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Why hire advisors?

Corporate finance advisors effectively manage a transaction process and are specialists in getting deals structured and closed efficiently; this frees up more of your time to manage the day to day of the business and helps ensure you have the expertise to efficiently close a transaction.

It is also important that the financial performance of the business remains strong throughout the process of engagement with bidders.

Corporate finance advisers should ideally bring a broad range of potential investors / acquirers into a transaction, which adds to probability of success, and brings competitive tension, in order to achieve the best terms.

Finally, having a corporate finance adviser is generally perceived as a strong indication of a serious and professional approach to a transaction, which gives confidence to bidders that the technical aspects, and the process itself, will be professionally executed.

7 Things to think about when hiring a Corporate Finance advisor

1 Credentials

Do the advisors have a relevant track record closing deals with references (especially those in your sector/ type of company)?

2 People

How strong are the team who will deliver the work for you and how is strong is their experience supporting transactions?

3 Knowledge

What is the firm's their understanding of the sector, country, and type of business you have and your growth plans (in addition to knowledge of the deals process)?

4 Reputation

What is the company's overall standing, trustworthiness, and reputation in the market?

5 Investor links

How strong are the firm's connections/ relationships with investors in the market, especially those relevant to you?

6 Capacity

Do the advisors have enough time and team capacity to dedicate to your transaction?

7 Value

How is the fee structure and competitiveness of pricing/value (bearing in mind cheapest may not always lead to the best outcome)?

Competitor considerations and information security

- Non-Disclosure Agreements with all parties (including Advisors) can be put in place to give some legal comfort on sharing your information; it can also be important to check if any advisors have any conflicts (e.g. if the same team are directly supporting your competitors).
- If offers/approaches are being made to direct local competitors then it is can be good to first ensure they have the capital and appetite for the transaction, and even then to share information in a phased manner.

General Corporate Finance Fee Structures:

- **Fixed fee / retainer:** These are smaller fixed fees paid as a one off (generally made on milestones being achieved e.g. Financial model completed, Information Memorandum completed), or monthly on a retainer basis to cover some of the advisors' costs.
- **Success fee:** A success fee is a percentage of the fundraise that is paid to the advisors, this structure is intended to ensure the advisors are incentivized to close the deal.

Corporate Lawyers

Corporate lawyers are seen as critical to ensuring a deal can be executed and legal risks are fully managed; however, a generalist lawyer may not have the experience to effectively understand and manage a deals process, so a firm with this specialist track record is seen as preferred. Usually, these lawyers would be brought on board at the time that investor term sheets are received.