



HOW WILL WORKING WITH AN M&A FIRM BENEFIT MY TRANSACTION?

A BUSINESS ACQUISITION & MERGER ASSOCIATES WHITE PAPER



BUSINESS ACQUISITION
& MERGER ASSOCIATES

When buying or selling a business, you can go it alone or partner with an experienced M&A firm. This white paper outlines some of the benefits you'll receive using a good M&A firm to support your transaction.

When Selling Your Business...

Many business owners regularly get inquiries from prospective buyers who express interest in their business. When considering your exit strategy to an outside party, you can employ one of the following two strategies:

1. Sell your business on your own
2. Hire an experienced M&A firm to support your transaction.

Why choose an M&A firm to support your transaction?

An M&A firm works on behalf of its client, either the buyer or seller, to complete a successful transaction. They enter into a fiduciary relationship where the M&A firm commits to fair and honest dealings with both parties, but they work to get their client the best price and terms.

When selling your business, you'll want a successful transaction where your employees can flourish AND you receive price and terms that fairly reflect the value you created after years of hard work.

Managing the M&A process on top of running a business is a challenging feat. Supporting buyer inquiries, dispelling tire kickers, handling diligence requests and negotiating deal terms takes significant time and energy. We do this full-time every day and it's nearly impossible to do this efficiently while keeping your business performance in top form. If your earnings

soften because you're distracted by managing the transaction, buyers will often get cold feet and back out or retrade the terms to the lower performance. You're frustrated and now you start the process anew with other buyers (who will likely view the dip in earnings as an opportunity to acquire your company for less) and extend your timeline several more months.

By hiring an M&A firm to handle your transaction, they perform the heavy lifting of marketing your business, qualifying top buyer groups and facilitating diligence. As the seller, there is still work to be done, however a lot of this work is guided by an advisor who knows the process from completing many successful transactions.

An additional benefit of using an M&A firm is having a knowledgeable resource to help you identify the best strategy for your sale. Business owners have a number of options when planning their exit - full sale, majority recapitalization, dividend recap, management buyout, and more. An experienced M&A advisor understands your options and reviews potential scenarios with your financial and legal advisors to help you make the best decision.

Many business owners don't find the best buyer or get the best price for their business because they don't want to pay an advisory fee. If you hire a quality M&A firm, they run a process to bring in multiple buyers, where the best buyers bid up the price of your business.

Often running a formal process brings you more money, even after advisor fees, than you would as a 'for sale by owner'. Running a process drives the price up:

	FSBO	WITH M&A FIRM
Purchase Price	\$8,500,000	\$10,000,000
Advisory Fee	\$ 0	\$ 450,000
Net Price	\$8,500,000	\$ 9,550,000

In most situations, even when you pay the fee, you still end up with more money and better terms for your business than if you sold it on your own.

Most buyers are smart and experienced. The institutional buyers, like private equity firms, do this all day, every day. Experienced buyers know how to acquire private companies from a business owners who don't know what his/her company is really worth. An M&A firm immersed in the market will bring professional knowledge and skill to your side so you maximize the price and terms you receive for your business.

Professional buyers know how to get a great deal from a business owner who doesn't know what his business is worth.

In the end, there are many benefits to choosing an experienced M&A advisor to support your transaction and ensure you get the best price and terms for your business.

When Buying a Business...

Finding the right acquisition target to grow your business takes time and money. There are two ways to handle your search:

1. Use existing internal resources to find targets.
2. Engage an established M&A firm to uncover proprietary deal flow.

So, why should you engage an M&A firm when you can do it yourself?

Hiring a proven buy-side firm to drive proprietary deal flow is a cost-effective solution for individuals and companies looking to grow through acquisition. The structure is often set where outside of a nominal retainer, the firm only gets paid when you close a transaction.

Many professional buyer groups have in-house business development looking for opportunities. When you engage an M&A firm, you aren't paying a salary and benefits to an employee who might bring you deals to close. Essentially, you are limiting your overhead, but with all the upside.

According to Salary.com the average salary and benefits package for a Business Development Associate is over \$85,000. And even then, you aren't guaranteed they will close a transaction. Pay a one-time retainer to minimize your upfront acquisition costs.

**BIZ DEV ASSOCIATE AVG
SALARY AND BENEFITS**

**UPFRONT RETAINER
M&A FIRM**

\$85,543

\$10,000

What would you rather your upfront costs be?

An experienced M&A firm works hard to ensure you have quality leads to review on a regular basis. In our firm, we typically put between 3 and 6 associates on all buy-side projects so you get multiple hunters looking on your behalf.

This puts more resources on your search looking for specific companies that meet your mandate. You only pay a success fee upon a successful acquisition. Win-win.

Whether you're a private equity firm looking for your next platform acquisition, a strategic buyer doing a roll-up, or an individual who wants to own your own business, hiring a proven buy-side firm to bring you proprietary deal flow is an effective process.

Also, since most buyers prefer to stay out of bidding processes. They don't want to commit resources to opportunities they may not win. A targeted buy-side engagement brings you off-the-market opportunities so you can assess a fit without investing lots of time and money.

Instead of going up against multiple buyers for one opportunity, get an exclusive look at multiple opportunities that no one else is reviewing!

As a buyer, you know your ideal target's key criteria: size, geography, service offering and customer base. You don't have time to qualify every company that **may** fit your profile, much less prospect the whole market for potential candidates. Hiring an experienced deal team who knows how to prequalify and vet potential candidates saves you valuable time while you focus on your existing business and only those companies that really fit your target profile.

It takes time to find the right acquisition target, usually several months. However, finding the

target is only half the battle. You still have to negotiate and execute an LOI, complete due diligence, finalize legal docs and get the deal to closing. The entire process from start to finish often runs 6-12 months. By hiring an experienced M&A advisor, you get a firm that not only sources your acquisition target, but also manages the process from start to close saving you significant time and energy.

While the acquisition process is challenging it can be highly rewarding when you find excellent add-on companies at fair prices. Our clients will attest that using a third party M&A firm leading their search added significant value to their acquisition plan resulting in closed add-on transactions. Give consideration to getting the same experience by using a proven M&A buy-side firm.



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