

FROM LEGACY TO LIQUIDITY

How Investment Bankers Help Business Owners Sell Their Company

Business owners who have spent decades building their companies deeply understand their business and industry. But if they decide to sell that company or seek growth capital, most enter the M&A world with little experience or knowledge of the transaction process. Most business owners only go through this process once, and with their desire to protect their professional legacy, the livelihood of their employees, satisfaction of their customers, and continuity of their brand and mission, getting it right is of the utmost importance. Hiring the right investment bank can help owners feel confident they are reaching their goals with the least disruption to the business. Below are four ways an investment banker adds value to owners looking to sell their company.

BUYER KNOWLEDGE & ACCESS

Investment bankers cultivate vast networks of relationships with potential buyers, both financial and strategic.

Many business owners would be hard-pressed to name even a couple of financial buyers that invest in their company size or industry. Investment bankers keep in regular dialogue with a wide range of private equity firms and other financial buyers and can choose the most relevant ones to introduce to the company.



STRATEGIC VS FINANCIAL BUYERS

Strategic buyers are often independent companies looking to expand their market, add product lines, reach new customers, or gain access to quality management teams and employee bases. They may be a public corporation or a privately owned company. They often operate in the same industry as the acquired company and can include competitors, customers, suppliers, or adjacent businesses.

Financial buyers are investors such as private equity firms looking to grow the company, invest in new capabilities, help with M&A, and, ultimately, create a better and stronger business for the future owner. Financial buyers may view the company as a stand-alone (platform) investment or as an add-on or bolt-on to an existing company they are invested in.

A good investment bank will also have a sense of what type of buyer would be most interested in the company, and therefore the most likely to pay a premium to acquire it. Often strategic buyers are larger companies and unlikely to respond to cold outreach from a seller directly. Investment banks have a pulse on which companies are open to acquisitions and who to contact within a company to propose the transaction.

Typically, a higher number of interested buyers in a company increases the likelihood of maximizing value. This isn't always the case, though; sometimes it may pay to be more selective and only approach a few buyers who are likely to compete to win the business. Hiring an investment bank to run the sale helps owners strike the right balance between the quantity and quality of potential buyers and can provide access to some buyers that owners may not have on their own.

PROCESS

Organization

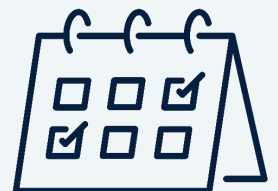
Selling a company is a lengthy process that can take a lot of mindshare from business owners.

An investment banker's job is to direct the transaction, making it more efficient and ensuring it doesn't drag out and become a distraction to business owners from running their companies.



A banker's role starts with the preparation of the business for sale. This includes refining the positioning and presentation of the story of the company and why it is attractive for buyers as well as the fundamental support needed to get the company's data and financials organized into a data room for potential buyers to access. The latter can take a lot of time for owners trying to sell the company on their own, especially if this data isn't already organized or readily available. A banker can help owners understand which data is needed by buyers and in what format, and where certain information may need to be supplemented to ensure a buyer understands the opportunities and risks of the business.

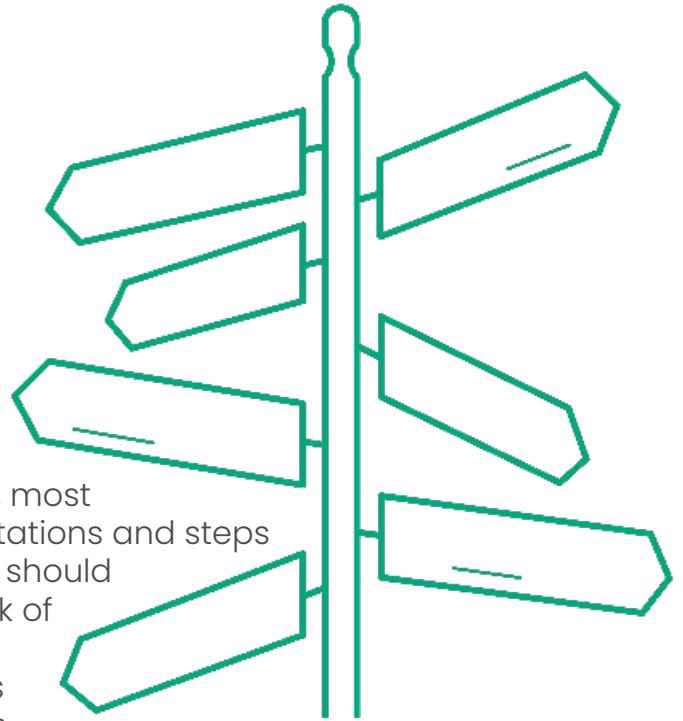
The investment banker will also lead the marketing of the business and buyer outreach, helping owners screen potential buyers so that their valuable time is only spent reviewing serious contenders. A banker will also keep the process moving, giving deadlines for various milestones in a transaction to ensure it doesn't stall. As the point person for the transaction, an investment banker should be the first call for questions related to the transaction, whether that be from potential buyers or other advisors helping the company such as CPAs or attorneys. Owners often find that this keeps their workload manageable and allows them to stay focused on their companies day-to-day.



CREDIBILITY

Hiring an investment bank is a signal to potential buyers of the seriousness of an owner's intent to sell. A professional advisor's endorsement of a sale can significantly heighten a buyer's interest and perception of value, aiding in smoother and faster negotiations. This can also add legitimacy to a company from a buyer's perspective, as they can expect a more organized and efficient process. Because an investment bank often combs through all the company's data and story as part of the onboarding and preparation process, there's enhanced credibility to the data that buyers receive that can streamline the due diligence process.

ADVICE



The advice and perspective an investment banker provides to its clients in a transaction is invaluable. Because most owners have never sold a company, most of the process is unfamiliar – from valuation expectations and steps in the transaction to what data is needed and who should be involved. Investment banks have a large network of other transaction advisors such as attorneys or tax advisors with M&A experience, so if an owner needs an introduction, they have access to vetted options.

Perhaps even more important is the perspective bankers can give on the transaction as it progresses. From initial valuation ranges to negotiating the finer points of a letter of intent or purchase agreement, investment bankers can share their advice for owners on key economic and legal terms. This means helping owners understand what's an attractive offer, what's not, and what's in line with other transactions in the market. A banker can also help owners distinguish which points are material to them or their business so that valuable negotiating power isn't wasted on terms that don't affect them.

About Lincoln International

We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and their portfolio companies and to public and privately held companies around the world. Our services include mergers and acquisitions advisory, private funds and capital markets advisory, and valuations and fairness opinions. As one tightly integrated team of more than 1,000 professionals in more than 20 offices in 15 countries, we offer an unobstructed perspective on the global private capital markets, backed by superb execution and a deep commitment to client success. With extensive industry knowledge and relationships, timely market intelligence and strategic insights, we forge deep, productive client relationships that endure for decades.

About Montage Partners

Founded in 2004, with offices in Scottsdale, Arizona and Salt Lake City, Utah, Montage Partners is a people-first private equity firm dedicated to helping established businesses reach transformative growth. Montage Partners invests in companies headquartered in the U.S. or Canada in the technology and professional services, healthcare, industrial products and services, and consumer sectors. Above all other investment criteria, Montage Partners invests in exceptional people.



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