R33 VENTURES

Helping entrepreneurs build, acquire and transition valuable businesses.

R33 Ideal Acquirer Framework™

SELECTING THE RIGHT SUCCESSOR FOR YOUR BUSINESS

“Evaluating potential buyers beyond purchase price”

INSIDE THIS GUIDE

Finding the Right Buyer

For many business owners, selling a business represents more than a financial transaction. It is often the culmination of years of hard work, personal sacrifice, and relationship building.

While maximizing value is an important objective, business owners frequently place equal importance on preserving their legacy, protecting employees, maintaining company culture, and ensuring the business continues to thrive under new ownership.

The purpose of this framework is to help business owners better understand the characteristics of various buyer groups and identify the type of acquirer that may best align with their personal and financial objectives.

SIX TYPES OF ACQUIRERS

01 Private Equity

04 Search Fund/ ETA Entrepreneur

02 Competitor/ Strategic Acquirer

05 Family Office

03 Management Buyout

06 Family Member

> *Enterprise value is only part of the equation — the right buyer is the one whose priorities align with yours.*

BUYER TYPE 01

Private Equity

INVESTMENT HORIZON

5 – 7 years

INVESTMENT SIZE

$10 million +

01

Private equity firms are professional investors that acquire businesses with the objective of growing value over a defined holding period before an eventual sale or recapitalization.

PRIMARY MOTIVATING FACTORS

Financial returns · **EBITDA growth** · **Add-on acquisitions** · **Eventual resale**

- ✓ Often capable of paying attractive valuations
- ✓ Flexible transaction structures
- ✓ May request sellers retain an ownership interest
- ✓ Increased focus on financial reporting and governance

> **KEY TAKEAWAY**
> Private equity often pays competitively and can offer flexible structures, but expect increased scrutiny of financial reporting and governance throughout diligence.

BUYER TYPE 02

Competitor/ Strategic Acquirer

INVESTMENT HORIZON

Long-term

INVESTMENT SIZE

N/A

02

Strategic acquirers are typically operating companies seeking to expand market share, capabilities, or geographic reach through acquisition.

PRIMARY MOTIVATING FACTORS

Synergies · **Market share expansion** · **Geographic growth** · **Customer acquisition**

- ✓ Potential to pay premium valuations
- ✓ Ability to eliminate duplicate costs
- ✓ Integration may impact culture and branding
- ✓ Greater confidentiality considerations

> **KEY TAKEAWAY**
> Strategic buyers can pay premium valuations through synergies, but owners should weigh the impact of integration on culture, branding, and employees.

BUYER TYPE 03

Management Buyout

INVESTMENT HORIZON

Long-term

INVESTMENT SIZE

Low

03

A management buyout involves the existing leadership team acquiring ownership of the business, offering strong continuity for employees, customers, and operations.

PRIMARY MOTIVATING FACTORS

Continuity · **Ownership transition** · **Employee retention**

- ✓ Strong cultural alignment
- ✓ Financing capacity can be challenging
- ✓ High level of trust
- ✓ Often requires seller support

KEY TAKEAWAY

Management buyouts offer exceptional continuity and trust, but financing capacity is often limited, so sellers should be prepared to support the structure.

BUYER TYPE 04

Search Fund/ ETA Entrepreneur

INVESTMENT HORIZON

7+ years

INVESTMENT SIZE

Low to mid

04

Search fund and entrepreneurship-through-acquisition (ETA) buyers are individual operators seeking to personally acquire and lead a single business over the long term.

PRIMARY MOTIVATING FACTORS

Operating a single company · **Long-term value creation** · **Personal entrepreneurship**

- ✓ High commitment level
- ✓ Strong focus on employees
- ✓ Preservation of company culture
- ✓ Financing dependent upon investors and lenders

KEY TAKEAWAY

Search fund entrepreneurs bring high commitment and a strong focus on culture and employees, though financing is typically dependent on outside investors and lenders.

BUYER TYPE 05

Family Office

INVESTMENT HORIZON

Long-term

INVESTMENT SIZE

$10 million +

05

Family offices manage the wealth of a single family or small group of families, often prioritizing long-term stewardship and capital preservation over shorter investment horizons.

PRIMARY MOTIVATING FACTORS

Capital preservation **Long-term ownership** **Stewardship** **Sustainable growth**

- ✓ Often highly aligned with founder values
- ✓ Flexible transaction structures
- ✓ Strong continuity potential
- ✓ Generally less pressure for a future exit

KEY TAKEAWAY

Family offices often align closely with founder values and offer patient, long-term capital with less pressure for a near-term exit.

BUYER TYPE 06

Family Member

INVESTMENT HORIZON

Long-term

INVESTMENT SIZE

Low

06

A sale to a family member keeps ownership within the family and is often driven by legacy considerations rather than purely financial objectives.

PRIMARY MOTIVATING FACTORS

Legacy preservation **Family continuity**

- ✓ Highest degree of cultural continuity
- ✓ Potential succession challenges
- ✓ Financing constraints possible
- ✓ Family dynamics may impact execution

KEY TAKEAWAY

Family successions offer the highest degree of continuity and legacy preservation, but owners should plan carefully for financing constraints and family dynamics.

Understanding the Evaluation Criteria

The twelve criteria below form the basis for comparing acquirer types on the following pages. Each reflects a distinct dimension of what business owners may value in a transaction — beyond price alone.

Certainty of Closing

The likelihood that a transaction successfully completes following execution of a letter of intent.

Highest Purchase Price

The probability that an acquirer is willing and able to pay a premium valuation.

Quickest Exit

The ability to complete a transaction within a shorter timeframe.

Business Continuity

The likelihood that employees, customers, suppliers, and operating practices remain largely unchanged.

Future Growth Potential

The acquirer's ability to provide capital, expertise, and strategic direction to support future expansion.

Cultural Fit & Trust

The degree to which the acquirer shares similar values, leadership style, and business philosophy.

Preservation of Legacy

The likelihood that the founder's vision, reputation, and long-standing relationships will be maintained.

Likelihood of Employee Retention

The probability that employees remain with the business following the transaction.

Owner's Ability to Remain Involved

The flexibility for the founder to continue participating in management, governance, or advisory roles.

Flexibility of Deal Structure

The willingness and ability to accommodate vendor financing, earnouts, equity rollovers, and phased transitions.

Confidentiality Risk

The risk that commercially sensitive information may be exposed during the sale process.

Execution Simplicity

The relative ease of completing the transaction considering financing, governance, tax planning, and stakeholder alignment.

EVALUATION MATRIX

Evaluating Buyers Beyond Purchase Price

CRITERIA	Private Equity	Competitor / Strategic	Management Buyout	Search Fund/ ETA	Family Office	Family Member
Certainty of Closing	●●●●○	●●●○○	●●○○○	●●●○○	●●●●○	●●○○○
Highest Purchase Price	●●●●●	●●●●●	●●○○○	●●●○○	●●●●○	●○○○○
Quickest Exit	●●●●○	●●●●○	●●○○○	●●○○○	●●●●○	●●○○○
Business Continuity	●●●○○	●●○○○	●●●●●	●●●●○	●●●●○	●●●●●
Future Growth Potential	●●●●●	●●●●○	●●●○○	●●●○○	●●●●●	●●●○○
Cultural Fit & Trust	●●●○○	●●○○○	●●●●●	●●●○○	●●●●○	●●●●●
Preservation of Legacy	●●●○○	●●○○○	●●●●●	●●●○○	●●●●●	●●●●●
Likelihood of Employee Retention	●●●○○	●●○○○	●●●●●	●●●●○	●●●●○	●●●●●
Owner's Ability to Remain Involved	●●●●○	●●○○○	●●●●●	●●●●●	●●●●●	●●●●●
Flexibility of Deal Structure	●●●●●	●●●○○	●●●○○	●●●○○	●●●●●	●●●○○
Confidentiality Risk	●●●●○	●●○○○	●●●●●	●●●●●	●●●●●	●●●●●
Execution Simplicity	●●●●○	●●●○○	●●○○○	●●●○○	●●●●●	●●○○○

●●●●● Strong alignment ●●●○○ Moderate alignment ●○○○○ Limited alignment

Ratings reflect general tendencies observed across typical transactions and are illustrative only. Actual outcomes vary by buyer, industry, and deal-specific circumstances.

WHY THIS MATTERS

These criteria capture how a transaction is likely to unfold operationally — who can pay the most, close fastest, and structure the deal with the greatest flexibility — alongside the impact on employees, legacy, and the founder's ongoing role. Together they give a full picture beyond price alone.

NEXT STEPS

There Is Rarely a Single “Best” Buyer

Every entrepreneur has a unique set of priorities. For some, maximizing purchase price may be paramount. For others, preserving a legacy, ensuring continuity for employees, or maintaining company culture may outweigh incremental value.

Understanding these priorities early in the process allows business owners to focus their efforts on pursuing the acquirers most aligned with their personal and financial objectives. At R33 Ventures, we work alongside entrepreneurs to identify, evaluate, and engage with prospective buyers through a lens that extends beyond purchase price alone.

HOW R33 CAN HELP

- ✓ Clarify your priorities across price, legacy, culture, and continuity
- ✓ Translate priorities into a target acquirer profile
- ✓ Identify and engage prospective buyers aligned with your objectives
- ✓ Guide you through the steps of a transaction – when the time is right

Need information?

For a complimentary discussion regarding your business and its ideal acquirer profile:

Call us 514 973.3147 | **mdeegan@r33ventures.com** | r33ventures.com