



Top 7 Questions to Explore when Choosing an M&A Advisor

1. Experience of M&A in a Growing Business

M&A advisors come from all walks of life and business. Many come from the professions – Banking, Private Equity, Accountancy, Legal firms, Tax advisors and some have stepped up from pure brokerages. Experience in these environments can be valuable, but there is no substitute for those who have been in industry and actually worked on M&A deals which have directly impacted their own working environment.

M&A advisors who have been on the inside and worked on deals that impact their everyday working life, have the invaluable experience of knowing how decision-making during an M&A deal can impact working life within a company. And these don't necessarily need to be the big issues. They can be quite subtle or apparently innocuous issues that can have far-reaching consequences in the sale and successful integration of a business coming under a new style of management. So when you are considering the appointment of an M&A advisor, spend time understanding where the team has come from and how they have put their business M&A experience to effect in their M&A practice.

2. Length of Time in M&A Advisory

The Mergers and Acquisitions market is awash with small M&A firms that are cobbled together whenever there is a downturn in the economy and in financial services. Banks, Private Equity, Venture Capital and other financial institutions spawn these firms in significant numbers, every time that redundancy rounds take place in the financial sector. Typically these firms last 2 to 3 years at which point the owners' contact base has been exhausted and they die a natural death. The mark of a good, solid and reliable M&A Boutique is one which has been in business in excess of 10 years and has a real history of successful deals both locally and internationally – they are few and far between, but worth the search and effort to find them.

3. Reputation

Reputation is everything. M&A practices with the tombstones to prove their successes and the accolades to go with them are worth their weight in gold. Additionally, accreditations such as FCA registration, provide further evidence of the standing of an advisor. Remember that while fees are not insignificant in the M&A world, a seasoned and successful M&A practice can generally achieve better than average results in terms of valuation and final outcome for the deal, better research capabilities and therefore better information on key sectors and more importantly niches within key sectors and more often than not, the value that they add to the transaction, can often outweigh their fees, which is a win-win situation for everyone.

Pace Equity Limited

Blandy House 29 Hart Street Henley-on-Thames Oxfordshire RG9 2AR

T 01491 577889 F 01491 574488 E info@paceequity.com www.paceequity.com

Registered in England No 3213924

Pace Equity is authorised and regulated by the Financial Conduct Authority

4. Strong Complementary Team

Selling or buying businesses is exciting, demanding and stimulating but can, at times be highly stressful. The team you choose, will be working long hours with you and you need to be sure that you like them, respect their experience and above all else trust them. There is a lot of trust needed in M&A deals and often relatively little time to choose the right team, but it is worth making the time, to be sure that you have the best possible partners to work with. Do not be shy to take references and when you do, make sure you ask about all aspects of the relationship – experience, value-added, perceptiveness, negotiation skills, advice given – and also the soft skills – thoughtfulness, likeability, calmness under pressure, shouldering responsibility, sense of humour and determination to deliver.

5. Fees Structures

Like most industries, M&A has a range of fee “norms” however, the devil can be in the detail and the detail must be examined with meticulous care. Those who will take too much risk and offer everything for a chunky success fee may sound attractive, but are probably not the right people to deal with. Remember that M&A firms, like any business have to make a profit to survive and too much risk assumed will result in a quick demise and may leave you stranded in the middle of your project. Alternatively, those who want too much in retainers or upfront fees may not be as interested in a successful deal. The test is – “are the fees fair and equitable given the risks involved?” M&A advisory is a high risk business and fees can be high, but are the fees fair and equitable in the circumstances? Is there a genuine share of risk between your company and the advisory firm? Is there a genuine win-win situation for both parties with a successful outcome? Do you trust these people to work hard and deserve the fees they earn? These are important questions to consider very carefully!

6. Levels of Service

We don't all want (or need) a Rolls Royce service that will come with the relevant price tag. However, buying or selling businesses is not an everyday occurrence for most CEOs or Boards of Directors and we all need specific or bespoke levels of service to complement our own experience. Take time to think about what you really need from your M&A Advisor and structure a careful brief accordingly. At the same time, make sure when choosing that M&A Advisor that they do offer the levels of service that you require. It is easy to be sold a good story of the deals done, but can they deliver the specific service levels that you need? Do they have good research capabilities, do they offer corporate valuation services, do they offer negotiation skills, can they write comprehensive Heads of Agreement documents, can they manage Due Diligence teams, do they offer post-transaction services? What will you really get from the team you choose?

7. Differentiation and USPs

M&A advisory firms have multiplied in the UK beyond recognition in the last 10 years. Few have any real differentiation or unique selling points (USPs) few have any real leadership qualities over their rivals and it's very difficult for companies, CEOs or shareholders wanting premier M&A services to understand the differences between them. If you are looking for a top league M&A Advisory firm, quiz the candidates on their differentiators and do not accept 2nd best. M&A companies must be able to articulate why they stand out from the crowd and why they have the qualities to meet your M&A requirements.

If you would like to follow up on this article – please e-mail kengraham@paceequity.com or call the offices of Pace Equity at 01491 577889.

Pace Equity Limited

Blandy House 29 Hart Street Henley-on-Thames Oxfordshire RG9 2AR

T 01491 577889 F 01491 574488 E info@paceequity.com www.paceequity.com

Registered in England No 3213924

Pace Equity is authorised and regulated by the Financial Conduct Authority