FAQ

WHAT IS A FINANCIAL BUYER?

A financial buyer is an investor—such as a private equity firm, venture capital fund, or investment company—that acquires businesses primarily to generate a financial return. Their focus is less on running the company's operations and more on improving its value and selling it later at a profit.

Unlike strategic buyers, who acquire companies to expand markets, add technologies, or strengthen operations, financial buyers zero in on the numbers—revenue growth, profitability, and cash flow. They often look for companies with strong growth potential or undervalued assets they can improve through added capital, financial structuring, or operational expertise.

Financial buyers typically plan for a shorter ownership horizon—often just a few years. Their exit strategies may include selling to a strategic buyer, another financial buyer, or going public through an IPO.

To fund acquisitions, financial buyers rely on different financing methods, the most common being a leveraged buyout (LBO), which combines debt and equity. They may also use mezzanine financing, convertible debt, or preferred equity to structure the deal.

Overall, financial buyers are a powerful force in the M&A market. They bring capital and liquidity, and their operational and financial expertise can unlock significant value for companies and their shareholders.

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