The Value of Middle Market Investment Bankers[1]

Michael B. McDonald IV[2]
Assistant Professor of Finance
Fairfield University
Fairfield, CT 06824
mmcdonald8@fairfield.edu
203-254-4000 X3118

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Summary: This study examines the avenues through which investment bankers add value for middle market business owners selling their business. The study is based on empirical data from a survey of 85 business owners who sold their businesses for between $10 million and $250 million during the period from 2011 to 2016. The survey results suggest that managing the sale process is the most valuable service provided by investment bankers. Written comments received with the survey suggest that the majority of business owners felt that investment bankers added value in the sale transaction, and that the business owners were pleased with their decision to hire the investment bankers. The survey results are likely influenced by the success that middle market investment bankers appear to have in selling the company with 84% of respondents citing the final sale price as being equal or higher than the initial sale price estimate provided by the investment banker.

[1] I would like to acknowledge and thank Michael Carter of Carter Morse & Mathias for suggesting the idea for this original research project that will provide valuable insight for prospective sellers in their evaluation of an investment banking firm. Carter Morse & Mathias also provided guidance on the selection of the M&A advisors that obtained the surveys from their past clients that form the basis of this study as well as on certain operations of a middle market investment banking firm.

[2] I thank the following investment banks and individuals for invaluable assistance on this research project. 41 North Advisors LLC, Amherst Partners, Bengur Bryan & Co, Bowen Advisors, Brookwood Associates, Bruml Capital, Carter Morse & Mathias, Chesapeake Corporate Advisors, De Bellas & Co., Decosimo Corporate Finance, Diamond Capital Advisors, Doeren Mayhew Capital Advisors LLC, Dragonfly Capital, EdgePoint Capital Advisors, Excel Partners, Focal Point Partners LLC, Greene Holcomb Fisher LLC, Gulfstar Group, High Rock Partners, Inc.LockeBridge Investment Banking, Matrix Capital, Mufson Howe Hunter & Company LLC, The Fortune Group LLC, and Viant Capital LLC. . A full list of these firms and their contact information is included in Appendix A.

I. Introduction

Do business owners believe their investment banker added value during the sale of the business? The purpose of this study was to establish if former business owners who recently sold their businesses valued the services provided by their investment bankers and identify which services created the greatest value. This survey represents the first comprehensive independent analysis of business owners who recently sold their businesses to qualitatively examine how middle market M&A bankers add value. This study discusses results drawn from a survey of 85 business owners from April – July, 2016 who sold their company using a quality middle market investment banking firm. Middle market companies for this study are defined as owner-operated companies (that are not private equity backed) with market values from $10 million to $250 million.

The results of the survey showed that "managing the M&A process & strategy", "structuring the transaction", and "educating and coaching the owner" ranked as the top three value additive services respectively. Simply uniting a buyer with a seller is not the primary value driver for most sellers of middle market companies. In fact, the average survey response found that "identifying and finding the buyer" of the company was the least valuable service provided by middle market bankers (though clearly it is still a part of the process that adds value).

The starting point for this survey was to examine the lower middle market banking industry. Understanding these firms and how they operate is critical to understanding the value they provide to clients. Lower middle market investment banking firms are often small shops with two to ten professionals working to advise clients. While investment bankers generally provide a wide variety of services to companies, many investment bankers tend to specialize in certain industries, geographies, or types of transactions, such as capital raises or strategic sales. Investment banks can also operate on the buy side or sell side of a transaction. On the buy side, clients are often private equity firms or larger middle market strategic companies looking to make acquisitions known as bolt-on or tuck-in acquisitions. On the sell side, investment banks are frequently advising business owners on what will be their once-in-a-lifetime transaction involving the sale of their company.

Due to the opacity of the market, there is limited data on middle market company financials, valuations, structure and even type and number of middle market companies. [3]Therefore the market for buying and selling these companies is highly inefficient. In fact, in some middle market company auctions, bids for the purchase of the company can have differences of 50% or more.

The inefficiency of the middle market is what led to the need for this study. Prior to this study, there were no hard figures or data to support any channel of value creation by middle market M&A bankers. Historically, investment bankers have simply relied on anecdotes to illustrate the need for their services. This has led companies that would never dream of eschewing the services of an accountant or attorney to bypass investment bankers and attempt to sell their businesses on their own. Investment bankers level the playing field between experienced buyers and novice sellers in the M&A market in the same way that attorneys do in legal matters.

There are several reasons why middle market investment banking firms exist. Most evidently, investment bankers can add value for clients by uniting buyers and sellers of middle market firms. But is this the primary area where these bankers add value? Or are there other areas

[3] With tens-of-thousands of middle market companies in existence, it is unclear which businesses are for sale, and there are few credible sources to gain this information. This same lack of data is also what has likely led to limited research in this field to date.

where middle market investment banks add even more value beyond serving as a form of match maker? These questions are the subject of this study.

The alternative possibility to investment bankers serving primarily as matchmakers is that they add value in other major areas to effectively consummate a sale transaction. Our findings are that investment bankers add value for their clients in several ways many of which derive from the fact that the market is highly inefficient, organized to favor an experienced buyer over a one-time seller, and the lack of internal resources and time to consummate a transaction, while simultaneously running a business.

The need for professional financial advice is arguably greater for smaller companies where the management team has never closed a M&A transaction and usually lack sophisticated financial systems, finance departments with large staffs, and audited financial statements. In addition, due to the lack of M&A experience on the part of most business owners, there is significant work entailed in preparing companies to be well positioned in the market in order to maximize price. That is a key area in which middle market investment bankers add value.

To date, the proof of investment banker's value to the M&A process for lower middle market companies has been purely anecdotal, primarily relying on the investment banker's opinion. Regular users of middle market investment banking firms such as private equity firms are convinced of investment bankers' value as virtually all private equity firms hire investment bankers when selling their portfolio companies. Although it is apparent that sophisticated buyers understand the need to utilize investment bankers, the value of these firms has never been independently verified.

The rest of this study is organized as follows; Section II covers the survey results and explains where survey respondents found value in investment banking firms and why they chose to hire an investment banker rather than attempting to sell their company on their own; Section III discusses the background on middle market M&A bankers and clients including a discussion of how typical middle market sales work and a description of the services offered by a middle market investment banking firm; Section IV reviews the survey data, methodology, and hypotheses including a discussion of the characteristics of the survey respondents and the broad geographic background they represent; and finally Section V discusses takeaways and salient comments from survey respondents.

II. M&A Market Background

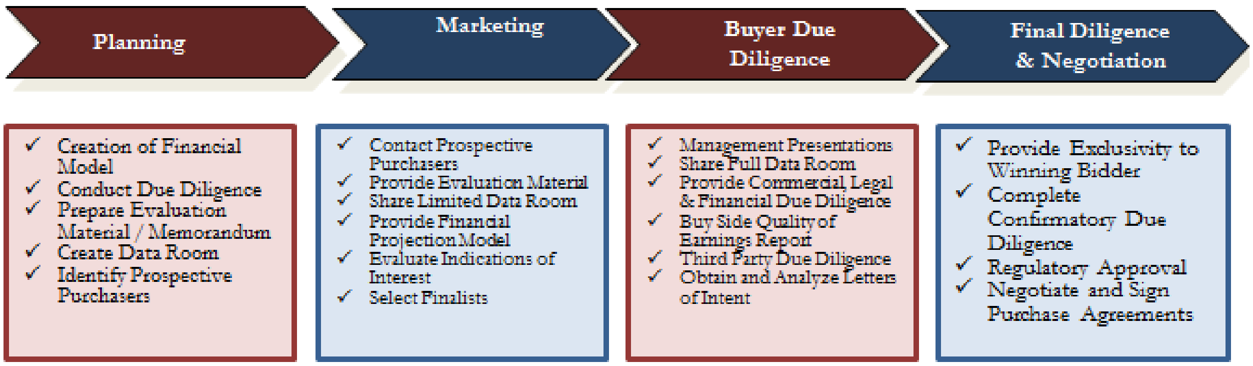
The M&A middle market is inefficient which is what creates the need for middle market bankers. The market is inefficient for a number of reasons. First, the market is opaque. There is no version of a stock market for middle market companies, and thus there is very little public information about middle market companies, nor is there a publicly available list of comparable company M&A transactions with valuation data within the middle market. Public companies who acquire smaller companies usually don't disclose purchase prices and the seller's financial statement as these acquisitions are not considered material to the buyer's financials.

Second, the middle market suffers from a severe imbalance of information and experience between buyers and sellers. Sellers have an information advantage about their own companies, but buyers are frequently vastly more experienced in transactions in the market. In addition, many sellers often have poor financial and operating reporting making communication with potential buyers more difficult. Business due diligence is far more intense and detailed than a first time seller has ever experienced. Obtaining audited financial statements is a small fraction of what is required by buyers.

Third, the sale process is often difficult and time consuming. In many cases, it takes up to a year or more to sell a middle market company. Sellers must deal with a litany of issues from unqualified potential buyers, which may knowingly or unknowingly breach the trust and confidentiality of the company for sale. Business owners invariably become distracted during an intensive sale process which often negatively impacts company performance at just the wrong time leading to lower values.

Investment banking transactions in the middle market generally consist of four phases; preparation and due diligence, marketing, negotiations, and closing the deal. The due diligence phase includes working with sellers to generate due diligence materials, developing market positioning, compiling data room materials, writing offering materials, and identifying prospective purchasers. The marketing phase of an M&A transaction typically involves contacting prospective buyers and conducting management presentations to help facilitate interest among potential buyers. The negotiations phase of a transaction involves soliciting letters of intent (LOI) from prospective buyers and doing final due diligence in order to finalize negotiations around LOIs. Finally, the deal closing process typically involves obtaining any necessary regulatory approvals, obtaining shareholder approvals for the transactions, confirmatory due diligence, drafting the transaction documents, and executing final sale documents. The figure below shows a typical process.

Figure I: Typical M&A Sale Transaction Process



This study is focused primarily on the value added by investment banking firms helping business owners to sell their enterprises. These firms typically agree to provide a list of specific services to the business when the initial engagement agreement is signed. For instance, these services may include some or all of the following:

- Conduct preliminary due diligence;
- Assist the Company in preparing marketing materials that describe the Company's business, its products and services, customer relationships, sales and marketing strategy, operations, financials, outlook, opportunities and acquisition rationale;
- Assist the Company in preparing a financial model to be included in the Memorandum;
- Assist the Company in setting up a data room that would be available to prospective buyers;
- Assist the Company in identifying and contacting potential acquirers to determine their level of interest;
- Arrange for meetings and other communications between the Company and prospective acquirers;
- Assist the Company in responding to due diligence requests from prospective acquirers;
- Provide advice and assistance in negotiating the terms, conditions and pricing of any transaction with an acquirer; and
- Review, analyze and negotiate the documents related to a Transaction with an acquirer.

There are a number of common terms and conditions in an agreement between an investment banking firm and a client company. To understand these common terms (sometimes referred to as a boiler plate) and help ensure broad representation of survey respondents, this study identified and included interviews with 25 qualified middle market investment banking firms from across the country. These investment banking firms had multiple partners (typically referred to as managing directors), a track record of closing at least two transactions annually, and had been in business at least five years.

Based on these discussions with investment banking firms, the typical engagement letter includes a number of key terms and conditions. Most investment banking agreements are fairly standard but include three key parts that may vary based on the negotiated deal (1) a retainer paid to the investment banking firm, (2) a tiered compensation percentage fee based on the sale price of the company, (3) the list of specific services to be provided. In addition to the fees paid to investment banks, client companies also typically agree to cover all other costs related to the transaction which are incurred by the investment bank such as travel costs, printing, postage, etc. Terms such as indemnification are typically less negotiable than the fees to be paid to the bank. This helps to protect the bank against the possibility of adverse events such as the client company deciding to cancel its sale due to a change of heart by the owner.

Final transaction fees vary widely from firm to firm but are typically based on the size of the transaction and the services provided. Retainer fees paid by the client are sometimes deducted from the final transaction fee that is paid at closing. Assuming a full auction process, a typical schedule of fees will likely fall into these ranges:

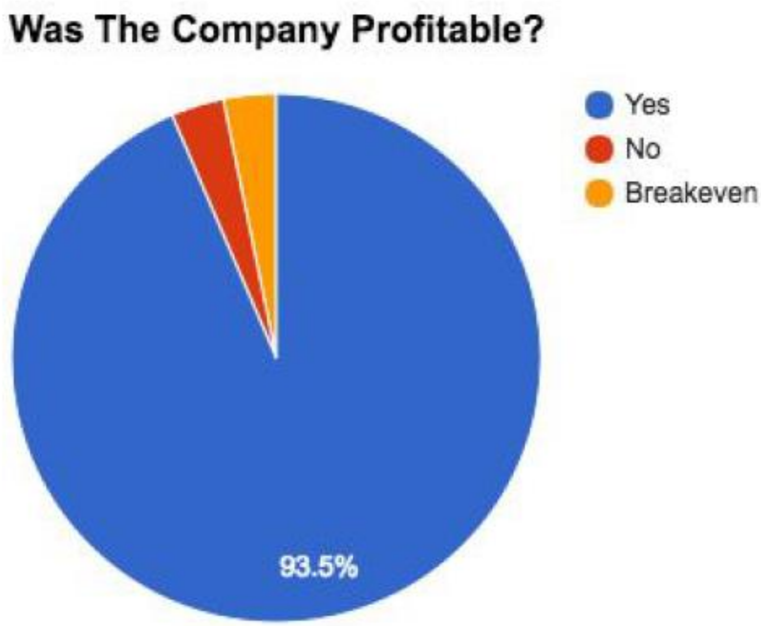
Sale Price	Transaction Fee
$10MM	3.5 – 5%
$50MM	2 – 3%
$100MM	1 – 1.5%
$250MM	0.75 – 1%

Notably, these fees decrease as the transaction size increases. Many banks tier their fees so they get paid a set percentage of the likely purchase price (which is agreed upon by the client and investment banker at the beginning of the process) and then set a higher percentage above that target providing incentives and reward for exceeding expectations.

III. Data and Methodology

To examine what investment banker services were valuable to business owners selling their companies, 85 owners of lower middle market companies that sold their businesses for purchase prices between $10M-$250M in the last five years utilizing a middle market M&A investment banker were surveyed.[4] The business owners surveyed owned companies that were a wide mix of sizes; however, the vast majority of companies were profitable as the graphic below illustrates.

[4] Only investment bankers meeting certain quality standards were included in the survey process. These standards are discussed further in the methodology section below.



The survey data collection followed a strict methodology:

1.) Survey was developed

The survey was developed by the author and a team of his senior university students in the finance discipline after consultation with industry participants.

2.) Survey was promoted through various corporate networks and channels

To ensure a wide ranging and effective group of responses, the survey was promoted through business owner networks and investment banks alike. The author and his team of assistants reached out to 25 qualified investment banks asking for past clients they advised that met the requirements. The investment banks were qualified based on their M&A transactions they have closed, years in business, M&A experience, number of senior level bankers and quality of website. The survey answer letter choices were randomized by Critical Mix. The author was purposefully unaware of the specific ordering of survey choices in order to avoid any conscious or subconscious ability to askew results.

3.) Survey distributed electronically

The survey was distributed electronically through a web platform by an independent market research company called Critical Mix. Critical Mix conducts hundreds of surveys for all sorts of products and services on behalf of numerous clients including many Fortune 500 companies. Critical Mix distributed the survey to their list thousands of potentially interested survey takers. However, only individuals who met the very specific criteria required by the survey were able to take it. All survey responses were independently verified for authenticity and accuracy. All surveys of former business owners were conducted anonymously and sent electronically directly to Critical Mix.

4.) All survey responses were recorded and compiled into a database

The recording and compilation process was done by Critical Mix. This helped to ensure the veracity of the data and results. One concern in surveys like the one conducted here is that the survey results can be biased or tainted by researchers, participants, or third parties. Special efforts were made to avoid this issue and produce an authentic set of survey results.

Table I:

Survey Mechanism	
Mobile Device	17
Computer	68
Total	85
Sale Method	
Ran Auction	52

Did Not Run Auction	27
Credible Threat	6
Total	85

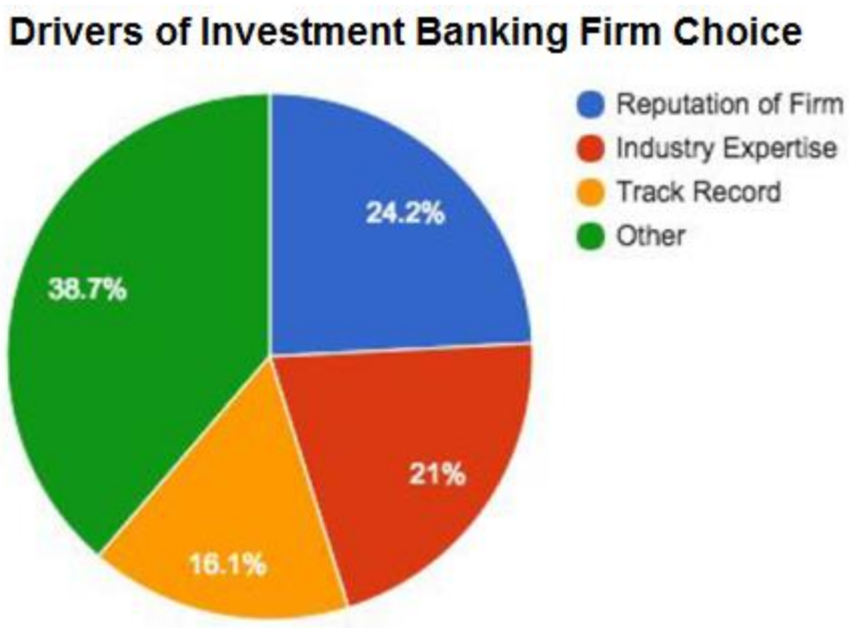
5.) Conclusions were drawn

The author drew conclusions from the data based only on the available information and principles of statistical significance. All results presented in this paper are statistically significant at the 90% level or greater.

IV. Study Results

To understand if middle market investment bankers add value for clients, I surveyed 85 former business owners who have sold their companies with middle market bankers located across the country. The result is a geographically diverse sample of former business owners large and small. The survey population was restricted to owners who had sold their company in the last five years for between $10 million and $250 million. The business owners had all sold their businesses through investment banking firms, and had chosen to use those investment banking firms for a variety of reasons.

Figure 1: Drivers of Investment Banking Firm Choice



The survey examined eight areas where business owners might find value in the services of investment bankers. These eight services are:

1.) Preparing the company for sale: Work with owners and management to identify value drivers, address weaknesses and implement changes if necessary to maximize value and ensure a closing.

2.) Managing the M&A process and strategy: Organizing a go-to-market plan to conduct a competitive auction and executing on that plan. Involves creating teasers, confidential memorandum, managing the data room, negotiating key terms and conditions and managing to a timeline where buyers are bidding with confidence and enthusiasm.

3.) Identifying and finding the buyer: Researching and utilizing firm's network to identify and qualify buyers. Connecting with key contact within buyer's company and succinctly conveying the primary strategic and financial incentives to the potential buyer.

4.) Adding credibility to the seller: Making buyers aware that this will be a competitive and reputable process. Ensures buyers that information they are viewing is accurate and seller is serious about a closing.

5.) Coaching the owners: Advising the owners on the overall sale process, timing expectations, valuation, negotiating strategy and how to best articulate the opportunity.

6.) Enabling management to focus on running the company during the sale process: Run the process such that management can continue running the every-day operations of the Company.

7.) Negotiating the transaction: Negotiating letters of intent with credible prospective buyers and ensure that key terms match the objectives of the owners and protect them against future liability.

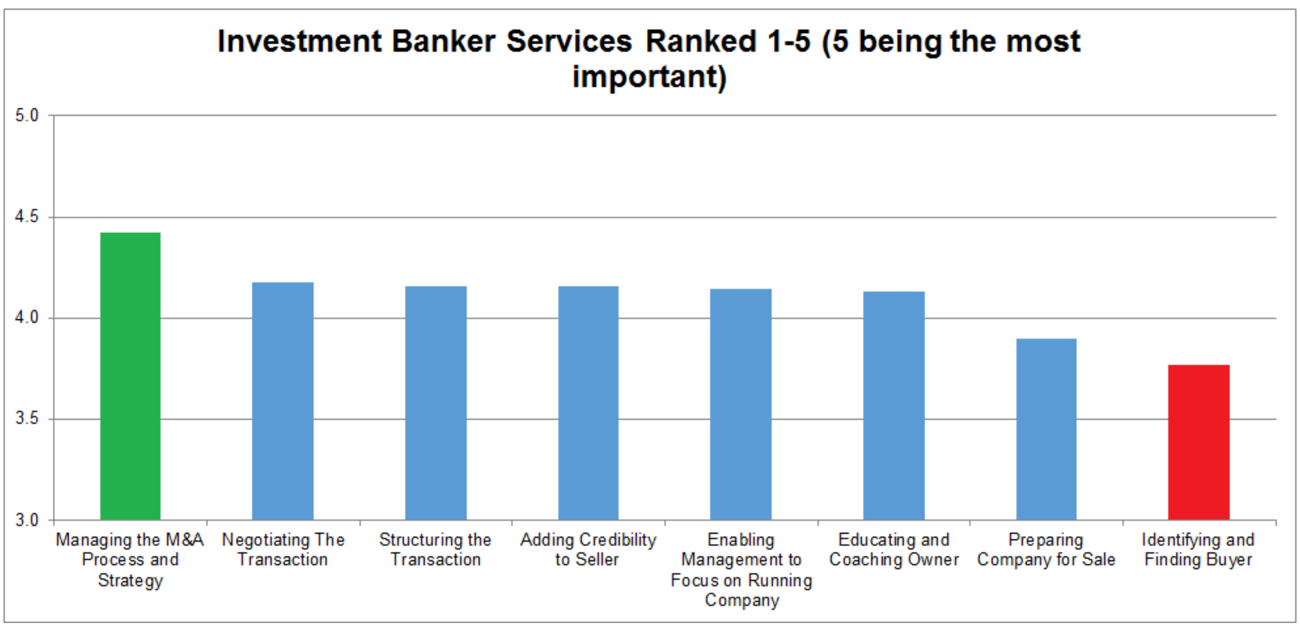
8.) Structuring the transaction: Designing a structure that maximizes after tax proceeds at closing and potentially thereafter while minimizing seller's risk.

These eight areas of value help to reduce opacity in the middle market and increase the efficiency of the marketplace by aligning information and experience levels between buyers and sellers. The survey results suggest that the value of these services was communicated upfront to the business owners through the reputation and track record of the M&A firm as the graph below shows.

Average survey results indicate that the typical respondent felt that in retrospect all eight services were at least somewhat valuable (a rating of greater than 3.0), while six of the services were significantly valuable (a rating of greater than 4.0) As Figure 2 below shows, survey respondents view "Managing the M&A Process and Strategy" as being the most important function of investment bankers. This is closely followed by "Structuring the Transaction" and "Educating and Coaching the Owner". These results are based on the mean rankings from a 1-5 scale for each of 8 different categories of service offered by investment bankers. Interestingly, "Identifying and Finding the Buyer" actually has the lowest importance rating of the 8 services provided by investment bankers included in the survey.[5] This suggests that the individuals who sold their businesses saw their investment bankers as doing much more than just finding the buyer for a company.

Figure 2: Ranked Importance of Investment Banking Services: Business Owners Rank "Managing the M&A Process and Strategy" as the Most Important Service and "Identifying and Finding the Buyer" as the least important.

(Most valuable services are on the left of this diagram.)

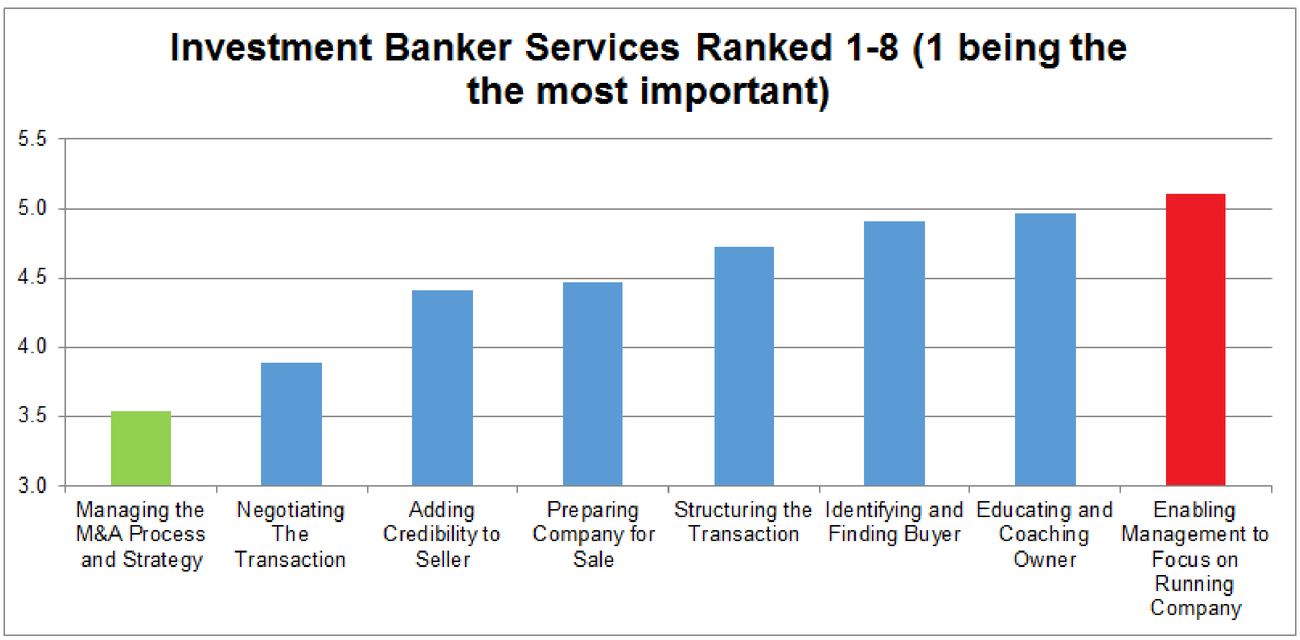


[5] See Data and Methodology section below for rational discussion behind how the survey was constructed and administered.

While an average importance ranking is useful for evaluating services, it can be deceptive. For instance, it is possible that the measure is misleading depending on the preferences of the survey group. To address this possibility and add further conviction around the relative importance of different services, survey respondents were asked to rank order the 8 investment banking services from 1 to 8 respectively. The results are shown below in Figure 3.

In the rank ordering of the 8 services, the results show that “Managing the M&A Process and Strategy”, “Negotiating the Transaction”, and “Preparing the Company for Sale” rank as the first, second, and third most important services respectively. The results in the chart based on this rank order question vary somewhat from the overall importance averages noted in Figure 2 above, but are qualitatively similar.

Figure 3: Rank Ordered Investment Banking Services (Most valuable services are on the left.)



The table below shows details rankings and orderings for each of the eight services detailed in the survey. The survey itself is found in appendix.

Table II:

Service Value Ratings (Rated on 1-5 scale with 5 being most important)	
Managing the M&A Process and Strategy	4.38
Structuring the Transaction	4.20
Educating and Coaching Owner	4.16
Negotiating The Transaction	4.16
Enabling Management to Focus on Running Company	4.14
Adding Credibility to Seller	4.14
Preparing Company for Sale	3.92
Identifying and Finding Buyer	3.69
Average Service Ranks (Ranked 1-8 w/ 1 as most important)	
Managing the M&A Process and Strategy	3.63
Negotiating The Transaction	3.95
Preparing Company for Sale	4.38
Adding Credibility to Seller	4.48
Structuring the Transaction	4.69
Identifying and Finding the Buyer	4.87
Educating and Coaching Owner	4.96
Enabling Management to Focus on Running Company	5.04

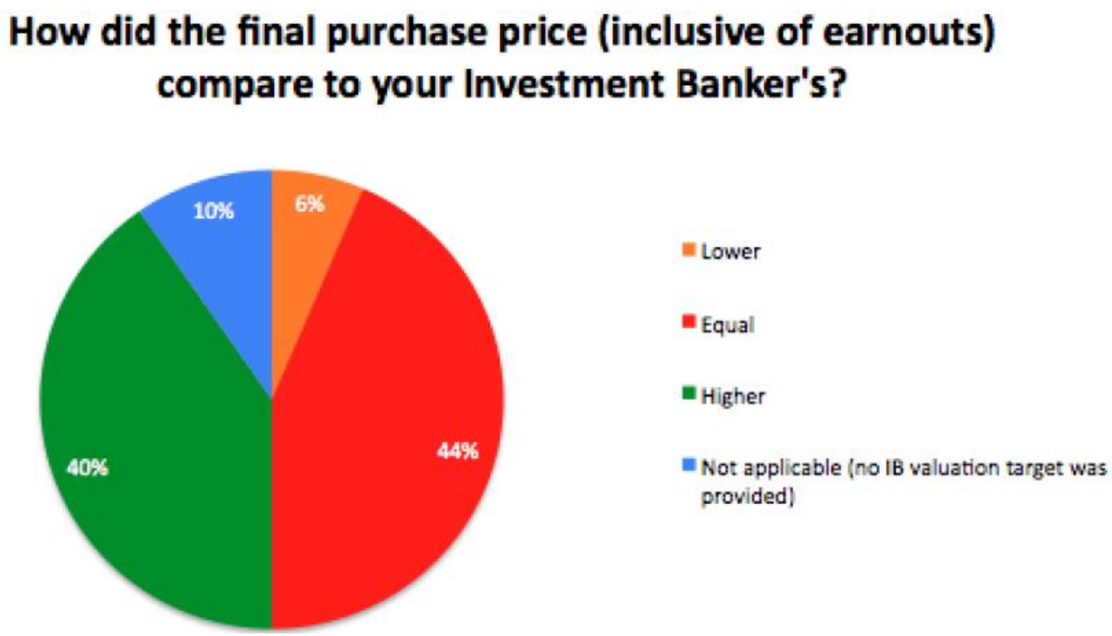
Predictably, former business owners whose companies received fewer buyout offers put a greater focus on the importance of finding a buyer. There are two other major characteristics associated with business owners who particularly value the banker finding a buyer – (1) business owners of companies that want to run an auction, and (2) business owners of smaller companies. Each decrease in company size range resulted in a roughly 8% increase in reporting value from "identifying and finding a buyer".

Finally, it is worth noting that most business owners in open-ended survey questions strongly recommended using an investment banker. Selected comments below are examples` of the broader consensus that survey respondents appear to hold. A complete listing of comments is included in Appendix C.

Select Comments illustrating views of Business Owners towards Investment Banking Teams
*Respondent A: Unless you have substantial expertise, a broad buyer network, and a lot of free time, partner with an investment bank. You *may* be able to get it done yourself, but you'll be leaving millions of dollars on the table as well as closing a higher risk transaction (when it comes to representations, warranties, and indemnifications).*
Respondent B: Rely on the bankers. They will bring several deals to the table and then have them compete
Respondent C: To take the advice and leadership of the banker into consideration. When establishing a true value for your company.
Respondent D: Representation definitely got us a better price and more favorable terms.

V. Conclusions

In conclusion, this study gathered the first empirical data on how middle market investment bankers add value in the M&A market. The results suggest that the majority of business owner clients of middle market investment banking firms are happy with the overall performance of the firms they hired. The eight services provided by investment bankers all add value according to the survey. The most valuable service is "managing the M&A process and strategy" while the least valuable service is "identifying and finding the buyer". The survey results also illustrate the success that middle market investment bankers appear to have in selling the company with 84% of respondents citing the final sale price as being equal or higher than the initial sale price estimate provided by the investment banker.


How did the final purchase price (inclusive of earnouts) compare to your Investment Banker's?
10%
6%
44%
40%
Lower
Equal
Higher
Not applicable (no IB valuation target was provided)

Appendix A: Participating Investment Banks

Firm	Website
41 North Advisors, LLC	http://www.41-north.com
Amherst Partners	http://www.amherstpartners.com/cms/
Bengur Bryan & Co	http://www.bengurbryan.com
Bowen Advisors	http://bowenadvisors.com
Brookwood Associates	http://www.brookwoodassociates.com
Bruml Capital	http://www.brumlcapital.com
Carter Morse & Mathias	http://www.cartermorse.com
Chesapeake Corporate Advisors	http://www.ccabalt.com
De Bellas & Co.	http://www.debellas.com
Decosimo Corporate Finance	http://www.dcf-llc.com/
Diamond Capital Advisors	http://www.diamondcapitalpartners.com
Doeren Mayhew Capital Advisors, LLC	http://doerencapital.com
Dragonfly Capital	http://www.dragonflycapital.com
EdgePoint Capital Advisors	http://www.edgepoint.com
Excel Partners	http://www.excelptrs.com
Focal Point Partners, LLC	http://www.focalpointllc.com
Greene Holcomb Fisher LLC	http://www.ghf.net
Gulfstar Group	http://gulfstargroup.com
High Rock Partners, Inc.	http://www.highrockpartners.com
LockeBridge Investment Banking	http://www.lockebridge.com
Matrix Capital	http://www.matrixcapitalmarkets.com
Mufson Howe Hunter & Company LLC	http://www.mhhco.com
The Fortune Group LLC	http://www.fortunegrp.com
Viant Capital LLC	http://www.viantgroup.com

Appendix B: Survey Questions

Survey Questions

1. Are you taking this survey on a mobile device?

□ Yes
□ No

2. Did you run an auction when you sold your business? (soliciting multiple bids)

□ Yes
□ No
□ No, but there was a credible threat to run an auction

3. What was your company's Purchase Price? (inclusive of earn outs)

□ $10-25 MM
□ $25-$50MM
□ $50-$100 MM
□ $100-250 MM
□ Over $250 MM

4. Please select the year your company was sold. (the closing)

□ Prior to 2011
□ 2011
□ 2012
□ 2013
□ 2014
□ 2015
□ 2016

5. Was the company profitable in the last year of ownership? (measured by EBITDA)

□ Yes
□ No
□ Breakeven

6. Did you have audited financials?

□ Yes
□ No

7. How did the final purchase price (inclusive of earn outs) compare to your Investment Banker's (M&A advisor) valuation target?

□ Lower
□ Equal
□ Higher
□ Not applicable (no Investment Bankervaluation target was provided)

8. How many offers (either informal indication of value or letter of intent) did you receive?

- ☐ 1
- ☐ 2-3
- ☐ 4-5
- ☐ More than 5

9. Where did the investment bank add the most value?
Rate the following services from 1 to 5 (5 adding significant value, 1 adding no value)

	1 Adding no value	2	3	4	5 Adding significant value
Negotiating the transaction	○	○	○	○	○
Managing the M&A process and strategy	○	○	○	○	○
Adding credibility to the seller	○	○	○	○	○
Identifying and finding the buyer	○	○	○	○	○
Preparing your company for sale	○	○	○	○	○
Educating and coaching the owner(s)	○	○	○	○	○
Structuring the transaction	○	○	○	○	○
Enabling management to focus on running the company	○	○	○	○	○

10. Please order the following options from 1 to 8 in terms of their importance in adding value to the transaction.

(1 being most important, 8 being least important)

	1	2	3	4	5	6	7	8
Negotiating the transaction	○	○	○	○	○	○	○	○
Managing the M&A process and strategy	○	○	○	○	○	○	○	○
Adding credibility to the seller	○	○	○	○	○	○	○	○
Identifying and finding the buyer	○	○	○	○	○	○	○	○
Preparing your company for sale	○	○	○	○	○	○	○	○
Educating and coaching the owner	○	○	○	○	○	○	○	○
Structuring the transaction	○	○	○	○	○	○	○	○
Enabling management to focus on running the company	○	○	○	○	○	○	○	○

11. How much value did the investment banking firm provide in terms of purchase price and structure?

- ☐ Moderate

☐ Significant
☐ None

12. What were the top 3 reasons for you selecting the investment banking firm?

(1 being most important)

	1	2	3
Reputation of the firm	○	○	○
Reputation of the banker	○	○	○
Referral	○	○	○
Industry expertise	○	○	○
Chemistry	○	○	○
Prior relationship	○	○	○
Prior transaction	○	○	○
Track record	○	○	○
Cost / price	○	○	○

13. Is the investment banking firm you used a specialist or generalist?
☐ Industry specialist
☐ Generalist
☐ Don't know (please provide name of Investment Banker firm)
☐ Prefer not to answer

14. Given what you know about the M&A process and the role of the Investment Bank, how could the bank have added more value or have been of greater value to you?
(open ended response)

15. What recommendations or insights that you gained from this process would you share with business owners who just made the decision to sell?
(open ended response)

Appendix C: Select Direct Quotes from Survey Respondents

Respondent comments were based on the query: ***What recommendations or insights that you gained from this process would you share with business owners who just made the decision to sell?***

Select a banker to whom the transaction is important by size of fee

Identify a good partner and spend the time necessary upfront. Investing time in the start of the process will save in the long run.

If you know the buyers, are well informed on valuation, bankers are just managing a process. Has value, but a different price point. Incentive fees are good too

Listen to everything they offer you about the selling of your business and you will not be disappointed!

Choose your representative wisely. Let them do their job.

Outline the specifics of exactly what you want from the form prior to signing any contracts. Yes the end goal is a sale at top price but identify how you desire the process to go and what specifics you want help with as the company preps to sell

Evaluate at least three investment firms, and scrutinize their fees.

Definitely hire an investment banker, it is worth the cost. Also, take their advice. They asked me to prepare a couple items for prospective buyers that I thought were a waste of time but really paid off in the end.

Spend a lot of time in preparation/strategy with your M&A advisor before starting the process (including conversations with potential buyers). Make sure you have an excellent CFO or Financial Controller in place, this person will be an invaluable partner to you throughout the process.

Try and avoid someone financing the purchase, especially through an SBA loan; very long and drawn out process. Be reasonably transparent with the staff of the company for sale. Be sure to begin structuring your business separately years in advance if you are only selling a portion of your company.

Make sure you want to sell and are ready to work with Private Equityand/or VC money. Even if you stay on, you and your employees become your investors "little cash registers" as my Private Equityinvestor said at an all hands meeting of employees. If you have values that are important to you, or a legacy of a value-based company that is important to you, then stay away from PE/VC.

Have strong financial controls in place two years in advance of process. Independent accountant review at minimum, audit if possible. Interview multiple IBs to insure personal fit and negotiate price with the one(s) you want to use. You are an active part of the process - the Investment Bankerdoesn't know your business and need your input. It saves both you and the Investment Bankertime and money. In addition to honesty and integrity, be candid with your IB. Identified problems known in advance can be dealt with. Surprises during the process are difficult to deal with.

Be prepared before you enter the market and pick a firm /banker you will feel comfortable with working closely

Spend most of you effort getting ready to go to market. Have your books and records together.

Get multiple bids, you never know around what corner you will find the ideal buyer.

Have a strong internal numbers guy. Make sure there is good chemistry between banker and self. Takes time and can feel intrusive: deal with it

Trust your knowledge and speak up about the strategy. Make sure the strategy supports the industry emphasis (i.e. if safety is number one then make sure your first bullet point of presentation is safety)

1. be realistic on selling price... 2. be sure you want to move forward because do get to the point where you have a buyer and an agreed price, and than change your mind is not a good situation. ..3. keep your employees advised because there is nothing worse for them to find out from someone else.......and they will find out even if you are trying to keep it a secret

The importance of having an Investment Bankerwith a reputation for professionalism and integrity to guide you through the technical details of a transaction, negotiating the top price/value and providing leverage in process, assisting in referrals for the rest of team needed, post transaction insight, etc.

Get your books and records in order before starting the process.

Absolutely nail down all working capital (especially receivables), so there are no surprises during any post-closing true-up. Brand and reputation matter.

Focus on partnering with an investment banker who understands your business and can present your company in the best light both from a financial perspective and strategic value.

Be sure you have alignment with your own partners before you start and then recheck that they really are on board.

Select a banker that is experienced and looks at the whole strategy & process of selling with the goal to maximize value...price & terms. The banker should be able to honestly communicate to you your company's strengths & weaknesses and not be focused on getting your business by telling you only the good things. To maximize value of the transaction the seller needs to be honest to themselves.

If you're a small team it is critical to serve your customers as usual, especially if the sale does NOT go through and you haven't taken care of your customer base. We couldn't have negotiated the process on our own and the Investment Bankerteam doubled our expected sales price. Make sure to hire an Investment Bankerfirm that you can enjoy working with as it makes the process "easier".

It is important to engage attorney and accountant early in the process, to understand options one might have.

Prepare financial information sooner and have externally audited or reviewed financial statements ready or in process

They can add a lot of value by getting an investment banker to prepare their company for sale and find potential buyers. They added tremendous value by getting us in the auction process that created a competitive process that paid off big time.