

FROM THE FOUNDER'S HUB

Selling Your SaaS Business: 12 Questions to Ask an Investment Banker



If you've made the decision to partner with an investment banker to help sell your SaaS business, it's a great first step on the path to achieving an exceptional exit. But now, you have another important decision to make: Which banker is the right choice for you?

There are many options—from the mega banks that cater to large international companies (think Goldman Sachs and Morgan Stanley) to region- and industry-specific players, to those that focus on the middle market. The latter category is a good place to start if your company falls into that size range, ensuring you'll get the right level of attention and support.

It's also important to choose a bank that focuses on SaaS, as they will be familiar with the key business metrics that drive valuation and understand how to position your company for success in an evolving market.

Once you've come up with a short list of investment banking firms to consider, set up an introductory consultation to get to know each other before committing. Questions like the following can help you evaluate the firm's fit with your situation, goals, and personal style:

#1: Does your team have background and experience in SaaS and/or in my industry?

Valuing a tech company, particularly in SaaS, comes with a wide range of potential outcomes and significant variables. You want your investment banker to have experience in this area and to understand what it takes

to shape strategy and messaging in order to sell to the right buyer at the best possible terms. Choosing an investment banker with SaaS experience is the only way to do this.

#2: Do you have a strong network of contacts and good relationships within the investment community, including strategic buyers and PE groups?

This is always helpful – and a banker who has actually worked as a private equity investor or in a corp dev role at a large company will bring an intimate understanding of how those types of buyers / investors approach a transaction. Just as important as a strong network is the ability to recognize when a buyer is the right fit. Sometimes a bank that sells hard on “close relationships” with relevant buyers might not be the best choice – you should gauge whether the investment banker will be too narrowly focused on a buyer they already know, which could hamper a competitive bidding process.

#3: What kind of work does your firm do?

This may seem obvious, but beware of a potential conflict of interest if the firm works on both the buy-side (guiding potential buyers to new companies) and the sell-side (matching companies like yours to potential buyers).

#4: How important would this deal be to your firm?

A big bank sounds prestigious, but if your deal isn't a high priority then you may not be happy with the experience and outcome. A smaller firm is more likely to put your deal as their top priority. Make sure your banker has “skin in the game” – that is, it really matters to them that you have an outstanding outcome.

#5: To what extent do you tailor your process and approach to my needs and goals?

Be wary of firms that adhere to a rigid, cookie-cutter approach that may not serve you best. How do you spot this? A bank that does a high volume of transactions each year or comes with a pitch that heavily emphasizes similar deals they've worked on might be signaling that they expect to use a formulaic playbook for your transaction.

#6: What approach will you use to gain a deep understanding of our business, evaluate our strengths and weaknesses, and develop positioning that gets a buyer's attention?

You want a banker that goes beyond simply running through a checklist and provides real strategic guidance and analysis in positioning your company to buyers. You're more likely to get this kind of service from a banker who also has professional experience as an operator, entrepreneur, or investor. The best experience involves a banker who feels fully invested in getting to know your business.

#7: If we engage your investment banking firm, which team members will work on our deal? What are their credentials and experience levels?

The bigger the firm, the more likely you'll only meet with the partners when you're shopping for a banker. Then, they'll pass you on to inexperienced junior team members. Make sure you understand exactly who will be your point of contact throughout the engagement, and who will be conducting buyers conversations and negotiating on your behalf.

#8: Have any of your team members founded and scaled their own SaaS companies?

In SaaS especially, it helps to have firsthand experience of the deal process from all sides. Some investment bankers started out as entrepreneurs, so they've walked in your shoes and can empathize with you and relate to your situation. Others have spent their whole career in finance and may have a more traditional approach.

#9: What services does your firm offer for sellers?

If your banker is truly invested in your deal, they should be able to provide the everyday guidance, operational expertise, and strategic positioning to set you up for success. Ideally, they can provide advisory services to help you build and enhance shareholder value in advance of the sale, and even help you think through and plan for life post-transaction.

#10: What is your fee structure, and what is included in those fees?

Find out how their upfront retainer and success fees are structured and whether they can bring on other parties as needed, such as a CPA firm with experience supporting companies through a sale or a wealth management professional to advise selling shareholders on tax and investment strategies.

#11: What is your track record in successfully closing deals?

While they shouldn't share confidential data like undisclosed sale prices for other clients, your banker should be able to demonstrate success in handling the sale of middle-market businesses.

#12: Can you provide references of clients whose businesses you helped sell?

References are a great way to learn about the character of an investment banker, including their integrity, honesty, trustworthiness, and values. Ask reference questions like, "What was the day-to-day experience like working with this banker?" and "How did you feel throughout this process?"

THE FOUNDER'S GUIDE TO WORKING WITH AN INVESTMENT BANKER

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At ScaleView Partners, we'd love to answer these questions and any others you have about the SaaS selling experience. [Talk to a partner today to get started.](#)



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