Maximizing Value: The Role of the M&A Advisor

By Kenneth B. Collins

While it's certainly possible for business owners to sell their company on their own, they'll likely miss some opportunities and make some very costly mistakes that the right M&A advisor can help you avoid.

Price may not be the only consideration when selling your company. Most business owners also have personal goals in a transaction that can be at least as important as money – including the desire to stay on after Closing, earn-outs, family or shareholder dynamics, concern for the management team, etc. Advisors understand these factors and can help direct the process to align with your valuation goals.

When it's finally time to move forward with a transaction, your advisor is instrumental in the preparation of key materials, marketing the company, and managing the logistics of the transaction.

Preparation of Marketing Materials –

Your advisor will prepare a comprehensive Confidential Information Memorandum (CIM) and adjusted financial statements for prospective buyers who express interest in learning more about your company. The CIM will help buyers determine their interest and decide if they want to move ahead in the process and meet with you and your management team.

Building a Buyer List –

Your advisor's transaction experience and expertise will play a large role in building a buyer list that will not only attract the best price, but will also address your non-financial goals. Building the ultimate buyer list is part art and part science, and a qualified advisor can help you identify the most likely buyers for your business from among the thousands of financial and strategic buyers that may potentially be interested.

Going to Market –

The actual marketing process kicks off with your advisor reaching out confidentially to prospects and gauging their level of interest. This stage of the process is often broken down into several waves, as your advisor might first reach out to strategics and other buyers in the top tier of your buyer list. Those interested in learning more about your business will sign a non-disclosure agreement and receive a copy of the CIM.

Narrowing Down the Candidates –

As various buyers confirm their interest or withdraw from the transaction, your advisor will help you navigate the process of narrowing down buyer candidates and meeting with select buyers in person. As the process continues you should also begin receiving LOIs (letters of Intent) – non-binding letters confirming a buyer's intent to purchase the company – which usually include valuation guidelines, transaction structure and other key terms, and a timeframe for closing.

Your advisor will also help you evaluate and negotiate the other important terms in the LOI – ideally by leveraging buyers against one another for the best price and the best terms. Once you select the buyer and sign an LOI, your advisor will also be responsible for ensuring a seamless due diligence process, working with you and the attorneys to finalize the purchase agreement and close the transaction.

Ken Collins is a Managing Director with Protegrity Advisors, LLC, an M&A Advisory firm based in Ronkonkoma, NY. He may be reached at (631) 285-3174 or via email – KCollins@ProtegrityAdvisors.com.