



Pascal Niedermann Interview with Axial Market
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Choosing a Generalist or Specialist Investment Bank

Choosing an investment bank is one of the most weighty business decisions that an entrepreneur will make—and choosing between a generalist or a specialist firm is not a clearcut decision for many. The fact of the matter is that there is no right answer, and each business opportunity presents unique considerations that drive that decision. Timing, sector knowledge, relationships, and financials are just a few factors entrepreneurs should consider. Ultimately, there is no across-the-board answer to the generalist/specialist dilemma. As with many business issues, the best course of action depends largely on the specifics of your business.

Choosing a Specialist Investment Bank:

There are several benefits to using a specialist investment bank. During challenging economic periods, often times, businesses that are able to generate the most interest from buyers are niche companies that have distinct advantages in the marketplace and are not easily replicable. Knowledgeable specialist investment banks with a deep-level understanding of their respective sectors are uniquely positioned to understand if a company meets this qualification, and will be able to articulate the company's strengths and value to buyers.

Businesses that face financial challenges but have strong fundamentals can also be attractive to buyers. MorrisAnderson principal, Ken Yager, reports that even distressed businesses can sometimes achieve an outsized valuation if its investment banker can make a strong case that the company is a “good company with a bad balance sheet.” It takes a qualified investment banker with deep domain expertise in your sector to successfully articulate this position. Minor discrepancies or apparent liabilities may be unintentionally magnified when an investment bank cannot fully discern the unique complications of your company or sector.

In addition, specialists tend to have deep relationships in the specific industries that they work in. Speaking with AxialMarket, Pascal Niedermann, founding partner at The Maestro Group, explains that specialists usually maintain strong relationships with institutional investors in their sector, “creating and cultivating relationships with key strategic and financial buyers” he said.

Choosing a Generalist Investment Bank:

Of course, generalist firms also achieve solid results. Many investment banks that are called generalists are not actually “generalists” in the pure sense of the term as they may have multiple teams that possess a similar quality of sector experience as specialist firms.

The clear advantage that a generalist investment bank possess is that these firms tend to have larger teams and are better able to handle several larger and more complex financial transactions simultaneously. The moment of truth comes into play during the due-diligence process, according to Yager. He reports that smaller teams are unable to handle many sales processes at once and cannot quickly accommodate multiple requests for information. “You need a lot of bodies to crunch all the numbers,” he explains.

Michael Lacovara, chief executive of Cortview Capital, commented on this trend and told Mergers & Acquisitions Journal that there would be a limited future for financial advisors acting strictly as dealmakers. Investment banks, both specialist and general, must continue to focus on providing clients with exceptional service tailored to the individual needs of each client, highlighting where they can truly add value to the transaction process in preparing the pitch book, negotiating the NDA, or how many buyers to approach when selling your business to name a few. Entrepreneurs must closely evaluate the factors that will significantly impact the sale of their company and partner with an investment bank which can balance and support their specific needs.

This featured guest post is written by Jeremy Seth Davis. He was a senior reporter with Mergers & Acquisitions: The Dealmaker's Journal, and his writing has been published in The Financial Times' Mergermarket.com, The New York Daily News, FT.com, and Investment Dealers' Digest.