

WHY USE A BROKER TO HELP YOU SELL YOUR BUSINESS - WHAT TO LOOK FOR IN YOUR BROKER!

It is a well-known fact most medium and large sized companies use an M&A intermediary, investment banker or broker to help them sell their business.

In fact, most owners of medium and large companies would never consider entering a sale process without a broker or investment banker by their side. We will discuss some of the reasons below. I will argue the same reasons for using a broker apply to owners of small businesses as well.

Interestingly enough, I have yet to see a guard, fire or integration company of any size in Canada get sold where there was not a broker involved. It appears to be mostly in the alarm business where I see owners doing their own deals and this is mostly (but certainly not always) confined to alarm account bases under 1,000 accounts.

You probably already know some of the reasons why owners of any size business would use a broker.

- **The broker should give the owner a reasonable idea of what the business is worth** at the outset. This may seem like an obvious first step but I have heard about deals being done where no target purchase price was set at the beginning of the sale process.
- **The broker should do most of the work of getting the business sold**, freeing up the owner to continue to run the business. There are endless details involved in getting any deal done that most owners are simply not aware of; the broker should take care of most of these.
- **The broker should know the market for your kind and size of company and be able to bring the right buyers to the table in short order.** This is one important reason why I, as a broker, focus almost entirely on the security industry. The focus allows me to find and get to know all the good buyers in each market segment.
- **Using a broker should provide better confidentiality.** Buyers are not sending NDAs or calling the owner's office — both the buyer and the seller are calling the broker.
- **A very important part of the selling process is creating an attractive selling package** describing the strengths of the company being sold. A good broker should be able to do this.

But there are some other not so obvious reasons for using a broker:

- **The stats show using a broker gets the deal done faster buy also increases the owner's chance of actually getting the deal done.** Deals attempted without brokers often do not get done.
- **Generally, deals done with brokers result in higher prices.** This is because most smart brokers try to create a mini-auction amongst the buyers, thus increasing the price.

- Finally, **there is the psychological benefit to the seller of just having someone “in your corner.”** The buyers usually have a team of people on their side. The owners should have someone on their team too.

So what should an owner look for in a broker or expect from a broker?

- **Make sure the broker has had experience selling companies your size.** Small, medium and large sized deals all require a different skillset. For example, last year I teamed up with a larger M&A firm based in Toronto because I wanted to be able to handle larger deals. I knew that by myself I did not have the skillset or horsepower to handle larger deals on my own.
- **It helps immensely (but is not mandatory) if the broker has experience in your industry.**
 - As an owner, at the outset you should expect your broker to be able to give a ballpark valuation on your company.
 - They should be able to create an attractive, pertinent selling package on your company that talks to buyers.
- **They need to know the process of selling a company backward and forwards.** Although not all buyers proceed in the same way, the broker should be able to adjust if necessary.

A broker's fees are important, obviously. As I generally sell smaller companies, I don't take big retainers. Most brokers take their upfront fees off their success fee before the latter are paid. As for the success fee, with me it varies with the purchase price and the length of time it takes to effect a sale. Fire, guard and integration companies can take much longer to sell than alarm companies.

Is it mandatory to use a broker in every situation? No, it is not. Can using a broker generally make your sale process more stress free and get you a higher price? My answer is it should.

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