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## Why Should You Use An Investment Banker To Sell Your Company?

A good investment banker will add significant value to the seller. Done right, selling your company is a big job. Additionally, it takes a significant amount of applied expertise to sell a company in order for the result to be considered a successful transaction. By not using an investment banker, a seller will usually net substantially less, increase the chance of agreeing to a poor deal structure, increase risk of losing confidentiality, and increase the risk of a transaction not closing.

What is the difference between a business broker and an investment banker? A business broker more often serves the market for smaller less sophisticated businesses that serve a local market and where the probable buyer is a local company or an individual. A business broker often uses a passive marketing approach and "lists" the company for sale, similar to the way a real estate property is listed.

An investment banker takes on larger more sophisticated companies whose market is regional or national, and where the probable acquirer is another company or a private equity investment firm. Certain investment bankers are licensed by the SEC and therefore abide by the regulatory rules and deal primarily with publicly traded companies. Other investment bankers are not licensed or regulated by the SEC. They focus on privately held companies and serve as an intermediary where each transaction is privately and uniquely negotiated. In this case, for each client, the investment banker will develop a major project focused on the goals mutually decided.

The following attributes are some of the good business reasons to engage with the best investment banker you can to ensure optimum results:

1. **Valuation.** The investment banker will develop a valuation that yields a range of value for that company. Valuation is important to ensure that the achievable value is consistent with the selling shareholders' expectations and to know what goal to set and where to reasonably be in the negotiations with prospective acquirers.

2. **Offering Documentation.** The investment banker will write a briefing book on the company. This book is the sales brochure for your company. It describes or "sells" the product offered for sale. It is important. It must be good. The offering documentation is normally used by acquirers to initially decide to move ahead or not. Once an acquirer decides to proceed, the documentation then serves as the base for the acquirer's due diligence process. The book includes such sections as:

   - Type and description of business,
   - History,

- Operations,
- Markets,
- Marketing and sales,
- Technology,
- Manufacturing if any,
- Financial data including historical financial statements
- Financial summaries presented in a style acquirers prefer,
- Financial projections presented in a style and form acquirers prefer,
- Management,
- Ownership and the
- Future prospects for the company.

3. **System.** The good investment banking firm will have a defined system, process or methodology for achieving optimal results.

4. **Transaction Expertise.** The investment banker will have a range of experience and abilities to bring to bear on your project including:

   - Deal structures that work,
   - Corporate finance,
   - Tax implications, and
   - Marketing in order to create multiple opportunities from which to choose.

5. **Screening.** The investment banker must screen any prospect to ensure that they are who they represent themselves to be and that they have the financial wherewithal to complete a transaction. It is the investment banker's job to have any interested party sign a confidentiality agreement prior to receiving proprietary information on the company or even knowing what company is available for sale.

6. **Negotiating.** The good investment banker will have negotiating skills learned from many sets of negotiations to apply to the different prospects that may come to the table. With any transaction that is created, there will be trade offs in the deal before it will finally reach the documentation stage. The investment banker must buffer adversarial positions so that the principals can have a business relationship that survives the closing.

7. **Momentum.** A good investment banker will know how to keep the interactions with the principals moving forward keeping all the players focused on the end point. Loss of momentum can potentially cause a deal to whither and die for the wrong reason. With the myriad of issues arising during the course of completing a transaction, it is critical to keep the march going forward without time delays that have the effect of causing the process to go sideways.

8. **Gray Hair.** The investment banker that has significant years of senior level business and investment banking experience will bring much value to the transaction. He will be an expert. He will have the ability to coach the principals in preparing for meetings and then critiquing the encounters so as to improve the next one. Advice from a worthwhile source is always valuable, and in this case, very valuable.

This is a major transaction involving significant value. When the time comes to sell, there are actions that you do not want to take because they will be injurious to your financial health. They are listed as follows:

1. **Don't market your company narrowly.** In order to get the best that the market will bear, it is important to offer the company to the market broadly so as to create multiple offers all in the same time frame. They will all be different. This way you can deal with the ones that place greater value on your company.

2. **Don't ask your CPA to market your company**. Your CPA is your CPA, not an investment banker or marketer who is expert at selling companies. Additionally, CPA's may be obligated to file amended tax returns based on add-back disclosures that would improve the historical earnings.

3. **Don't ask your attorney to sell your company.** Your attorney is an attorney and may be in a conflicted situation discussing a transaction with a principal on the other side of the transaction rather that through that principal's attorney. Attorneys are trained to be adversarial, a characteristic that does not serve this process well.

4. **Don't try to sell the company yourself.** There really is too much involved (see 1 through 8 above), to do it yourself. Even if you have a buyer in hand or a strong suspect, use a good investment banker to work with you.

5. **Don't use an intermediary whose fee structure does not provide incentive for him to reach for optimum value on your behalf as opposed to just closing a deal.**

   This is a "makes-sense" decision.

An investment banker will add substantial value to your transaction in financial proceeds to you, the seller. Additionally, a good investment banker will assist in creating better terms than you would otherwise get. Finally, by using an experienced investment banker, you significantly improve the chances of your transaction actually closing.