

# A Conversation with the Money Expert

Navigating Business Finance, Private Equity and M&A in Los Angeles in 2025

**B**usinesses in Los Angeles are navigating an economic landscape shaped by inflationary pressures, shifting interest rates, and evolving consumer trends. Whether companies are seeking access to capital, preparing for a merger or acquisition or simply striving for financial resilience, strategic money management is more critical than ever.

To help business owners and executives make informed financial decisions, we spoke with leading business finance expert, Trever Acers of Objective, Investment Banking & Valuation. In this Q&A, Acers sheds light on the best practices and what to expect from the market in 2025.

With Los Angeles' diverse economy spanning entertainment, technology, real estate, and manufacturing, each sector faces unique financial challenges and opportunities. This conversation aims to equip business leaders with the knowledge they need to thrive in 2025's evolving business environment. Whether you're planning an exit strategy or looking to maximize the value of your business, Acers' insights will help inform smarter financial moves in the year ahead.



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## OBJECTIVE

Investment Banking & Valuation

### For those not directly involved with access to capital, how would you describe its current state for business owners?

**ACERS:** From a sell-side M&A perspective, access to capital for business owners is more constrained than in recent years. With rising interest rates and a more cautious lending environment, buyers are facing higher costs of capital, which can limit their willingness to pursue acquisitions. This has led to increased deal scrutiny, with a focus on high-quality targets that offer strong financial performance, growth potential, and operational efficiency. For sellers, this means that strategic positioning and a well-prepared business are critical to attracting the right buyers and achieving optimal valuations. Private equity and strategic buyers with strong balance sheets remain active, but they are more selective and price-sensitive. Sellers need to be prepared for a more competitive process and may face longer timelines to secure the right deal. It's essential to present a clear value proposition and demonstrate financial stability to attract capital in this tighter market.

### What's the most common deal type facing private equity in Los Angeles today?

**ACERS:** In Los Angeles today, the most common deal type facing private equity is add-on acquisitions. These transactions involve private equity firms acquiring smaller, complementary businesses to expand their existing portfolio companies. With the goal of creating synergies, boosting operational efficiencies, and accelerating growth, add-ons are a popular strategy in a market where valuations remain high and there's a focus on scaling businesses quickly. Private equity firms are particularly active in sectors like healthcare, technology, and consumer goods, which are seeing strong demand. In addition, private equity is also pursuing buyouts and growth equity investments, especially in industries that have demonstrated resilience or potential for innovation. Given the competitive nature of the Los Angeles market, private equity firms are being selective, prioritizing companies with strong management teams, scalable business models, and clear paths to profitability.

### What are five important questions for an entrepreneur to ask a banker when interviewing for their services?

**ACERS:** When interviewing an investment banking firm, entrepreneurs should ask several key questions to ensure a good fit. First, verify the advisor has strong knowledge of and experience in your industry segment by requesting the advisor: (1) share case studies characterizing past client transactions within your industry, (2) discuss M&A trends in your industry, and (3) share insight into acquirers active in your industry. Second, ask the advisor to share specific examples of how their team uniquely increases sale price and probability of completion. Many advisors will respond describing a common competitive two step auction process. However, business owners should be looking for advisors to share insights into the applicable methods and strategies they uniquely use that are designed to maximize price and probability. The process, methods, and strategy the advisor uses in the sale of a business can have a significant impact on outcome. Said another way, the only way to consistently achieve exceptional outcomes as opposed to the default, is to do something different. Lastly, understanding an advisors communication style and culture during transactions are essential. Clear and transparent communication and trusted partnership are critical when navigating high-stakes transactions. Ask the advisor how they handle conflicts of interest and prioritize client interests, ensuring that the firm maintains integrity and keeps your business objectives at the forefront throughout the advisory process. These questions help ensure the firm aligns with your needs and values, fostering a strong, trusted partnership.

### What does today's M&A market look like?

**ACERS:** Today's M&A market is characterized by a cautious yet active environment. The ongoing impact of higher interest rates has made financing more expensive, which has led to more selective deal-making. Buyers, particularly private equity firms, are becoming more discerning, focusing on high-quality targets with strong fundamentals and clear growth potential. Strategic buyers are still pursuing acquisitions, but they are more price-sensitive and are emphasizing value creation over aggressive expansion. Despite these challenges, certain sectors such as healthcare, technology, and energy are seeing robust activity due to their resilience and growth prospects. Cross-border deals have also continued, driven by global strategic interests, although geopolitical uncertainties are influencing deal structures. Overall, while the market remains competitive, the emphasis has shifted towards operational efficiency, long-term strategic alignment, and risk mitigation. Sellers who can clearly demonstrate profitability and a sustainable growth path are in a strong position to attract buyers.

### From a financial standpoint, why might 2025 be either strong or weak year for selling a business?

**ACERS:** From a financial standpoint, 2025 could be a strong year for selling a business due to several key macroeconomic factors. First, upcoming administrations may implement pro-business policies that foster a more favorable regulatory and tax environment, boosting buyer confidence and activity. Additionally, private equity firms have mandates to invest capital that has been sidelined over the last two years due to economic uncertainties, creating pent-up demand for acquisitions. This could lead to increased M&A activity, as firms look to deploy capital. Sector-specific trends also play a crucial role: industries like healthcare, technology, and engineered components continue to see strong growth, driving interest from both strategic buyers and private equity. On the other hand, if there are challenges related to inflation or global economic instability, it could dampen buyer enthusiasm, leading to more cautious deal-making. Overall, 2025's market will depend on a combination of political, economic, and sector dynamics.

### How can businesses leverage innovative deal structures to achieve growth while mitigating

### risk in an era of rising interest rates?

**ACERS:** In a rising interest rate environment, sell-side M&A deals offer several structures to help businesses achieve growth while mitigating risk. One option is a full share sale (100% acquisition), where the entire business is sold to a buyer, providing immediate liquidity and fully de-risking the owner. Another option is partial share sales (minority stake), where the business retains control while raising capital by selling a minority interest. This allows the company to fund growth initiatives without fully exiting, offering a balance between capital infusion and operational control. Earnouts are also a popular structure, where a portion of the sale price is contingent on the business achieving future performance targets. This structure aligns both parties' interests and mitigates risk, as it allows the seller to participate in future upside while the buyer's risks are better managed in uncertain economic conditions.

### What role does strategic advisory play in helping companies unlock hidden value during M&A transactions in the current financial landscape?

**ACERS:** Strategic advisory plays a crucial role in unlocking hidden value during M&A transactions by combining objective expertise, deep industry knowledge, and a structured approach. In today's financial landscape, partnering with a conflict-free advisor is essential. Unlike advisors focused solely on transaction volume, a sell-side M&A advisor aligns their success with their clients, offering impartial guidance and leveraging a comprehensive understanding of both financial and strategic buyers. Advisors go beyond managing competitive bidding processes by analyzing how potential buyers create value post-acquisition. This includes quantifying synergies and projecting financial benefits, enabling sellers to counter bids effectively and secure the full value of the transaction. Thorough preparation is equally critical. Advisors align financials with market expectations, address potential issues proactively, and ready leadership for management meetings and due diligence. This disciplined approach ensures a seamless process, maximizes outcomes, and positions the business for lasting success throughout and beyond the M&A process.