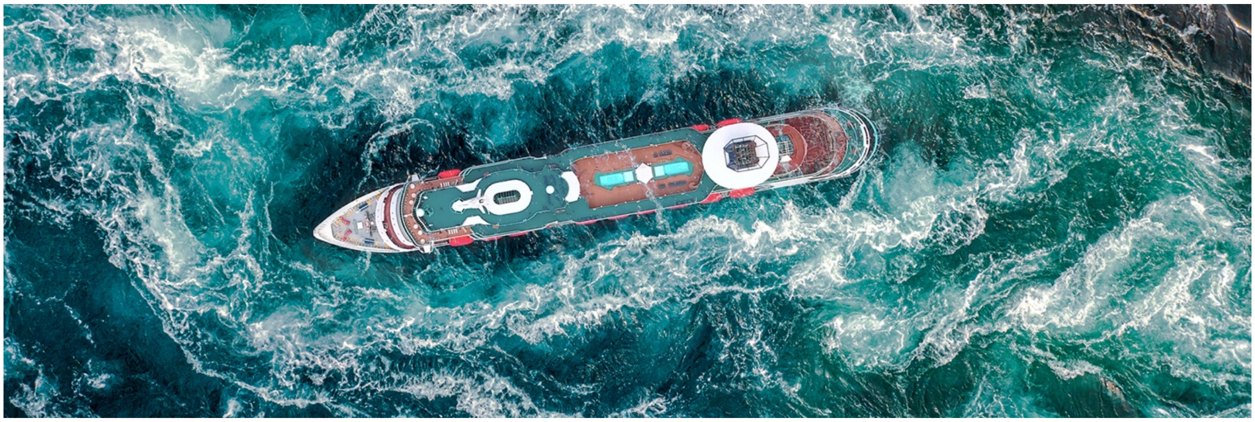
Two mattered most. First, buying from a distressed seller that did not receive fair value can expose even a good-faith buyer to a clawback or constructive-fraudulent-transfer claim if the seller later fails, and the applicable rules differ between France and Spain. It was two avoidance questions on two clocks, not one. Second, a distressed seller was unlikely to stand behind meaningful warranties, so diligence would have to carry the weight that seller warranties normally would.

The Disposition, First Look

Every hazard was chartable and, taken individually, either priceable or structural. The buyer still walked. The reason was the waterline. At an integrated-platform premium, for a business that had never truly been integrated, the accumulated weight of a large labor liability, a deteriorating French book, thin usable cash, a messy carve-out, and a legal tail left no room to navigate hazards that were, in themselves, navigable. **The hazards were not the problem. The price set the waterline too high.**

The Second Look

Two years later, the seller had failed to find any buyer and the business had drifted toward real distress. They returned with the whole company at a distressed multiple.



Nothing about the hazards had changed. The labor iceberg was the same size. The earnings were, if anything, slightly worse. The cash was still partly trapped, the carve-out still messy, the legal traps still present. **What changed was the water.** At a distressed multiple, with the modern Spanish operation now coming along cheaply enough to act as ballast, the identical hazards that had held the buyer at a premium now sat comfortably above the waterline.

The second look also carried upside the first did not. At a distressed price, the buyer was not merely acquiring the French book cheaply. It was buying a doorway into a market it could not otherwise enter, with room to widen each of those sticky relationships by cross-selling services it already offered. The Spanish operation threw off cash to fund the slow work of turning the French book around. That patient approach was available for a structural reason worth naming plainly: the prior owner was a private equity firm operating on a fund timeline that pushed a fast integration the business was never built to absorb, whereas a strategic operator without that clock could afford to integrate slowly and correctly.

Converting Quantification into a Winning Bid

Because the buyer had already charted every hazard, twice, it knew the business cold, and that knowledge translated into an advantage that had nothing to do with bidding the highest number. The buyer could take an aggressive position on the sale agreement rather than on price: accept a tighter set of conditions, move quickly, and take the business closer to as-is, precisely because it already knew what as-is contained. For a seller who had failed to sell once and needed certainty above all, that posture, not a larger check, made this the buyer they could actually close with.

Structuring Around What Could Not Be Priced Exactly

The hazards that resisted precise pricing were handled in the structure. Where the distressed seller would not stand behind warranties, synthetic warranty and indemnity insurance placed that protection into a policy rather than relying on the seller, a solution developed for exactly these as-is distressed sales. Clawback exposure was managed through structure and a defensible view of fair value. Workforce and client-continuity risk was addressed with retention pools, holdbacks, and earn-outs tied to preserving the relationships that gave the French book its value. Currency exposure across two countries was handled through a working-capital peg denominated in the right currencies.

Same business the buyer had walked away from. Same hazards. Won the second time because the water had changed and the chart was already drawn.

6. From Diligence to a Winning Bid

The example illustrates a repeatable discipline, not a lucky break. Converting diligence findings into a winning bid rests on three principles.

Compete on the Sale Agreement, Not Only on Price

Quantified conviction lets a buyer offer terms a less-prepared bidder cannot: fewer conditions, a faster path, and a willingness to take the business closer to as-is. In a distressed process, that posture is worth more to the seller than incremental price, because it delivers the certainty they most need.

Route Every Residual Hazard Deliberately

What cannot be folded into price gets folded into terms. The structure-around toolkit for distressed cross-border deals includes synthetic warranty and indemnity insurance where seller warranties are unavailable, escrows and holdbacks against identified risks, earn-outs tied to client and revenue continuity, indemnities for specific known exposures, and multi-currency working-capital mechanics. The art is matching the instrument to the hazard.

Set the Waterline on Purpose

Price and structure are not merely the output of diligence. They are the levers that determine which hazards are survivable. A disciplined buyer designs the bid so that every charted hazard sits above the waterline and walks only when a hazard is both genuinely unchartable and deep enough to sink the deal at any price the buyer would rationally pay.

The discipline to walk and the conviction to proceed are the same skill, applied in two directions. The first look proved the discipline. The second look proved the conviction. Both were correct, and each depended on having charted the water accurately.

7. Where a Co-Pilot Fits

A harbor pilot does not take command of the ship. The pilot is the specialist brought aboard for one treacherous stretch of water, because they know that passage cold, and they step off once the ship is clear.

That is the role abip Advisors plays in a distressed cross-border deal. What a corporate development officer or family office principal gains is a partner who has run this specific passage before and can tell them which hazards to price, which to structure around, and which, in the rare case, to steer clear of entirely.

This matters most for the buyers best positioned to win in this lane and least equipped to staff it. Lean corporate development teams and family offices increasingly pursue direct and cross-border deals without a large in-house diligence bench, and the operator-grade quantification these deals demand tends to fall between the conventional providers. It sits in the space between accounting, legal, and operational diligence, where no single traditional discipline owns it. abip owns exactly that space: the deal-specific, cross-border quantification of one-time costs, synergies, and hazards that lets a buyer read the water accurately and bid with certainty.

The framework in this paper is not proprietary mystique. It is how we think, shared openly, because the buyers who will win these deals are the ones who learn to read the water. We would rather be the pilot beside them when they do.

Appendix:

Diligence-Readiness Checklist

Before entering a distressed cross-border process, a buyer should be able to answer yes, or have a credible plan to answer yes, to each of the following. The questions map directly to Reading the Water.

Charting Readiness

- Do we have genuine local fluency in every jurisdiction the target operates in, or a partner who does?
- Have we identified which hazards are chartable with effort and which are genuinely unknowable, and separated the two?
- Have we allocated diligence time to the compounding effects between jurisdictions, not just each country in isolation?

The Labor Iceberg

- Have we sized severance against local collective bargaining agreements, not only the statutory floor?
- Have we mapped the works council consultation timeline and built it into the deal calendar?
- Have we assessed keyperson and client-continuity risk in any relationship-driven part of the business?
- Do we have a sequenced engagement plan that can shape the labor number without triggering flight or leaks?

Earnings Quality Across Borders

- Have we un-consolidated the group and re-based each operation under the correct local accounting lens?
- Have we isolated intercompany and transfer-pricing effects on reported profitability by entity?
- Have we distinguished genuine one-time items from recurring costs disguised as adjustments in a declining business?

Trapped Cash and the Failing Parent

- Have we traced cash entity by entity to determine what is actually free to deploy versus committed or trapped?
- Have we quantified repatriation friction, withholding, and intercompany obligations?
- Have we costed the carve-out, including transitional services, stranded costs, and separation dependencies?

Legal Close-Killers

- Have we assessed claw back and avoidance exposure under each relevant jurisdiction's rules?
- Have we confirmed what warranties, if any, the seller will provide, and planned for the gap?
- Have we identified insolvency-regime conflicts, consent requirements, and the constraints of dealing with administrators or lenders?

Setting the Waterline

- For every material hazard, have we assigned a disposition: price it through, structure around it, or steer clear?
- Have we designed price and structure so that every charted hazard sits above our waterline?
- Can we offer the seller genuine certainty of close, and is that certainty our competitive edge rather than price?

A buyer who can work through this list with real answers is not gambling on a distressed cross-border deal. They are navigating one.

This paper is drawn from real engagements. The composite deal it describes has been fully anonymized, with industry, geography, and identifying details changed to protect the parties involved. It is provided for general information and does not constitute legal, tax, or accounting advice.

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