

FOR EXECUTIVES SEEKING TO BUY, SELL, OR RECAPITALIZE BUSINESSES

Business Broker or M&A Advisor?

Picking the Right Intermediary for the Sale of Your Business

You are ready to sell your business. You ask around and find that some businesses are sold by Business Brokers and some by Mid-market M&A Advisors. The difference in intermediaries can make difference of 20% to 40% or more in what you can take away in many situations. So, picking the right intermediary can have a major impact on your nest egg. Which one of these is right intermediary for selling your business? Who should you use?

The following table shows the applicability of these intermediaries based on various metrics.

	Business Broker	Mid Market M&A Advisor
Size Of Business	Less than \$2M Less than 10 employees	\$2M - \$100M Tens or Hundreds of employees
Type of Business	Mostly Retail (aka "Main Street")	Distributors, Manufacturers, Healthcare, Technology, Large retail, B2B companies
Typical Representation	Seller & Buyer (Dual Agent)	Either Buyer Or Seller
Typical Acquirers	Individuals	Corporations, PEGs
Typical Sale Type	Asset	Asset or Stock or Mixed
Licenses	Real Estate (RE)	Securities & RE
Pre Sale Planning	No	Yes – Extensive
Business Valuation	Street Multiple / Rules of Thumb	Strategic Value, DCF, Dilution

Transaction Complexity	Simple	Complex
Size of contracts	A few pages	Tens of pages
Typical Fee Structure	10-12%	Double Lehman / Negotiated
Upfront Fees	No	Maybe
Typical Multiples	2-3x DCF	3-15 EBITDA
Variability In Value	Low	High

The deciding factor in selecting the right intermediary is type of business you have. For small companies with revenues under \$2 million and for large companies with revenues over \$100 million, the choices are obvious.

If your business is a small retail or service business and there is typically no strategic value in the business, any competent business broker may be able to get the job done. However, if you expect the deal size to be higher than \$2M, your interests are likely to be better served if you choose an intermediary to represent you exclusively (i.e. not a dual agent).

An M&A Advisor is the right choice if your business is larger, complex or has a high component of product or service specialization. A competent M&A Advisor can unlock the value in your business, represent you exclusively, and get your business the higher value it deserves. This is extremely important if your business has untapped strategic value or has intellectual property subject to a broad interpretation of value in the marketplace.

Chak Reddy is a Mergers and Acquisitions Advisor with Elite Mergers & Acquisitions, Inc. [Elite Mergers & Acquisitions](#) specializes in selling businesses with revenues between \$5 million and \$100 million - Businesses too large for business brokers to adequately handle but too small for the national M&A firms. Mr. Reddy is a business M&A and Marketing expert, and is the chief deal maker at Elite. You can reach Mr. Reddy at 916-220-3052 or by email at creddy@elitemanda.com.

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