PARTIAL SALES EXPLAINED · CORNERSTONE GUIDE

Partial Sale: Trade Partner or Private Equity?

Private equity may suit some high-growth businesses, but many SME owners should also consider whether a complementary trade partner could deliver better business equity, stronger synergy and a more logical route to future value.

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Contents

The private equity trap

Business owners are often drawn to private equity because it sounds sophisticated, well funded and ambitious. The pitch is familiar: institutional capital, professional governance, a sharper management cadence, and a clear plan to scale the business and exit at a higher multiple within a defined period.

Private equity firms can be excellent partners in the right situation. The trap is not the asset class. The trap is assuming that raising financial capital is the same as gaining strategic capability. They are not the same thing.

- private equity is primarily financially motivated
- investors usually need a defined return within a defined timeframe
- the model often depends on growth, leverage, professionalisation and a future exit
- that can work extremely well for the right business
- it can also create pressure, reporting demands and strategic expectations that do not suit every founder-led SME

In plain English

Private equity is money with a return target. A complementary trade partner may be money, market knowledge, customers, systems, people and succession support in one deal.

Private equity is not wrong. It is just not automatically right.

When private equity fits

A balanced view matters. Private equity is the better route in plenty of situations, particularly where the business has the profile that the model is designed to support.

- high growth potential
- scalable systems and processes
- a strong management team below the founder
- a clear buy-and-build opportunity
- recurring revenues and high margins
- a disruptive proposition or sector consolidation play
- ambitious owners who want to accelerate growth
- a clear exit pathway within a reasonable investment period
- capacity to absorb formal governance and reporting
- willingness to share decision-making with a financial board

For these companies, private equity may be exactly the right partner. Growth capital from a credible institutional investor can transform what the business is capable of in three to five years.

The problem is not private equity itself. The problem is assuming it is the only serious option.

Why retirement exits differ

Many UK SME owners considering a partial sale are not trying to become the next high-growth platform. They are thinking about succession, personal de-risking, retirement planning, management transition or reducing founder dependency. For those owners, the right answer may not be a purely financial investor.

- the owner may want a planned exit over three to seven years
- the business may still rely heavily on the founder
- the management team may need genuine support, not just oversight
- customers and staff may need confidence about who is taking over
- the owner may want commercial continuity, not aggressive change
- the best buyer may already understand the market and be able to carry the business forward

A retirement-driven partial sale is often less about raising money and more about finding the right long-term home for the business. That is a different question, and it usually has a different answer.

For a fuller view of how a phased approach plays out for retirement-driven founders, see our cornerstone guide on a partial business sale as a planned succession strategy.

What is business equity?

Business equity is the value created when a partner brings practical business advantage as well as capital. It is the part of the deal that does not show up on the cheque on completion day, but that materially changes what the business is worth in three years' time.

Business equity may include:

- sector knowledge
- customer relationships
- supplier access
- technical capability
- sales channels
- management infrastructure
- operational systems
- brand credibility and market reputation
- product or service overlap
- cross-selling opportunities
- geographic expansion
- recruitment strength
- shared culture and commercial understanding
- practical succession capacity

A complementary trade partner may be able to deliver several of these because they already understand the industry. They can see practical ways to grow, improve or integrate the business that a purely financial investor cannot.

In plain English

Private equity brings financial firepower. A complementary trade partner may bring financial firepower plus commercial firepower.

Why a trade partner may be more logical

A larger trade partner who already operates in or around your sector starts the conversation with several advantages over a financial investor. They are not learning your market from a sector report. They are already living in it.

- they already understand the customers
- they understand the market risks
- they understand the margin dynamics
- they may already know the suppliers
- they can spot operational improvements quickly
- they may have relevant management capacity to support succession
- they bring immediate credibility with staff, customers and suppliers
- they may have cross-selling or channel opportunities
- they can often create value through synergy, not just financial engineering

None of this is automatic. Not every trade partner is the right trade partner, and not every sector overlap produces real value. The point is that, in the right circumstances, a complementary trade buyer may add a layer of commercial logic that a financial investor cannot match. To see how that translates into a sell-side engagement, jump to the partial sale advisory next-steps panel or go straight to the confidential enquiry form on our contact page.

Synergy versus financial engineering

Both private equity and trade partners aim to create value. They simply do it in different ways. Understanding the distinction helps you judge which model is more likely to fit your business and your goals.

Private equity value creation

- growth targets and KPIs
- additional acquisitions (buy-and-build)
- management strengthening and incentive design
- operational improvement programmes
- debt structuring and capital efficiency

- exit multiple expansion
- financial discipline and reporting

Trade partner value creation

- customer access and channel sharing
- combined sales and marketing reach
- supplier leverage and procurement savings
- shared systems and back-office capability
- sector knowledge and technical collaboration
- operational integration where it adds value
- brand strength and market credibility
- practical succession support

A financial investor normally has to create value from the outside in. A complementary trade partner may already be inside the commercial logic of the sector. Both can work. The question is which is more relevant to your business at this stage of its life.

Why trade partners can sometimes pay more

A complementary trade buyer may be able to justify value differently from a financial investor, because the value they see is not only standalone earnings. It is the combined value of two businesses brought together.

A trade partner may be able to pay for:

- identifiable revenue and cost synergies
- cross-selling into an existing customer base
- margin improvement from shared infrastructure
- strategic positioning in the sector
- customer access in markets they cannot otherwise reach
- capability gaps they would otherwise need to build
- market share and competitive insulation
- defensive value (keeping the asset away from a rival)
- long-term integration benefit

Private equity must consider investor returns, debt capacity, entry valuation, exit assumptions and investment period. The maths is naturally constrained by the model.

This does not mean trade buyers always pay more. They do not. But where real synergy exists and a structured process forces it to be tested, a complementary trade partner may see and justify value that a purely financial buyer cannot.

A bridge to a future full exit

One of the strongest arguments for a complementary trade partner is what happens after the first transaction. A well-structured partial sale is not the end of the story. It is the start of a planned route to a future full exit.

The owner sells an initial stake, takes meaningful capital off the table, retains a stake in future upside, and continues to lead or support the business as the partner brings their capability to bear. Several years later, the remaining shares are sold, very often to the same partner, at a stronger valuation reflecting the work done in between. For more on how a phased exit works in practice, see our guide to the two-stage exit strategy.

- take meaningful value off the table now
- retain upside on the shares you keep
- reduce personal risk and concentration
- build management succession in a planned way
- improve management depth before final handover
- protect staff and customer relationships
- create a natural future buyer for the remaining shares
- avoid a sudden cliff-edge sale or strained earn out

A complementary trade partner is often a more credible long-term home than an investor whose timeline is set by their fund. To explore how the first stage might be structured for your business, jump to the partial sale advisory next-steps panel or arrange a confidential discussion using the secure enquiry form.

PE vs trade partner: side by side

The table below sets out the practical differences. Neither column is good or bad. The right answer depends on the business, the owner and the goal.

In plain English

The right question is not "Can I get private equity?" The better question is "Who can make my business more valuable and more sustainable after I reduce my involvement?"

Deal structures and minority protections

The deal structure matters as much as the choice of partner. Two founders selling the same percentage of the same business, on the same headline valuation, can end up with very different outcomes depending on how the legal documents are drafted. This section sets out the structural levers that most often shape value, control and the relationship after completion.

Minority sale to a trade partner

In a minority partial sale, the founder retains majority control. The trade partner takes a meaningful but non-controlling stake, typically between 20% and 49%. The commercial appeal is alignment without surrender. The partner is invested in the success of the business but cannot dictate strategy unilaterally.

A well-drafted minority deal will set out reserved matters, board composition, information rights, dividend policy, dilution protection and a clear framework for future transactions. Without those provisions, a minority stake can become uncomfortable very quickly. The founder still leads the business but suddenly has a partner who feels entitled to more influence than the legal documents grant.

- reserved matters list, decisions that need investor consent (budget approval, senior hires, debt facilities, related-party transactions)
- board composition, typically the founder retains majority of board seats in a minority deal
- information rights, monthly management accounts, quarterly board packs, annual budget
- pre-emption rights on new share issues to protect against unwanted dilution
- tag-along rights so a minority shareholder can participate if the majority sells
- drag-along rights so the majority can deliver a clean sale if a future buyer requires 100%
- dividend policy and distribution rules to avoid disputes over reinvestment versus return

Majority sale with rollover

In a majority partial sale, the trade partner takes 51% to 80% and the founder rolls the balance into the new structure. This is more common where the founder is preparing for a planned departure over three to five years and wants the partner to take operational lead. The legal architecture is different because the founder is now the minority and needs corresponding protections.

- good leaver and bad leaver provisions defining what happens to founder shares on exit
- anti-embarrassment clauses if the partner sells on within a defined period at a higher value
- protected minority rights against value-leaking transactions with the partner's wider group
- service agreement aligned with the rollover, defining role, notice and non-compete terms
- clear earn-out or ratchet mechanics if part of the value depends on future performance
- a defined put option giving the founder the right to sell the remaining stake at an agreed mechanism

How private equity structures differ

Private equity structures share many of the same building blocks but apply them differently. The PE firm is investing other people's money against a defined return target. Their documents reflect that. Founders rolling equity into a PE deal will typically encounter a new holding company, leveraged debt, a management equity pool with vesting, a ratchet linked to fund-level returns, and contractual exit provisions tied to the fund's investment period.

None of this is unreasonable. It is simply the price of working with institutional capital. Founders should understand the implications, particularly around control over a future sale, before they sign heads of terms. A trade partner deal usually has fewer of these institutional features but introduces its own structural questions about integration, group accounting and inter-company arrangements that need equally careful drafting.

Worked illustration: trade partner vs PE

Numbers help cut through the abstraction. The illustration below is deliberately simplified. It is not advice and it is not a forecast. It is a stylised comparison to show how value can build differently under each route. Real outcomes depend on tax, structure, performance, market conditions and dozens of variables that only proper professional advice can address.

Take a UK SME with annual EBITDA of £2m. The owner is 56, wants to take meaningful capital off the table, stay involved for three to five years and eventually exit fully. The business is profitable, well run, growing modestly and has a credible management team but still has founder-dependency in customer relationships.

Path A: Private equity majority buyout

- headline enterprise value at entry: 6.0x EBITDA, £12m
- founder sells 70%, rolls 30% into the new holding company
- cash to founder at completion (before tax and fees): approximately £8.4m
- retained 30% rolls into a leveraged structure with planned bolt-on acquisitions
- five years later, EBITDA grown to £3.5m via organic growth and bolt-ons
- exit multiple at sale: 7.0x, enterprise value approximately £24.5m
- founder's 30% (post leverage repayment and ratchet effects): broadly £6m to £7m
- aggregate gross proceeds across both events: roughly £14m to £15m

Path B: Majority sale to a complementary trade partner

- headline enterprise value at entry: 6.5x EBITDA reflecting modest synergy premium, £13m
- founder sells 60%, retains 40% with a defined put option in years four to six
- cash to founder at completion (before tax and fees): approximately £7.8m
- partner brings cross-selling, supplier leverage and back-office consolidation
- EBITDA grows to £3.8m over four years from organic, synergy and channel effects
- second-stage put exercised at agreed multiple of 7.0x: enterprise value £26.6m
- founder's 40% second-stage proceeds: approximately £10.5m before tax
- aggregate gross proceeds across both events: roughly £18m

The illustration is not meant to suggest a trade partner always pays more. They do not. In another scenario the PE buy-and-build engine could outperform a trade partner deal by a wide margin, particularly where the platform thesis is genuinely strong. The point is that two routes that look broadly similar at completion can diverge significantly on the second-stage sale, and the second-stage value usually depends more on who the partner is than on the headline multiple agreed at entry.

In plain English

Headline price is what gets you talking. Second-stage value is what determines whether the deal was actually a good one.

Confidentiality and competitor risk

One of the legitimate concerns founders raise about a trade sale process is competitor sensitivity. By definition, a complementary trade partner often operates in the same market. Sharing detailed commercial information with a sector peer feels uncomfortable. That concern is reasonable, and it can be managed, but it has to be designed into the process from day one rather than addressed when it has already become a problem.

A staged disclosure framework

A well-run sell-side process protects sensitive information through layered disclosure. Each stage releases progressively more detail and only to parties who have demonstrated genuine intent and signed appropriate protections.

- blind teaser, anonymised, no business name, no identifiable customers, sent to a long list of plausible parties
- NDA execution, with non-solicitation, non-compete and named-individual clauses where appropriate
- information memorandum with named business but redacted customer detail and aggregated financials
- management presentations to a shortlist of credible parties, still with controlled commercial detail
- indicative offers requested before any deeper data is released
- full data room access only after a non-binding offer has been received and the party is genuinely shortlisted
- customer-level detail and contracts disclosed at exclusivity, when the buyer has committed to a defined timeline

Practical protections that matter

- clean teams arrangements where the most sensitive data is reviewed only by external advisers, not the buyer's commercial team
- watermarked documents and access logs in the data room
- tiered NDAs with stronger penalties as more sensitive information is disclosed
- controlled site visits, often outside business hours and without staff awareness
- code names for the project so internal references do not identify the seller
- restricted access on the seller's side, often only the founder, finance director and adviser are aware
- a pre-agreed communications plan for staff and customers if the process becomes visible

Properly run, a sell-side process can engage credible trade parties without compromising confidentiality. Poorly run, it can create exactly the damage founders fear. The difference is the discipline of the adviser and the sequencing of disclosure, not the asset class of the buyer.

Second-stage exit mechanics

Where a partial sale is intended as a bridge to a future full exit, the second-stage mechanics matter as much as the first-stage price. A clean second-stage exit needs to be designed at the start, not negotiated under pressure several years later when the parties' interests may have drifted.

Pricing the future stake

There is no perfect mechanism for valuing the remaining shares, but there are well-understood approaches. The most common is a multiple of EBITDA at the date of exercise, agreed and documented up front, often within a defined band (for example 6.5x to 7.5x) to reflect market conditions at the time.

- fixed multiple of trailing 12-month EBITDA, simple but inflexible
- multiple within a band, with a defined methodology for choosing the point
- independent valuation by an agreed expert, with a clear scope of instructions
- linkage to comparable transactions, with a methodology for selecting comparables
- a put-and-call structure where each party has a clear right at defined dates
- an anti-embarrassment overlay if the wider business is sold within a defined period

Triggers and timing

The second-stage exit is normally triggered by a defined event or window rather than left open-ended. Typical triggers include a fixed date window (often years three to six after completion), the founder reaching a defined age, achievement of agreed performance milestones, or a sale of the wider partner group.

- put option, the founder's right to require the partner to buy the remaining shares
- call option, the partner's right to acquire the remaining shares
- tag-along on a sale of the wider group
- drag-along where the partner sells the whole business to a third party
- change of control protections if the partner is itself acquired

Dispute resolution and protection

Disagreements about the second-stage price are predictable and worth designing for. The shareholders' agreement should set out a clear dispute resolution process, normally starting with good-faith negotiation, escalating to expert determination by a named valuation firm, and only reaching litigation as a last resort.

The cleanest deals are those where the founder and partner do not need to negotiate at the second stage at all. The mechanism is already agreed, the methodology is documented, the trigger is defined and the process for resolving any dispute is clear. The partial sale becomes a planned two-stage transaction, not two separate negotiations.

The cultural fit question

Trade partner deals are not automatically better. The wrong trade partner can be a poor choice, sometimes a worse one than a sensible private equity backer. Cultural fit is not a soft issue. It is the single biggest predictor of whether a partial sale ages well or badly.

- culture and values must align
- customer treatment must be consistent with how you have built the business
- staff treatment matters, especially through transition
- decision-making style must be workable for both sides
- integration approach must be agreed up front
- control rights must be clear in the shareholders' agreement
- the second-stage exit mechanism must be properly defined, not assumed

A partial sale only works if the commercial logic and the human fit are both strong. One without the other is a problem waiting to happen.

Questions to ask before choosing PE

A short, honest checklist before going down the private equity route. None of these are leading questions. They are the questions a good adviser will ask you anyway.

- Do I need money, capability, or both?
- Is my business genuinely suited to a private equity growth model?
- Would a complementary trade partner understand my market better?
- Could a trade buyer release synergies that a financial investor cannot?
- Is my goal growth, succession, retirement, or a mix of all three?
- Do I want a financial investor or a strategic partner?
- Who is most likely to protect and grow the business after I reduce my involvement?
- Which route gives me the best chance of maximising both first-stage and second-stage value?
- Am I choosing private equity because it is right, or because I have not properly explored trade options?

In plain English

A partial sale should not just be about selling shares. It should be about choosing the partner most likely to increase the value of the shares you keep.

When a trade partner is not right

A balanced guide has to be honest about when a complementary trade partner is not the right route. This will not suit every situation, and it would be misleading to suggest otherwise.

- the seller is concerned about competitor sensitivity around commercially valuable information
- confidentiality risks are too high to approach plausible trade parties
- cultural fit with credible candidates is poor
- the trade buyer wants too much control too soon
- there is no clear strategic benefit beyond simple revenue addition
- the buyer is not financially strong enough to be a credible long-term partner
- the deal terms for the second-stage exit cannot be cleanly agreed
- the seller wants purely financial investment without operational involvement

In any of these cases, a private equity solution or a different structure entirely may genuinely be the right answer. The point of the exercise is to find out, not to assume.

Why the process matters

Finding the right trade partner is not the same as casually approaching the obvious competitor down the road. It requires a structured, confidential, research-led M&A; process that tests both trade and financial routes side by side.

- mapping the market for relevant trade and financial buyers
- identifying complementary acquirers with real strategic logic
- screening for strategic, financial and cultural fit
- protecting confidentiality at every stage
- positioning the opportunity in commercial, not just financial, terms
- creating competitive tension so options can be properly compared
- negotiating control, governance, valuation and second-stage exit terms

For a deeper view of how a disciplined sale process protects value at every stage, see our guide to the sell-side process.

The best answer is rarely found by speaking to one obvious buyer. It comes from properly testing the market.

Sector by sector: trade vs PE

The right answer to "trade partner or private equity" is rarely abstract. It depends heavily on the sector you operate in, the buyer landscape that exists around you, and how value is actually created in your industry. The sections below set out how the choice typically plays out across six sectors we see most often among UK SMEs with turnover in the £3m to £25m range. The detail varies, but the underlying principle is consistent: the better question is not "which type of buyer pays more in theory?" but "which type of buyer can do most with this specific business, in this specific sector, at this specific point in its development?"

Professional services

Professional services businesses, including accountancy, legal, consulting, recruitment, design and specialist advisory practices, are unusually dependent on people, relationships and reputation. That shapes how both trade partners and private equity tend to approach them. A complementary trade partner, typically a larger firm in the same or an adjacent discipline, often values the client book, the team, and the cultural fit at least as highly as the EBITDA multiple. They can absorb back-office cost, broaden the service offering to existing clients and offer career paths to senior staff, which materially reduces flight risk after completion.

Private equity has become very active in professional services, particularly through buy-and-build platforms in accountancy, wealth management, legal services and specialist consulting. The headline multiples can be attractive, but founders should look carefully at what comes with the cheque. PE platforms typically expect aggressive integration, rapid lateral hiring, standardised systems, KPI-driven management and a clear route to onward sale within four to six years. For a founder who wants to step back gradually and protect a long-standing client culture, a trade partner often provides a softer landing. For a founder who wants to lead consolidation in their niche and is energised by acquisition-led growth, a PE platform can be transformational. The deciding factor is rarely the multiple; it is whether the founder wants to be a builder or a steward over the next five years.

Manufacturing and engineering

UK manufacturing and engineering businesses tend to attract a particularly strong trade partner pool. Larger UK and overseas manufacturers, especially in Germany, the United States and Scandinavia, are often willing to pay full value for a well-run SME with proprietary capability, accredited processes, blue-chip customers or a defensible niche. The strategic logic is usually clear: cross-selling into the acquirer's customer base, adding capacity, regional coverage, technical capability or vertical integration. A complementary trade partner can also bring procurement scale, capital investment in plant, and engineering depth that an SME simply cannot fund alone.

Private equity in this space tends to focus on platforms with clear consolidation potential, recurring or contracted revenue, exposure to growth end-markets such as aerospace, defence, life sciences or energy transition, and a management team capable of executing bolt-ons. Where those ingredients are present, PE can be excellent. Where they are absent, particularly in cyclical, capex-heavy sub-sectors with concentrated customers, PE pricing can disappoint, and the governance overhead can sit awkwardly with how engineering businesses actually run. For most owner-managed manufacturers, the right exercise is to test both routes properly through a structured process rather than assume one or the other in advance.

Technology and software

Technology, particularly B2B SaaS and vertical software, is the sector where private equity has been most aggressive over the last decade. Recurring revenue, high gross margins, sticky customers and clear unit economics map directly onto the PE playbook. For founders of high-growth, capital-light software businesses with strong net retention and a credible international story, PE can deliver headline valuations that a trade partner will struggle to match, plus capital and discipline to scale. The trade-off is well understood: aggressive growth targets, a defined exit window, professionalisation of the leadership team, and a board that will push hard on metrics every quarter.

Trade partners, including larger software groups, technology-enabled services businesses and corporate strategics, often pay particularly well where the target unlocks a specific strategic gap, such as a missing module, a new vertical, a customer base in a target geography, or a technical team that is hard to hire. They are usually less interested in pure financial scaling and more interested in product fit and customer overlap. For technology founders who want to keep building rather than chase a five-year exit timetable, or whose business is growing well but not at PE pace, a complementary trade partner can be the more natural home, and often a better cultural one for the engineering team.

Healthcare and care services

Healthcare, including specialist clinical services, dentistry, veterinary, diagnostics, care homes and domiciliary care, has been one of the most heavily invested sectors by private equity in the UK. Demographic tailwinds, fragmented ownership and the opportunity to professionalise multi-site operations make it a textbook buy-and-build environment. PE platforms in this space have driven significant consolidation and, for founders aligned with that direction of travel, can deliver strong outcomes alongside meaningful rollover equity in a much larger group.

However, healthcare is also a sector where reputational, regulatory and clinical-quality considerations are central, and where the wrong partner can damage value quickly. Trade partners, including larger clinical groups, charities, and specialist operators, often bring deeper clinical governance, established CQC track records and operational infrastructure that an SME owner has been carrying personally for years. For founders who care deeply about clinical standards, staff retention and the long-term identity of the service, a complementary trade partner may be the more aligned choice, even if the headline number is slightly lower. As always, the right answer depends on whether the founder's priority is maximum financial outcome, continuity of mission, or, most commonly, a sensible balance of the two.

Construction, building products and specialist contracting

Construction-related businesses, including specialist contractors, building products manufacturers, and infrastructure services, are often viewed with caution by generalist private equity because of cyclicality, contract risk, working-capital intensity and tight margins. Where PE does invest, it tends to focus on asset-light specialisms, recurring service revenue, regulated markets such as fire safety or compliance, or platforms with clear consolidation logic. Pricing can be attractive in those niches but is rarely a runaway story for traditional contracting.

Trade partners, by contrast, often understand the sector deeply and can underwrite contract risk, supply-chain dynamics and project delivery in a way generalist investors cannot. A larger contractor, building products group or infrastructure services business may pay full value for capability, geographic coverage, accreditations, framework positions or a respected delivery team. They may also offer the back-office, bonding capacity and balance sheet that allow the SME to bid for larger contracts post-deal. For many construction-related SME founders, a structured process that genuinely tests trade interest, rather than defaulting to PE because it is fashionable, will usually surface the better outcome.

Distribution, logistics and B2B services

Distribution, logistics and broader B2B services sit between the extremes. Private equity is active where there is recurring revenue, contracted income, asset-light operating models or clear roll-up opportunity, for example in specialist distribution, facilities services, environmental services and tech-enabled logistics. Multiples in those pockets can be strong, particularly for platforms with credible international growth or ESG alignment.

Trade partners frequently pay better for traditional distribution and services businesses where the value lies in customer relationships, supplier agreements, branch networks, fleet utilisation and route density. A larger distributor or services group can layer the SME's volumes onto its existing infrastructure, take out duplicated cost, cross-sell to a wider customer base and unlock procurement savings that simply do not exist on a standalone basis. That synergy economics is something a financial buyer cannot replicate, however clever the financial engineering. The practical conclusion across all six sectors is the same: do not assume. Run a process that genuinely tests both routes, and let the market evidence, sector by sector, tell you which type of partner can do most with your specific business.

For a deeper look at how this plays out for founders thinking about phased succession rather than a fast financial exit, see our guide to a partial business sale as a succession strategy.

Conclusion

Private equity has its place. For high-growth, scalable, ambitious companies, it can be an excellent route. It should not be treated as the default answer for every partial sale, succession plan or retirement-driven exit.

For many SME owners, a complementary trade partner may offer something more relevant than capital alone. They may bring customers, systems, sector knowledge, management depth, strategic fit and a clearer route to future value. That is business equity, and for the right founder it can be worth more than a higher headline cheque from a purely financial investor.

Considering a partial sale?

If you own a UK business with turnover of £3m or more and want to understand whether a complementary trade partner could offer a better route than private equity, we would welcome a confidential conversation.

Do not fall into the private equity trap without first exploring whether a deal with a larger trade partner could work better for your business, your people, your customers and your eventual exit. For wider context, see our guides to selling your business, taking cash off the table, and a partial business sale as a succession strategy.

Related questions

Short, direct answers to the questions founders most often ask when weighing a complementary trade partner against private equity for a partial sale.

- How is a strategic partner different from private equity? Why it matters: choosing the right type of partner for your goals
- What is a trade partner deal? Why it matters: understanding commercial synergies beyond capital
- What is a strategic partner? Why it matters: what a strategic backer brings beyond money
- What is private equity and how does it apply to UK SMEs? Why it matters: how PE works at the £2m to £25m level
- Can I do a partial sale now and a full sale later? Why it matters: sequencing two transactions for greater total value
- Browse all buyer and partner FAQs Why it matters: wider context on who buys UK SMEs and why

Frequently asked questions

Is private equity always the best option for a partial business sale?

No. Private equity can be an excellent partner for fast-growing, scalable, ambitious businesses, but it is not the automatic answer for every founder. For many established UK SMEs, particularly those thinking about succession or retirement, a complementary trade partner may offer stronger sector knowledge, more practical operating support and a more natural route to a future full exit.

What is the difference between private equity and a trade partner?

Private equity is a financial investor that backs a business with capital, governance and discipline, working towards a defined return within an investment period. A trade partner is an operating company in or around your sector that may bring capital plus customers, suppliers, systems, sector knowledge and management depth.

What does business equity mean?

Business equity is the practical commercial advantage a partner brings alongside their capital. That can include sector knowledge, customer relationships, supplier access, systems, technical capability, brand strength and management infrastructure. It is the difference between funding and capability.

Why might a trade partner be better for succession planning?

A complementary trade partner often has the management depth, sector knowledge and operating infrastructure to absorb founder dependency over time. That can support a planned, phased transition rather than a sudden change of control, which is what most retirement-driven founders actually need.

Can a trade buyer acquire only part of a business?

Yes. A complementary trade buyer may prefer a phased approach because it keeps the founder engaged through transition, protects customer relationships and aligns incentives. The first stage typically involves a minority or majority equity sale with the founder retaining a meaningful stake.

Can a partial sale to a trade partner lead to a full exit later?

Yes, and this is often the intention. A shareholders' agreement sets out how the remaining stake is valued, when it can be sold and to whom. The trade partner is frequently the natural buyer of the remaining shares once the business has been strengthened.

When is private equity the right answer?

Private equity tends to fit high-growth businesses with scalable systems, strong management, recurring revenues, a clear buy-and-build opportunity, or a disruptive proposition. It can also suit ambitious owners who want to accelerate growth and have a clear exit pathway within an investment period.

What are the risks of selling part of a business to a trade buyer?

The main risks are cultural fit, integration friction, confidentiality during the process and unclear second-stage exit terms. These are all manageable with the right adviser, the right shareholders' agreement and a properly structured sale process.

How do I compare private equity and trade buyer options?

Test both routes through a confidential, structured M&A; process. Compare not just headline value but governance, control, operating support, second-stage exit mechanics and cultural fit. The right answer is rarely found by speaking to one obvious buyer.

How can Mergers.co.uk help identify the right partner?

We act only for UK sellers. We map the market for both complementary trade partners and relevant private equity investors, screen for strategic and cultural fit, protect confidentiality, and create competitive tension so the founder can compare real offers, not theoretical ones.

Arrange a confidential discussion

If you would like to explore whether a partial sale, staged exit or majority-stay-in structure could work for your business, we welcome a confidential conversation. Every enquiry is handled in strict confidence by Tony Vaughan, founder of Mergers.co.uk.

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