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Who to Hire When Selling Your Business - Sifting Through Industry Jargon

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When it comes to selling your business, it is important to work with an adviser who has the proper knowledge and expertise to manage your transaction. After all, you only get one chance to sell your business and selecting the wrong adviser could cost you part of your retirement. Today, such intermediaries are frequently referred to as business brokers, mergers and acquisitions intermediaries and investment bankers.

All business intermediaries work towards one common goal, to help the owner manage the selling process by evaluating the business, confidentially marketing to find the best buyers, negotiating the deal and closing the transaction. However, the methodologies and expertise required could differ greatly depending on the business's size. Because each group of business intermediaries specializes in a specific "bandwidth" of the market, the key is to find an intermediary that fits you and your company.

Business Broker

A "business broker" commonly assists small business owners selling companies with less than \$1 million in annual revenue. These lower-market or "main street" businesses are usually local service establishments, such as restaurants, convenience stores, dry cleaners and other small service-related businesses, where the individual buyer will most likely become an "owner-operator."

Because these projects typically have smaller success fees, business brokers usually handle numerous engagements simultaneously, often

with as many as 10 businesses for sale at any given time. As a result, they can only provide clients with limited attention, and their marketing capabilities are usually confined to posting "listings" for sale on various Web sites, including their own. In addition, the educational background and experience of these individuals are often limited. Even some residential and commercial real estate agents "dabble" at business brokerage.

M&A Intermediaries

Merger and acquisition intermediaries are advisers working with owners of businesses with annual revenue between \$1 million to \$50 million. These professionals have experience attracting the attention of strategic buyers and private equity groups, in addition to high net-worth individuals, and they are familiar with a wide array of financing sources to facilitate the more complex capital structures in larger transactions. Typically managing only one or two engagements at any given time, M&A intermediaries create in-depth marketing materials for each project and spend significant amounts of time with each individual client.

Because of the complex nature of larger deals, M&A intermediaries often work with a business owner's team of professional advisers (attorneys, accountants, financial planners, etc). Together, this "deal team" can assist each other and help ensure a successful sale.

M&A intermediaries may charge a retainer at the beginning of the engagement to compensate for the significant amount of work involved in evaluating and preparing the marketing materials during the planning stage. However, reputable intermediaries collect the large majority of their fees upon the successful sale of the business, usually by a scaled percentage formula. **Be wary of any intermediary asking for a large upfront fee.**

Investment Bankers

Investment bankers operate in the mid-market to upper-market range, serving owners of public and private businesses with annual revenue of \$50 million or more. These firms regularly network with businesses and private equity groups wishing to acquire larger companies. However, while professional and knowledgeable, investment bankers typically lack the network of buyers looking to acquire smaller companies.

In addition to offering strategic advice in mergers and acquisitions, investment bankers also help clients raise debt and equity capital, recapitalize and refinance. Fees for investment bankers are negotiated and can vary depending upon the conditions in the contract.

Conclusion

The business intermediary is a key player in facilitating the successful sale of the business, and it is important to interview several before deciding who is most suitable. A business broker who sells convenience stores and ice cream shops may not know how to handle a larger manufacturing, distribution or construction business. Ultimately, the right intermediary is someone whose specialty is a good fit with your needs.