WTA TECHNOLOGY MERGERS & ACQUISITIONS

MARKET VIEW

SELL-SIDE INSIGHTS

What is better: selling to private equity or trade?

Introduction

A private equity deal is often attractive—but there are clear situations where a trade sale (selling to a corporate buyer) is the smarter choice. What follows is a practical, decision-focused discussion.

You want a clean, full exit

If your priority is **100% cash at completion** with no or little ongoing involvement along with no future risk, then a trade buyer is usually the better fit. This because private equity typically expects you to retain equity, stay involved and help drive the next growth phase. Trade buyers are more open to full buyouts and shorter transition periods.

Your business has strong strategic value to a specific buyer

Trade buyers can justify **higher prices** when your business fills a **capability gap** (e.g. cybersecurity, data, AI), gives access to a **new geography**, unlocks **cross-selling opportunities** and removes a **competitor**. In these cases, corporates can pay a **strategic premium** that PE cannot match.

Significant cost or revenue synergies exist

Corporates can often remove duplicate costs, integrate teams and systems and cross-sell into existing customers. That allows them to **pay more upfront** because they can realise value immediately. Private equity typically cannot underwrite synergies to the same extent.

Your business is not easily scalable as a standalone platform

Private equity prefers scalable platforms, strong management teams and a clear buy-and-build potential. A trade sale may be better if growth is more limited, the business depends heavily on integration into a larger platform, or it lacks a standalone "platform story"

You don't want ongoing governance or pressure

Private equity ownership brings board oversight, reporting requirements and growth targets. If you prefer simplicity, less scrutiny and no multi-year growth plan commitments then trade sale is usually more suitable.

You are nearing retirement or lifestyle change

If your goals are stepping away completely, removing financial exposure and simplifying your affairs the trade buyers typically offer a more definitive exit.

Your management team is not ready to scale independently

Private equity relies heavily on a strong second-tier management team and leaders who can run the business post-transaction. If the founder is central to operations and there is no clear succession, then a corporate buyer will be most likely to be better positioned to absorb and integrate the business.

Market conditions favour strategic buyers

In some markets corporates are cash-rich, strategic consolidation is active and specific capabilities are in demand the this can lead to faster processes and higher valuations from trade buyers.

You want deal simplicity and certainty

Trade deals are usually more straightforward and less structured e.g.. fewer earn-outs / rollover complexities whereas private equity deals often include equity rollover, ratchets and incentive schemes. Where simplicity matters, trade may be preferable.

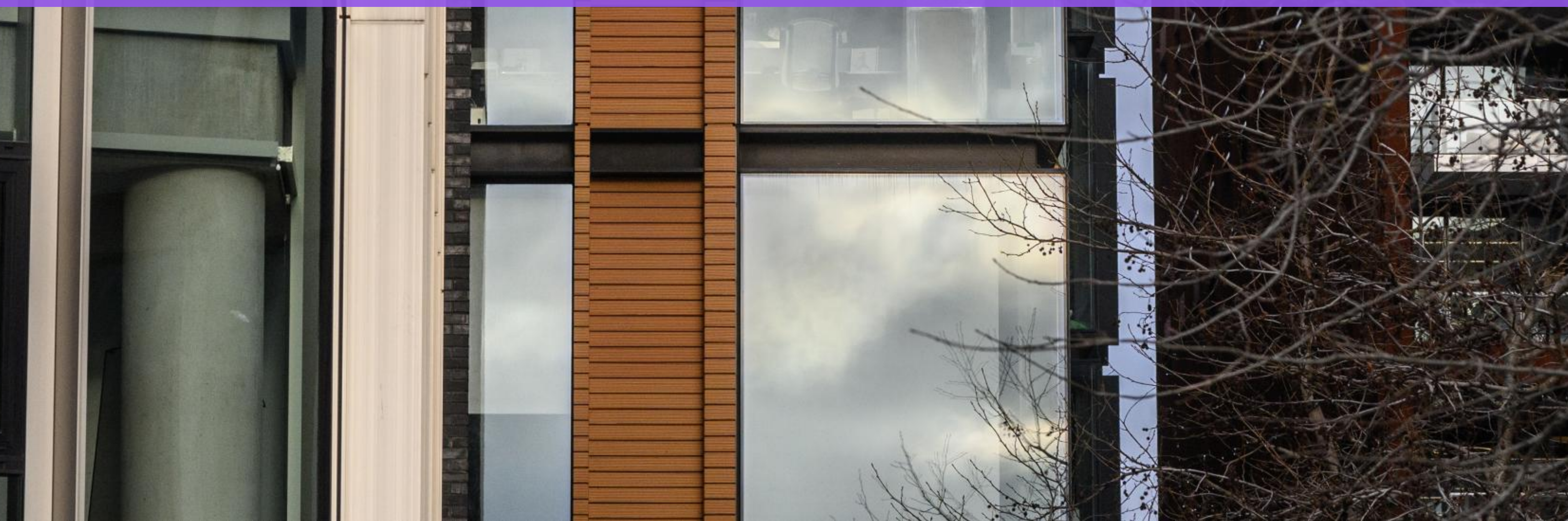
Your business is highly complementary to one obvious buyer

If there's a clear **"natural owner"** then a larger acquirer in your space or a sector consolidator is more often able to move quickly, pay aggressively or value your business more than a financial investor.

Specifically, if you are exiting a **SaaS business**, Trade buyers win when the product fits neatly into an existing platform, there is strong cross-sell potential or IP or feature set is strategically valuable.

And id you are an IT Services company especially an MSP or MSSP then trade buyers often win when geographic expansion is key, service capability is complementary and integration synergies are obvious.

Where Private Equity is still the best choice, when you want a **second exit** (retain equity), the business can be a **platform for growth/acquisitions** and you to **scale significantly post-transaction.**



Summary

Ask yourself

- Do I want **cash now** or **future upside**?
- Do I want to **leave** or **keep building**?
- Is my business more valuable inside a **larger group** or as **a platform**?

and if the answers lean toward:

- **exit**, **certainty**, **strategic fit**, then it's a trade sale but, if
- **growth**, **partnership**, and a **second exit** then it's private equity.

A trade sale is better than private equity when:

- you prioritise certainty, simplicity, and a full exit
- your business has clear strategic value to a buyer
- synergies drive higher upfront valuation

But, in selling to private equity i.e. your company is high growth, scalable (and in need of growth capital) and the owners wants the second exit, comes risk

- though, deal complexity
- deferment to preference share and loan note holders
- the upside of the second exit fades away if the future performance doesn't meet expectations.

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