The Value-Add of Sell-Side M&A Advisors

Some years ago, I was retained to provide strategic advice to a small aerospace firm. During that engagement, a large, well-known company made an unsolicited offer to acquire the business. My client asked me to tell the acquirer that they intended to retain an M&A advisor (aka Investment Bank). The acquirer objected and said it would be "more efficient" for them to negotiate a sale without any "outsiders" involved. But my client chose to retain a qualified investment bank, and the company ultimately sold for 3x the unsolicited offer.

Market data indicates that on average, sale transactions where the seller is represented by a sell-side M&A advisor command ~25% higher prices or +1.5x EBITDA multiples. Here's why:

- Sell-side M&A advisors run an auction process where buyers know they are bidding against other buyers, not just the seller's reservation price.
- M&A advisors identify legitimate add-backs to raise Adjusted EBITDA, increasing valuations.
- Advisors who have experience in the seller's industry can credibly support the company's operating history and strategic plans. Buyers become more convinced of the benefits and synergies, thus increasing their DCF calculations and bid prices.

Sell-side M&A advisors' fees are not cheap. But they usually pay for themselves 10x over.

Kevin Gould
Managing Director
PEAKSTONE GROUP
www.peakstone.com
cell: (425) 218-3723
kgould@peakstone.com

Kevin Gould is a Managing Director at #1 rated investment bank Peakstone Group, focusing on selling middle-market aerospace and aviation companies. He has been an executive at Boeing, Honeywell, Piper Aircraft, Peregrine Avionics, Eclipse Aerospace and ICON Aircraft. He is an instrument-rated private pilot.