

Private Equity Buyers vs Trade Sales:

Insights for sellers

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Trade Buyers

1. Competitive Bidding:

A trade buyer may be willing to pay more to secure potential strategic benefits from an acquisition.

A founder can encourage a competitive bidding process to ensure that they receive the best possible price.



Trade Buyers

2. Time to Closing:

A trade buyer has specific knowledge on a target's industry.

Thus, a trade buyer may close a deal quicker than a private equity buyer, reducing the risk and uncertainty associated with the sale process.



Trade Buyers

3. Earn-Out Arrangements:

A trade buyer may be more open to earn-out arrangements, allowing the founder to participate in the future success of the business and potentially increase the final purchase price.



Private Equity Buyers

1. Leverage :

The use of leverage by private equity buyers in a transaction can result in a higher purchase price.

Using leverage generates certain tax advantages which serve as an additional layer of security to the deal's success.



Private Equity Buyers

2. Flexibility:

Private equity buyers may be more flexible in their approach to a transaction, allowing the founder to structure the deal favourably.

For example, a founder may be able to retain an equity stake in the business.



Private Equity Buyers

3. Expertise:

Private equity firms have significant expertise in growing and optimising businesses, increasing company value over time.

This results in a higher return for the founder if they are able to retain an equity stake in the business.



Leverage a third-party advisor:

Consider engaging a professional advisor, such as an investment banker or M&A specialist, to help manage the sale process.

An advisor can help identify potential buyers, create a competitive bidding environment and negotiate the best possible deal on your behalf.



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*Stay tuned for the start of our **Human
vs AI** brain-teasers, which we'll be
starting in our next post!*

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