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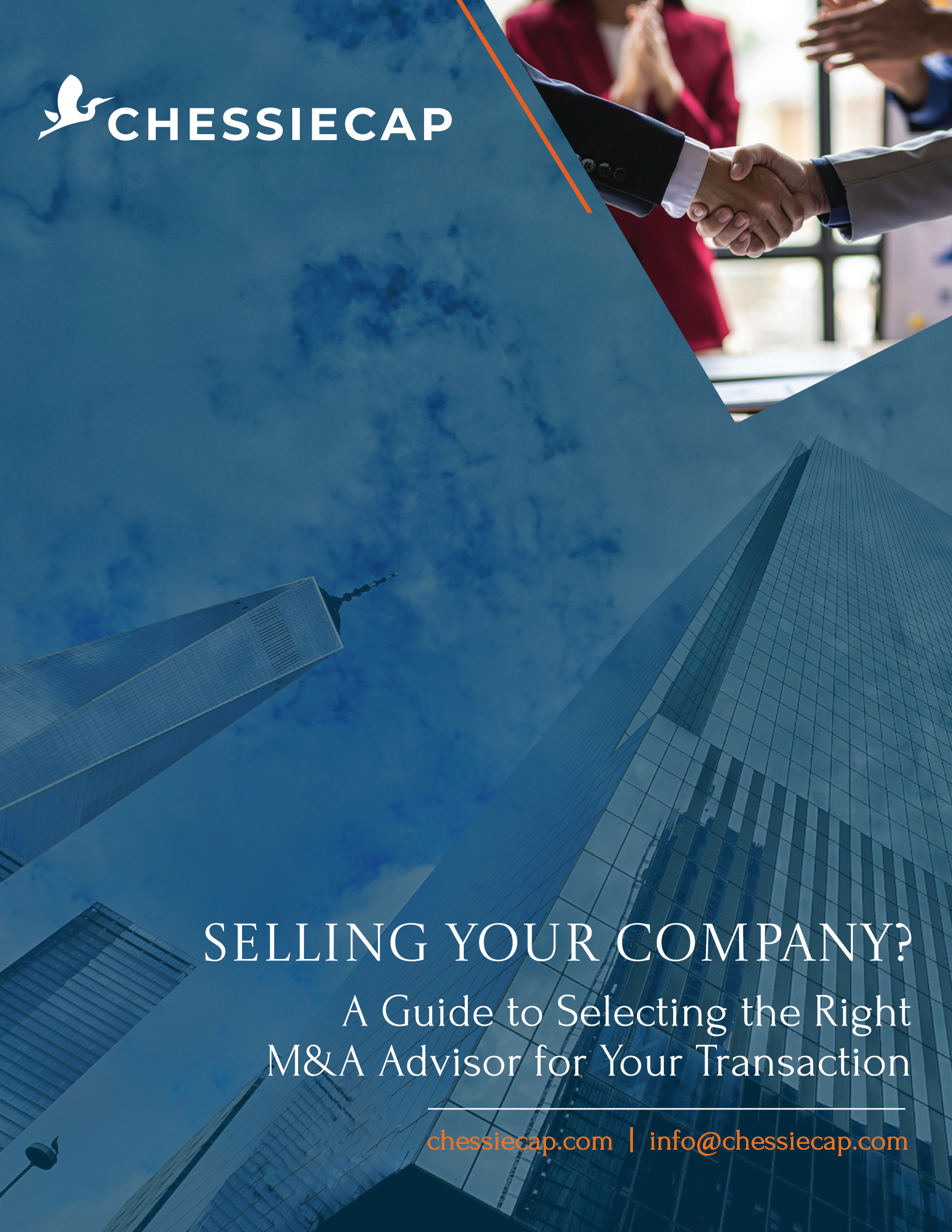

SELLING YOUR COMPANY?

A Guide to Selecting the Right M&A Advisor for Your Transaction

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If you've ever sold a high-value asset like a home, you know how overwhelming it can be. There are hundreds of real estate agents and dozens of agencies out there. You could do it yourself, but the risk of failing to get the best price only to save five percent or so is not worth it. You'll also spend significant time navigating the online real estate world and negotiating closing details. Sellers of businesses (whether individuals or corporations) face the same dilemma.

Dozens of investment banks and bankers may be vying to represent you. All claim to be the best, with the most transactions and deepest industry knowledge.

Depending on your industry niche and company's characteristics, the market may also be select and thin. As an old Mergers and Acquisitions (M&A) saying goes, "There's nothing worse than throwing a party where nobody shows up."

Given that selling a company is a once-in-a-lifetime event for most — one with extremely high stakes and no do-overs — you need to select the right M&A advisor out of the gate. Here's how to make sure you have no regrets.

Right-Size Your Choice

The size of your investment banking firm needs to be appropriate for the potential size of your transaction. Goldman Sachs may be the biggest divestiture firm in the world, but the fees on even its smallest deals can make your head spin.

Some large investment banks do reach down for smaller deals when business is slow, but they can only to do this by deploying junior resources and relying on their brand to carry the deal through. While the desire to secure a large, well-known M&A advisory firm is human nature, it's economic nature for investment banks of that size to divert their best resources toward high-fee transactions. The result is an unhappy client who feels they never received the attention they deserved or even the best deal.

A Common Scenario:

A company thinks it's hiring the managing director of an investment bank to handle its sale, only to find out junior people are running the deal. The managing director moves on to greener pastures and the company ends up doing all the heavy lifting. It then has the "pleasure" of paying a huge success fee to the investment bank when the deal closes.

This illustrates a basic M&A premise: Small deals take at least as much time and effort as large deals, often more. Thus, large investment banks will always tilt in favor of large clients.

It's wiser to choose an investment banker who deeply understands your company's market position, stage of operations and business needs — and is comfortable and experienced with the size of your deal.

Value Experience Over Expertise

The pervading practice of weighting the promise of expertise over evidence of experience has led to decades of mistakes and unhappy clients. Without question, the most important factor sellers need to consider when selecting an M&A advisory firm is the experience and success of its senior banker — here's why:

M&A transactions are immensely complicated. Growth and middle market deals are often the most complex because company assets are typically less sought-after, requiring great skill to position and sell to closing.

Smaller deals can also have many unforeseen twists and turns which only an experienced investment banker can negotiate. To do so, the banker needs to get deeply involved with the company's management and operations and have the mettle to stay the course, dictate changes, and correct and train senior managers.

Additionally, M&A transactions are not like stocks or bonds where there is always a price at which both buyer and seller are willing. In fact, many companies do not sell at any price and buyers won't spend tens of millions of dollars on companies without knowing everything about their target.

An experienced investment banker's chief skill is their ability to create and drive meetings between their client and the maximum number of qualified potential buyers. They get more buyers to the table because they know how to prepare a company for sale, represent its assets effectively, and create well-crafted arguments and back-up materials. They also project confidence and fairness, conveying to buyers that they're being treated fairly and equally.

The problem for sellers is that all investment bankers claim to be highly experienced, making it near impossible to distinguish between them. This is why sellers in the process of selecting an M&A advisor sometimes switch to the lesser filter of "who knows my company and my industry best?"

Don't make this mistake. Rather, insist on tangible proof of experience and engage the investment banker who eagerly provides it and who you instinctively trust.

Making Your Final Decision

When narrowing your choices, beware of any investment banker who brags about how many buyers they know and how many industry contacts they have.

Key people at potential buying corporations are always changing and nobody knows all of the industry players. So, an investment banker basing their expertise on who they know can actually be counter-productive, playing favorites rather than running a disciplined sales process for all potential buyers.

Remember, M&A transactions never occur based on the recommendation of an investment banker. Acquirers don't buy the banker; they buy a company, its management team and its future prospects.

Above all, make absolutely certain the senior investment banker you're considering can demonstrate success at your level, has a proven process and will be working on your transaction personally. The last thing you want is someone experimenting or training their staff on your time and dollar.

Experience in Action: Chessiecap's M&A Transaction

Experienced transactors supported by technologists provide an unmatched deal team.
A well-run process maximizes transacion value.
Quality of information creates confidence in the company.
Deals are done between people. Well-prepared management is your greatest asset.
Chessiecap strengthens every step of the process.

STEP 1: TRANSACTION PLANNING

- Determine M&A strategy
- Develop exceptional presentations and back-up materials
- Develop a definitive list of buyers, detail their strengths, weaknesses and strategic fit and prioritize

STEP 2: OUTREACH & PROCESS MANAGEMENT

- Make direct, personal contact with appropriate decision makers
- Drive initial management meetings
- Maintain a tight, confidential process

STEP 3: SELECTION

- Determine levels of interest
- Maintain momentum and coordination
- Answer all objections and questions
- Drive additional management meetings and due diligence
- Solicit bids and select with astute discernment the right acquirer

STEP 4: NEGOTIATION

- Coordinate final due diligence
- Facilitate management chemistry
- Create deadlines and urgency
- Finalize terms and agreement

STEP 5: CLOSING

- Legal documentation
- Close and transfer funds

MORE ABOUT CHESSIECAP

Chessiecap provides highly customized investment banking services to U.S. growth and technology companies seeking expert support at transformational periods in their business lifecycle.

Our leadership team earned their stripes on Wall Street and has closed hundreds of transactions over their careers. As a result, there is scarcely a structure or situation we've not encountered.

With expansive experience in **M&A**, **Private Placements**, **Valuations & Fairness Opinions** and **Strategic Guidance**, we bring deeper insight and understanding of what motivates buyers and how to attractively position a company for sale.

Learn more at **chessiecap.com** or reach out to our leadership team:

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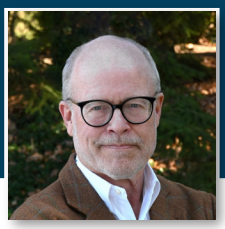

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