

# ACHIEVING SUPERIOR OUTCOMES: *Client Advice on Choosing an Investment Bank*



*Private Company Report*

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**VESTICOR**

## *The Summation of a Life's Work*

For many private business owners, finding a new partner for the business can involve unique challenges and opportunities.

We founded Vesticor Advisors because we saw an unmet need among private business owners. There are plenty of middle-market investment banks but, in our opinion, none have perfected the art of providing:

- Advice well in advance of a transaction;
- Valuation services that give a private business owner a clear picture of the business's worth;
- Insight into how to improve the company's value;
- Guidance around mitigating the risks facing the company; and
- An objective assessment of a company's full range of strategic options.

Achieving a superior outcome in any liquidity event – whether a full sale, a debt recapitalization or a minority investment – demands proactive planning and strategic thinking. That can make many investment banks, which tend to focus on near-term change-of-control transactions, a poor fit for private companies in need of strategic guidance.

The leadership of Vesticor have built and sold some of the fastest growing privately held companies in the country. When we say we “get it”, it comes from years of starting, funding, buying, advising and running organizations across a range of diverse industries. We were operators first.

And after exiting their own businesses, our bankers have advised dozens of private company ownership groups – including families, entrepreneurs and management teams. We know how to assess priorities, shape a tailored solution and oversee a transaction that can achieve a client's desired outcomes, both financial and non-financial.

Though many business owners interact with investment banks and “business brokers” on a somewhat frequent basis, hiring an investment bank can be a once-in-a-lifetime decision for private business owners contemplating a transaction that can represent the summation of a life's work.

We once stood where you stand. Our clients once stood where you stand today. So we asked our clients to share what they wish they had known when they first hired an investment banker. We encourage you to consider how their advice may apply to your situation. And, of course, we are happy to answer inquiries from interested private business owners about how Vesticor can assist in assessing options and determining the best path forward for you and your business.

*Why Do I Need an Investment Bank?*

The biggest hurdle for many clients is often the very first one — they’re not sure they need an investment banker to help with a transaction.

We’ve worked with plenty of private company owners who tried a do-it-yourself approach to corporate finance the first time around — only to find themselves and their management team mired in complex, contentious and time-consuming negotiations and distracted from running the business. They tell us there are six main reasons why it’s smart to hire an investment banker:

- Working with a banker in advance of a transaction can help clarify and prioritize shareholders’ objectives;
- Bankers can prepare management and the company to show their best for potential buyers;
- A transaction process that maximizes value while minimizing distractions for the company and its leadership is best accomplished with the assistance of an experienced banker;
- It’s important to have a banker act as a buffer between companies and potential investors or buyers and to maintain momentum toward a transaction;
- Bankers can create competition for the business or the perception that there is the threat of competition; and
- An experienced banker plays a crucial role when it comes time to negotiate, structure and close a transaction.

Time and again, we’ve seen that hiring a banker pays for itself, as companies that conduct efficient, well-planned transactions attract higher valuations, achieve better terms and have a higher certainty of closing. The work of a good banker can add many multiples of the banker’s fee to the final purchase price of a company.

Action:

**You likely know other company owners, some of whom have done transactions with and without bankers. Talk to them about what value the right banker can add to a liquidity transaction. And we’re happy to introduce you to past clients who can address the specific value the Vesticorpartners bring to a transaction.**

*Demand a Tailored Solution*

You and your company deserve a solution that’s customized to your specific situation and goals, both economic and non-economic. Don’t let bankers apply a one-size-fits-all template to your transaction.

Any banker worth hiring should:

- Ask good, probing questions from the start;
- Understand your business; and
- Understand what you want to achieve from a transaction and offer multiple ways of getting there.

*I talked to eight different banks about the transaction I wanted to do. Each time, I told them my liquidity goal and business objectives. They all said, "Sell, it's a hot market!" I hired Vesticor because they were the only bankers out of that whole group who told me that a full sale of the company might not be the best way to achieve my goals and educated me on the full range of options available.*

The cookie-cutter solution rarely offers the right fit for a private company transaction, particularly in situations where unique ownership dynamics and non-economic goals are significant factors. Make sure you're getting the customized attention you deserve from your investment banker.

Action:

**Liquidity events don't just happen by themselves. Work with an advisor who is committed to giving you feedback necessary to create a customized solution that fits your priorities and the time and space to put that solution into action.**

*Track Record of Business Success*

At the most fundamental level, an investment banker should be able to document a track record of proven success. But even more, we believe that to truly advise a client on what is likely the most important transaction in their professional career, it is essential to have been "in the driver's seat".

Vesticor professionals frequently work with private owners who have previously tried to sell their company using other bankers. Those bankers may know the practice space in great detail or have a specific relationship with a likely buyer, but that can keep them from thinking about how a company can be marketed to the broadest possible range of buyers. For owners of mid-sized businesses, the greatest valuation premium sometimes comes from a buyer who sees how a company's business model can be applied across industries and sectors. The bankers of Vesticor specialize in thinking about how a company can appeal to the broadest possible range of investors.

Action:

**Anyone providing advice must understand first-hand how to operate, build, scale and exit a business. Get in touch with those people, and don't be shy about asking whether the bankers have experience "making payroll" or "risking nearly everything" to keep the lights on.**

*Middle-Market Expertise*

Our clients know first-hand the importance of choosing a bank that really knows the middle market. Transactions at this size often require a deal team structure and set of skills that so-called "bulge bracket" banks simply don't possess.

Another question is whether a transaction of your size will receive the attention it deserves at a bulge bracket, where middle-market deals tend to be a lower priority.

When we assist a client with a potential transaction, we constantly think about fit and tailoring. We will tell a business owner if their company isn't well-suited to a transaction or needs further work on its business model. When we do take an assignment, we work diligently to tailor a process that will yield the best outcome for the client.

Vesticor is also unique in that we will work with business owners up to two years in advance of a transaction, to ensure that the company is best prepared to maximize its value and achieve all its owners' objectives.

And we commit senior members of our firm to each transaction. In the Vesticor structure, senior officers don't just exist to win business, then handoff the engagement to a team of junior folks who execute the transaction. Our senior bankers are involved in every step of a transaction, from pitching the business to planning the marketing strategy and writing a Confidential Information Memorandum to calling buyers, selecting an investor and negotiating the final contract. We are "shoulder-to-shoulder" with our clients through to closing.

Private owners should think about whether an investment bank's strengths match-up well with their company. Can the bankers:

- Understand and market around the unique value drivers and risks involved in your company's sector?
- Access the right capital provider or buyer, wherever that investor may be?
- Show experience working with companies of your size and structure?

Action:

**Assess whether a bank is willing to commit time and thought to your transaction at all levels of its organization. When senior bankers talk to you about your transaction, ask the questions necessary to understand whether they're really digging into your business and understanding its dynamics.**

*Dialed in on the  
Details*

Execution is where promises of a smooth transaction meet the reality of a bank's true priorities.

You deserve a bank that runs an organized process, with strong senior leadership that will remain involved all the way throughout a deal, particularly when unexpected problems pop-up.

Does an investment banker:

- Ask smart, relevant questions about your business and get to know its nuances in advance of an engagement?
- Produce high-quality documents that show attention to detail and careful preparation?
- Have references that praise the quality of the work done for them on their transaction?

*Vesticor always knew when to involve us in the process and when it was time for us to step aside so that they could take over and allow us to keep running our business without a hitch. They are a ‘we do the work, you push the button’-type advisor and that was demonstrated from sourcing the potential acquirers, to the writing of the Confidential Information Memorandum and all the way to executing the transaction documents – of which there were many.*

Action:

**Ask to see materials produced for other client assignments and transactions. When you interview former clients of the bankers you are considering, ask how smoothly their transaction was executed and how much of a burden it was for the senior management team. In particular, ask how the bankers handled any problems that cropped up late in the transaction and threatened to derail a closing.**

*Conflict-Free  
Banking*

Middle-market investment banking has become a very complicated business in recent years. The large investment banks have always had multiple lines of business, mixing financing, private equity investments, brokerage services, along with buy-side and sell-side services of all kinds. Over the last decade, many middle-market banks started trying to replicate this model, adding other lines of business that allowed them to cross-sell products to clients, including stapled financings. But bankers with a diverse set of products to sell can often find themselves conflicted, leaving clients wondering whether they are trying to serve their needs – or those of a potential buyer whom they hope will someday be a bigger client.

Action:

**Make sure to have a good grasp on all the lines of business a banker is involved in. Ask bankers who tout their strategic buyer relationships whether they have ever collected fees from those buyers – or hope to in the future. Make certain that your satisfaction is going to be the most important outcome of the transaction for your banker.**

*Chemistry 101*

Don't be afraid to take “touchy-feely” concepts like fit and compatibility into consideration. The bankers you hire should function like an in-house corporate finance department for the duration of the transaction. In that sense, you should apply the same standards for chemistry and compatibility to your bankers that you would to anyone you would hire to be part of your management team.

*Working with Vesticor was like having our own M&A staff on board. We were comfortable enough with them to allow them to go direct to our employees to gather information for the Confidential Information Memorandum preparation and in response to due diligence items, saving many hours of work. They kept us constantly apprised and informed, and knew when we needed to get involved or weigh in.*

It is crucial that your transaction not be “just another deal” to your banker. You want someone who will dig in and figure out how to make this transaction – which could be the most important of your career – an unqualified success, both economically and non-economically.

Action:

**Ask about the current workload for the members of the deal team. Assess where your transaction would rank in the bank’s priorities: Is this an important transaction to them? Are you going to have your banker’s full attention, or are you going to be fighting for attention against clients perceived as more important than you?**

*What You Want to Hear vs. What You Need to Hear*

The final bit of advice we hear from our clients is about the importance of finding an advisor who will tell you not just what you want to hear, but what you need to hear. Consider this: The banker who provides the highest valuation of your business in the pitch may be the one who best recognizes the unique attributes and compelling value proposition of the industry –leading business you’ve built – or may just be pumping up the valuation to try to win your business.

The bankers who will do the best job are those who dig the deepest before an engagement and take the most time to understand the nuances of your company and industry – both positive and negative. This is a banker who will be able to develop a marketing position that anticipates the objections and concerns of savvy strategic and financial investors. This is a banker who is ready to dig in, overcome the challenges of any transaction and realize the best possible outcome for you and your team.

**When interviewing bankers, wear the same BS Detector you use when negotiating supplier contracts for your business and vetting potential employees. Take a step back from the pitch process, divorce yourself from the numbers that are thrown around and ask yourself, “Who gave the most realistic assessment of my company?” and “Who will run the process that will yield the best outcome?”**

*Conclusion*

Here’s what we think you Need To Hear from Vesticor: Our bankers strive to hit the mark in every one of these categories. That’s because we set out to build a firm on a standard of service of really listening to clients. We have deep expertise, but we also know that, just like in your business, there are always opportunities to learn and grow.

So, pick up the phone and call us or email us. And when you consider the short-, medium- and long-term liquidity goals for your business, think about whether we can be of service to you.

*Visit and Connect  
with Vesticor*

*Vesticor Advisors is a leading middle-market investment bank offering a full spectrum of advisory services to closely-held companies in the lower and middle market. Vesticor addresses the needs of entrepreneurs, founders and shareholders of private companies with specialized services that include M&A advisory, strategic advisory and private capital solutions. Based in Lansing, MI with offices in Cincinnati, OH and Petoskey, MI, Vesticor professionals bring a differentiated perspective to client engagements through experiences as company founders, operators, investors and advisors.*

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