



Jonathan Grant  
Partner and Head of Corporate

## Corporate Commentary

Welcome to this monthly series for business owners, where I aim to demystify the corporate market and highlight trends in a non-technical manner.

For a further discussion on any of these topics, please contact me on:

Mobile: 07912 087173

Email: [Jonathan.Grant@dmhstallard.com](mailto:Jonathan.Grant@dmhstallard.com)

### Issue No. 4

#### M&A: Getting the most from your professional team

For any sale transaction, you will need legal and tax support, with many deals involving corporate finance.

If you need a buyer to be identified, or introduced, then you will need a corporate finance (CF) advisor. Not all CF advisors are the same; each come with their own background/skill set, connections and access to the market, and fees. Be wary of super slick marketing/sales tactics, as it can mislead (after all, CF advisors are skilled at selling!).

We still see many deals arise, following a direct buyer/investor approach to the target business. In that situation, the target has a choice, whether or not to retain a CF advisor. When I am asked by clients what they should do in this situation, I tell them the decision should be dictated by the nature of the deal:

- If your buyer is a complex/well resourced (PE or international corporate), with deep finance/analytical teams, you can easily be “outgunned” without a CF advisor on your team;
- If most of the cash is payable in cash on completion, and the structure/diligence straightforward, you may be able to manage with an experienced legal and accounting/tax team.

#### Professional fees:

- Lawyers/tax advisors are often paid on a time basis, supported by an estimate. If the deal is straightforward, you pay less, but if it becomes protracted, more. You can also ask for contingent, or fixed fees, which are becoming more common, but there is generally a price for the risk assumed by the advisor.
- Corporate finance advisors will work on a mainly contingent basis, if they find you a buyer/investor, receiving a higher success fee, often with a “ratchet”. The ratchet increases the percentage they receive of the sale price, above a target level.
- If the CF advisor is introduced to help manage and run a deal, where an offer has already been made, they will often work on a time basis; this can be a good option for a business which receives a direct approach, but where help is needed with negotiations.

Setting out to select the lowest cost professional team, is rarely sensible. You may pay less in fees, but you can lose far more on the deal (greater (warranty) risk, a price reduction, or buyer losing confidence and not completing. A strong advisory team will run an efficient process, ensure sellers are protected, and retain buyer/investor confidence. It also helps to select an advisory team with credentials/experience at the right level in the market.

We would suggest you discuss these issues well ahead of a potential deal, so you are not selecting your professional team under pressure.

**If you would like to discuss any of these themes further, please get in touch:**

**Mobile: 07912 087173**

**Email: [Jonathan.Grant@dmhstallard.com](mailto:Jonathan.Grant@dmhstallard.com)**

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