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KELLY O'NEIL, NISHEN RADIA AND DAVID SUTTON SHARE INSIGHTS ON CORE PRIVATE EQUITY AND M&A STRATEGIES

The **2026 Private Equity and M&A Strategies** roundtable is produced by the LA Times Studios team in conjunction with CBIZ; GHJ; and Marshall & Stevens.



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After the many unprecedented operational changes that businesses in every sector had to make over the last few years, new factors continue to arise in terms of managing private equity or taking the plunge for a merger or acquisition. The unpredictable economic climate has also forced companies to make changes to the way they do business and to the way they approach their fiscal needs.

To address these issues and uncover the latest trends in the management of private equity and the merger and acquisition landscape, the Los Angeles Times Studios team turned to three uniquely knowledgeable professionals for their thoughts and insights about the most important need-to-know insights and to get their assessments regarding the various trends that they have been observing in general.

Q: WHAT RECENT TRENDS HAVE BEEN HAVING THE MOST IMPACT ON THE PRIVATE EQUITY LANDSCAPE IN CALIFORNIA?

A: SUTTON:

California continues to attract private equity investment because of its innovation, entrepreneurial talent and diverse industries, but buyers have become increasingly selective in where they deploy capital. Financial performance remains important, but investors are placing greater emphasis on scalable operations, strong management teams, reliable data and confidence in future growth. Companies that combine innovation with operational discipline and high-quality financial information are often best positioned to attract investment and maximize value.

Q: MANY FOUNDERS SAY THEY'RE "NOT READY TO SELL," BUT WHAT SHOULD THEY BE DOING NOW TO MAXIMIZE VALUE WHEN THEY EVENTUALLY DO?

A: O'NEIL:

Founders who are not ready to sell should focus on building transferable value so they can eventually exit from a position of strength. This involves replacing messy, one-off projects with predictable revenue streams and developing recurring revenue models. They should reduce business risk by maintaining organized books and records that support financial statements. Clean, professional financial statements are essential, as is documenting any owner add-back expenses that go away when the company is sold. Founders should also document systems and processes, create standard operating procedures and build a capable leadership team. This demonstrates the business can operate and grow independently of the founder's daily involvement.

A: RADIA:

I think the key advice would be to start from a buyer's perspective of what will drive value and work backwards from there, so you can lay the foundations and prepare accordingly. Big topics for buyers are the quality of the business (management team, systems and profitable growth) and the durability of the revenues (revenue diversification and predictability). Founders should invest wisely to maximize value down the line. For example, developing a true AI strategy is a prerequisite in any M&A process. At the same time, invest in people – succession planning is critical for continuity; whether it's building a C-suite around you or grooming the next in line, having a plan adds value. Finally, hire the right advisors around you to ensure your books and records are in order.

A: SUTTON:

The best time to prepare for a transaction is well before you intend to sell. Buyers place a premium on businesses with reliable financial reporting, scalable processes, strong management teams and visibility into future performance. Founders should build the business, management team and data infrastructure so the company can thrive without relying solely on the founder. In addition, value-reducing issues, such as customer concentration, inconsistent financial reporting or key-person dependence, can be addressed well before beginning a sale process. Even if a sale is years away, building a business and data infrastructure that can perform without relying solely on the founder creates more strategic options and stronger outcomes both from a business and valuation perspective.

Q: FOR A FOUNDER DECIDING BETWEEN SELLING TO A STRATEGIC BUYER VERSUS A PRIVATE EQUITY FIRM, WHAT ARE THE BIGGEST DIFFERENCES THEY SHOULD CONSIDER?

A: RADIA:

First off, it's not always about price. Founders often assume PE groups will pay less than a strategic buyer with synergies, but that's not always true. More often, it comes down to your motivation. If a founder wants the cleanest possible exit, a strategic buyer is often the better fit. Strategics typically don't require you to roll proceeds into equity the way a PE group does, although there may be an earnout. If the goal is partial diversification, or finding a partner to help execute a growth strategy, a PE group is usually the better fit. They invest behind the plan while providing liquidity for the founder, achieving both goals at once. Selling to a PE group is also often more favorable for employees. Your team's culture tends to stay intact, and key leaders have the opportunity to create further value for themselves.

> *"Corporate culture plays a decisive role in post-merger integration, with cultural friction often contributing to merger and acquisition failure rates. Culture dictates how people collaborate, share information and execute strategy."*
>
> – KELLY O'NEIL

Q: HOW ARE AI, AUTOMATION AND DIGITAL TRANSFORMATION INFLUENCING COMPANY VALUATIONS AND ACQUISITION STRATEGIES?

A: SUTTON:

AI is changing both how businesses operate and how transactions are evaluated. More and more, buyers are assessing whether technology improves scalability, decision-making and competitive advantage rather than simply reducing costs. Within the transaction process itself, AI and automation allow advisors to analyze larger datasets, identify trends more efficiently and focus more time on higher-value judgment and insight. While technology is accelerating diligence, experienced professionals remain essential to interpret findings, challenge assumptions and understand the commercial story behind the data. The biggest opportunity isn't replacing people – it's allowing experienced advisors to spend less time gathering information and more time interpreting what it means.

Q: HOW IMPORTANT IS MANAGEMENT SUCCESSION WHEN EVALUATING AN ACQUISITION, AND WHAT HAPPENS IF THE FOUNDER WANTS TO RETIRE IMMEDIATELY?

A: O'NEIL:

Management succession is one of the most critical factors when evaluating an acquisition. A lacking or nonexistent succession plan drastically increases operational risk, lowers the company's valuation and can completely derail a deal. If a founder insists on an immediate exit with zero transition window, they create severe structural, financial and operational challenges for the transaction. Without the founder to guide operations or transfer institutional relationships, buyers face a high risk of losing significant customer relationships and revenue, and may also face internal staffing issues such as uncertainty or low morale. Acquirers often heavily discount the purchase price (20% to 50%) to absorb this operational risk.

A: RADIA:

Management succession is important but is not a deal breaker if you don't have a plan ready. Historically, private equity groups focused heavily on the quality of the incumbent management, but now they're increasingly comfortable bolstering the team with outside talent when the situation requires it. If buyers understand your time horizon upfront, they will work with you to build a robust succession plan. PE groups have operating partners they can bring in to support the business, and strategic buyers have existing management teams and operators who can assume responsibilities. A founder who wants to retire immediately can see an impact on valuation if the reason isn't explained well. It can raise concerns that you don't believe in the go-forward business. More often than not, though, that concern can be mitigated with a succession plan and a continued financial interest through rollover equity or an earnout.

Q: WHAT TYPE OF INFORMATION DO PROSPECTIVE INVESTORS ASK FOR AS PART OF DUE DILIGENCE THAT THEY DIDN'T ASK FOR IN THE PAST?

A: SUTTON:

Today's buyers still want confidence in historical earnings, but increasingly, they're asking what those earnings mean for the future. That means greater scrutiny of revenue quality, customer retention, pricing power, recurring revenue,

operational KPIs, management forecasts and the systems that produce financial information – all with a view to assessing the sustainability and growth potential of future cash flows. Buyers also expect companies to provide cleaner, more accessible data than they did even a few years ago. Financial diligence is no longer just about validating historical performance – it is about understanding whether future cash flows are sustainable.

Q: WHAT ROLE ARE FAMILY-OWNED BUSINESSES PLAYING IN TODAY'S M&A MARKET, PARTICULARLY AS MANY BABY BOOMER OWNERS CONSIDER RETIREMENT?

A: O'NEIL:

Family-owned and Baby Boomer-run businesses are driving a massive wave of activity in today's lower middle-market and small-business M&A landscape. I've heard this referred to as the "Silver Tsunami." Many U.S. privately owned small businesses are run by Baby Boomers, with up to 12 million projected to change hands in the next decade. Few of these businesses have a formal succession plan, and many next-generation heirs are not interested in taking over day-to-day operations. As aging owners need to exit to fund their retirement, a heavy volume of stable, profitable family enterprises are hitting the market.

Q: WHAT TRENDS ARE YOU SEEING AROUND MINORITY INVESTMENTS, GROWTH EQUITY AND RECAPITALIZATIONS AS ALTERNATIVES TO A FULL COMPANY SALE?

A: RADIA:

Minority investments and growth equity are good alternatives for founders with a long runway before they want to exit or retire. They let founders take some chips off the table, fund expansion or acquisitions and bring in an experienced partner while keeping control. That said, minority investors typically negotiate board seats, protective provisions, preferred returns and exit rights, so owners should understand exactly which decisions they are giving up. Majority recapitalizations, where the owner sells a controlling stake but rolls meaningful equity, are the most common structure we see in sell-side M&A processes. They provide liquidity today plus a share of the upside at the next exit. The right answer depends on the owner's liquidity needs, growth plans and time horizon. It's worth modeling several scenarios before committing to one.

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– DAVID SUTTON

Q: WHAT ARE BUYERS DISCOVERING DURING DUE DILIGENCE THAT MOST FREQUENTLY CAUSES DEALS TO BE DELAYED, REPRICED OR FALL APART ALTOGETHER?

A: O'NEIL:

During due diligence, buyers frequently uncover discrepancies and hidden risks that shift the valuation or kill the transaction. Common causes include unreliable EBITDA numbers or inaccurate add-backs. Sellers often present discretionary add-backs or one-time windfalls that fail a formal Quality of Earnings (QOE) review, resulting in EBITDA gaps. This process may also uncover expenses that were pushed off, improperly capitalized or not reconciled to the financial statements. The diligence process can also uncover significant customer concentrations where a massive percentage of the company's revenue depends on just one or two customers. If a primary customer leaves or demands new terms post-acquisition, the cash flow model may break down and trigger a major repricing or deal exit.

A: RADIA:

Most deal problems trace back to the numbers. Quality-of-earnings work frequently reveals EBITDA adjustments that don't hold up due to (1) aggressive owner add-backs, (2) "one-time" items that actually recur or (3) revenue recognized too early. The real damage comes from surprises, which erode trust and hand the buyer leverage. Sellers who run their own sell-side diligence first can disclose issues on their terms and propose solutions before they become negotiating points. As an investment banking advisor, we emphasize the upfront diligence, ensuring that all material business merits are properly highlighted and any potential issues are known and accounted for. Of course, AI is also a topic – the question investors ask is no longer "how can AI help your business?" It's now, "Tell me why AI won't put you out of business altogether."

A: SUTTON:

Most deal issues don't originate during diligence – they simply become visible during diligence. Common examples include inconsistent financial reporting, unsupported EBITDA adjustments, working capital issues, customer concentration, weak forecasting processes and gaps in operational controls. Increasingly, buyers are also evaluating the quality of management information and how well leadership understands the drivers of future performance. Companies that identify and resolve these issues before beginning a sale process typically experience fewer delays and greater confidence throughout negotiations.

Q: SOUTHERN CALIFORNIA HAS LONG BEEN A HUB FOR INNOVATION AND ENTREPRENEURSHIP. HOW IS THAT INFLUENCING INVESTMENT ACTIVITY COMPARED WITH OTHER REGIONS?

A: O'NEIL:

Unlike Silicon Valley's heavy software approach, Southern California commands outsized investment in hardware-focused sectors. Many high-growth defense and space firms frequently absorb massive institutional rounds. San Diego and the broader SoCal corridor anchor one of the nation's premier life sciences and genomics clusters, drawing dedicated health-tech and pharmaceutical capital. While artificial intelligence remains a magnet, SoCal investment is less hyper-concentrated in pure software than Northern California, and capital flows deeply into autonomous systems, clean tech, media/entertainment tech and consumer products.

Q: WHAT ADVICE WOULD YOU GIVE ENTREPRENEURS WHO RECEIVE AN UNSOLICITED ACQUISITION OFFER? SHOULD THEY ENTERTAIN IT, OR BUILD A BROADER COMPETITIVE PROCESS?

A: RADIA:

An unsolicited offer is worth taking seriously but rarely worth accepting as-is. Interest from one buyer is a useful signal about your company's value, but without competition, there's no way to know whether the price and terms reflect the market. Before moving too quickly, speak with an M&A advisor who can assess the fair market value of the offer and the best path forward. Often that path is a targeted process: approaching a small group of qualified strategic and financial buyers alongside the original bidder. Run confidentially with the original bidder's interest kept in play, this can improve valuation and terms while limiting disruption to the business. Finally, don't let a bidder's deadline dictate your timeline. Short response windows and exclusivity requests are common, and a rushed decision is usually the one that leaves value on the table.

Q: LOOKING AHEAD THREE TO FIVE YEARS, WHAT MAJOR TRENDS DO YOU BELIEVE WILL RESHAPE PRIVATE EQUITY AND MERGERS & ACQUISITIONS?

A: SUTTON:

Over the next three to five years, I expect investors to demand more integrated financial, operational, commercial and technology diligence, providing a more complete understanding of value creation opportunities. AI will accelerate that analysis, but equally important will be rising expectations around data quality, forecasting and management reporting. The businesses that invest in stronger financial infrastructure before entering the market will be best positioned to attract capital and command premium valuations.

Q: WHAT ROLE DOES CORPORATE CULTURE PLAY IN POST-MERGER INTEGRATION SUCCESS, AND HOW CAN IT BE ASSESSED PRE-DEAL?

A: RADIA:

Culture is often why integrations fail even when the financial case is sound. Differences in decision-making speed, accountability, compensation philosophy and communication style can drive away key employees and customers. I've seen it from both sides: I sold my own firm to B. Riley, and Marshall & Stevens has been through nine acquisitions. In both cases, culture was everything. Culture can be assessed before closing, but it takes deliberate effort. Spend time with the second layer of management, not just the founders. Talk to customers and former employees, and compare how each side actually makes decisions, not how the org chart says they do. Then build the integration plan around what you learn. Identify critical people early, align incentives and communicate clearly and often after closing. Buyers who treat culture as a formal diligence workstream, rather than an afterthought, are far more likely to retain talent and realize the synergies they paid for. Sellers should do the same in reverse, and ask buyers how they've treated the teams of companies they've acquired before.

A: O'NEIL:

Corporate culture plays a decisive role in post-merger integration, with cultural friction often contributing to merger and acquisition failure rates. Culture dictates how people collaborate, share information and execute strategy. Misalignment delays synergy realization and damages operational performance. For example, if one company values rapid entrepreneurial risk-taking while another prioritizes rigid process discipline, clashes may paralyze daily operations. Cultural alienation and the us-vs-them silos lead to disengagement and the rapid departure of key personnel. Internal cultural chaos quickly spills over into customer service and product quality.

Q: IF YOU COULD GIVE EVERY SOUTHERN CALIFORNIA BUSINESS OWNER ONE PIECE OF ADVICE ABOUT CREATING LONG-TERM ENTERPRISE VALUE – WHETHER THEY PLAN TO SELL OR NOT – WHAT WOULD IT BE?

A: SUTTON:

The businesses that command the strongest valuations are rarely built for sale – they're built to perform. Owners should focus on creating predictable financial performance, investing in strong leadership beyond the founder and building the financial reporting and operational discipline needed to support growth. Those same fundamentals not only improve transaction readiness – they create stronger, more valuable businesses regardless of whether a sale is ever contemplated.

"Developing a true AI strategy is a prerequisite in any M&A process. At the same time, invest in people – succession planning is critical for continuity; whether it's building a C-suite around you or grooming the next in line, having a plan adds value."

– NISHEN RADIA

A: O'NEIL:

Build operational independence so the business can function, grow and generate cash flow without the owner's daily presence or personal relationships. Buyers discount a company's worth heavily if the business stops functioning the moment the owner steps away. Businesses that operate through documented systems, strong middle management and diversified customer channels produce predictable profits. Document standard operating procedures for key activities, such as sales, purchasing, monthly closing. Delegate decision-making to a capable team so daily operations do not bottleneck. Avoid over-reliance on a single client, key employee or the owner's personal network.

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