

FROM THE FOUNDER'S HUB

# The 4-Step Process of Working with an Investment Banker



For starters, it never makes sense to work with an investment bank that takes a cookie-cutter approach to your engagement when you decide to sell your technology company. The best investment banking firms customize their approach and process to meet your individual needs and goals. This involves deep collaboration and in-depth conversations about your business so that your advisors can develop a complete understanding of your company and your goals and tailor the process for a successful outcome.

However, in general you can think about an M&A or growth equity process in four high-level phases that typically take a total of about three months to complete.

## #1: Pre-Marketing

This phase includes all the foundational work to prepare to take your business to market. Your investment banker will ensure your financials are clean and investor-ready, create a buyers list tailored to your company type and industry, and develop collateral materials like a compelling teaser and a detailed confidential information memorandum (CIM).

They'll populate a customized data room with the documents interested buyers will need to see later, such as corporate documentation, customer and supplier contracts, financial statements, and business analyses that support your story (e.g., do you have a very high customer retention rate?). Your banker also will develop the management presentation you'll use in meetings with finalists.

## #2: Marketing

Now, the investment banker is ready to go out to market with your company. Preferably, your banker will be able to customize their list of potential buyers to only those who are the best fit for your needs. This may include some within their own personal network, but they will also need to do outside research and ensure their reach is neither too narrow nor too broad.

They'll start their outreach by sending your teaser materials to the buyers on your customized list to generate initial interest. Buyers that want to learn more will sign a non-disclosure agreement (NDA), enabling them to obtain your detailed CIM.

## #3: Due Diligence

With a group of interested buyers in hand, the investment banker will facilitate communication, answer questions, update your data room with more documents as needed, and keep the process moving on a quick timeline. Buyers who want to proceed can submit a preliminary Indication of Interest (IOI) or Letter of Intent (LOI) with a sale price and deal terms, and the investment banker begins to negotiate.

Together, the banker and the seller's management team take meetings with select buyers and get to know them better. A smaller group of finalists presents their best and final offers in a more detailed term sheet. Your investment banker should also be an advocate for your business, ensuring the terms you want to see through after sale are followed.

## #4: Documentation/Closing

At this phase, the process is typically down to a single buyer or a small group. While the due diligence stage is designed to negotiate all the financially meaningful terms, during the documentation phase the investment banker will work out other issues, including legal and administrative matters like reps and warranties, escrow amounts, and non-compete agreements for the founders (or employment agreements, if they're remaining with the company).

The banker sets aggressive timelines to bring the transaction to a close quickly, which is in the seller's best interest. If the seller has agreed to a period of exclusivity with one buyer during due diligence, the clock may be ticking on a 30-day window to close the deal before the founder can once again consider and negotiate other offers.

**Want to make sure your deal goes according to plan?** Choosing the right investment banker is a big decision, one that influences perhaps the most important transaction of a business owner's life. Make sure your company, your people, and your legacy are in good hands [with the advisors at ScaleView Partners](#).

## THE FOUNDER'S GUIDE TO WORKING WITH AN INVESTMENT BANKER

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