

White Paper: Business Brokers Versus Mergers & Acquisitions Advisors

Question: *How many owners of a shopping center, industrial warehouse or office building would hire a residential realtor to sell their property? Or how many homeowners would hire a commercial real estate firm to sell their home?*

Answer: *Almost every one of them.*

In the world of real estate sales most people understand that there are many differences between residential and commercial real estate firms in terms of expertise, types of investors and the marketing process each choose to follow.

Many business owners and many business advisors are unaware that similar differences separate business brokers from merger and acquisition advisors. It is very important to retain the right firm for the sale of any particular business.

In this White Paper we highlight the differences between Business Brokers and Merger and Acquisition Advisors. We hope this helps you better seek the best advise possible when beginning the process of exiting your business.

We are addressing here the seven most basic differences in Business Brokers and Mergers and Acquisitions Advisors. The column to the left shows how most Business Brokers operate. The column to the right demonstrates how most Mergers and Acquisitions Advisors operate their firm.

Business Brokers	Mergers & Acquisition Advisors
1. Represent main street and upper main street businesses valued well below \$2 million, such as dry cleaners, restaurants, beauty salons or franchises.	1. Represent owners of businesses valued in excess of \$2 million, including manufacturers, distributors or service businesses.

Business Brokers	Mergers & Acquisition Advisors
2. Market businesses mostly via businesses-for-sale websites, doing little buyer research and almost no direct prospecting to select buyer candidates.	2. Market businesses mainly to other businesses, usually by creating a thorough “package” with analysis and write-up, targeting interested buyers.
3. Market companies mainly to private individuals who will typically run it themselves.	3. Market companies to other businesses and/or private equity groups with a separation of owners and management.
4. Do not charge a fee up front but must maintain quite a few simultaneous listings to be profitable.	4. Charge a retainer or consulting fee up front but have far fewer engagements than business brokers and spend considerably more time on each deal.
5. Have a background in real estate or general business, with limited knowledge of finance, accounting, tax and legal issues.	5. Usually have degrees in business, finance or law, and often an MBA or law degree with prior experience in banking or private equity before becoming an M&A advisor.
6. Work alone in most cases.	6. Usually work as team members.
7. Spend far less time per deal than an M&A professional, primarily because they cannot afford to, given the smaller size (and fees) of each deal.	7. Do up-front researching of the industry, packaging the business and preparing it for sale, proactively contacting and working with buyers, and managing deal through closing.

Kratos Capital LLC is a privately held, transaction-oriented, M&A advisory firm. Our principals have experience in a variety of strategic liquidity solutions including sales, divestitures, and mergers. We also work extensively with companies committed to expansion through acquisition.



We are an experienced, highly effective firm specializing in managing transactions with capitalized values of \$5 million to \$200 million. The firm provides industry tailored investment banking expertise, in order to help owners maximize the value of their investment of time, money and hard work. Each of our clients are represented by seasoned bankers, who bring a wealth of knowledge and experience. Our bankers comprise an aggregate of well over one billion dollars in completed transactions on behalf of the private middle market.