



BUSINESS OWNERS

Business Broker vs M&A Advisor: Finding a Partner to Help You Sell Your Business



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TAGS

Advisors

There are plenty of misconceptions and generalizations about the differences between a business broker and an M&A advisor. This can make it challenging to know who you should partner with to sell your business.

Both brokers and advisors help with:

- Valuation
- Creating marketing materials
- Targeting buyers
- Negotiating and closing deals

How they go about certain processes does change significantly, often because brokers and advisors work with different types of businesses. A business with an EBITDA of \$4 million, a large management team, and highly sought-after intellectual property requires different considerations than one with a smaller EBITDA and a straightforward product line.

The goal is to understand when to use a broker and when to use an advisor, so you can assess your business and determine the best option for achieving your desired exit.

In this post, we cover:

- **Definitions**
- **Key differences between brokers and advisors**

- **How Axial helps you find the right partner for your business**

To write this post, we used data from our network of brokers and advisors, which includes over 1,100 investment banks and M&A advisory firms, as well as 900 brokerage firms.

If you're ready to start looking for advisors and brokers to sell your business, [reach out to us today](#). We can provide 3–5 vetted options with experience representing businesses like yours.

Our network of over 2,000 advisors and brokers is vetted based on relevant deal experience, success in securing bids and closing deals, and their professionalism and reputation.

Business Broker vs. M&A Advisor: Definitions

M&A Advisors

	25th Percentile	Median	Average	75th Percentile
Revenue	\$7,000,000	\$14,000,000	\$27,095,562	\$30,800,000
EBITDA	\$1,100,000	\$2,200,000	\$3,712,918	\$4,400,000

M&A advisory divisions within banks

	25th Percentile	Median	Average	75th Percentile
Revenue	\$3,800,000	\$8,072,000	\$16,168,432	\$17,160,000
EBITDA	\$732,351	\$1,400,000	\$2,730,341	\$2,900,000

Standalone M&A advisory firms

At Axial, we work with 600 M&A advisor firms that specialize in the small-to-midsize market, often referred to as the lower middle market. These firms typically focus on businesses with \$1M+ EBITDA that are large and complex but not yet big enough to attract attention from larger banks and advisory firms.

M&A advisors can operate as smaller, standalone firms or as divisions within boutique investment banks.

- **Standalone M&A advisory firms** are independent entities that specialize exclusively in mergers and acquisitions, with a strong focus on businesses in the lower middle market. These firms can be generalists, serving a variety of industries, or sector specialists, offering deep expertise in specific sectors.
- **M&A advisory divisions within banks**, especially those focused on the lower middle market, operate as part of a larger financial institution. While they are part of a broader suite of services, these divisions often have specialized practice areas dedicated to specific sectors. These sector-

specific teams function like boutique firms within the larger organization, staffed with professionals who have extensive experience in their fields.

In both models, M&A advisors facilitate the sale process and provide strategic guidance, ensuring that business owners maximize value and navigate the transaction's complexities successfully.

Business Brokers

	25th Percentile	Median	Average	75th Percentile
Revenue	\$3,800,000	\$8,072,000	\$16,168,432	\$17,160,000
EBITDA	\$379,511	\$686,868	\$1,256,846	\$1,300,000

A business broker specializes in helping small and mid-sized business owners sell their businesses. Their role is primarily transactional, meaning they focus on facilitating the sale rather than providing in-depth strategic or financial advice.

Business brokers operate under various models, each with distinct approaches to facilitating the sale of businesses.

- **Franchise Business Brokers:** Franchise business brokers operate under a larger national or international brand with standardized processes and services. These are well-known brands, which can instill trust and confidence in potential clients. Franchise brokers benefit from established operational frameworks, marketing strategies, and access to training and support from the parent company. They often have access to a broader network of buyers due to their national or international brand presence. This can help brokers reach a wider audience of buyers when representing owners in business sales. Franchise brokers typically pay a portion of their commission or fees back to the parent company as a royalty, in addition to any franchise fees for the use of the brand and systems.
- **Independent/Individual Business Brokers:** These business brokers operate independently, either as sole practitioners or small teams, without the backing of a franchise or larger company. They often focus on a particular geographic region and have deep knowledge of local market conditions and buyer pools. Since they don't pay franchise fees or royalties, independent brokers may offer more flexible fee structures.
- **Specialist Brokers:** Specialist business brokers focus on a specific industry or sector, providing expert knowledge and advice tailored to the unique needs of that industry. Specialist brokers are often experts in the nuances of a particular industry, such as healthcare, hospitality, manufacturing, or technology. This expertise allows them to provide highly relevant advice on valuation, marketing, and buyer outreach. They have access to a network of potential buyers and sellers specific to the industry, including strategic buyers, competitors, and private equity groups focused on that sector. These brokers understand industry-specific financial metrics, growth drivers, and buyer

motivations, which helps them market the business more effectively and position it for maximum value.

Business Broker vs. M&A Advisor: Key Differences Explained

	Revenue Range	EBITDA Range	Deal Value Range
Investment Bank	\$10M - \$250M	\$1M - \$15M	\$5M - \$500M
M&A Advisory	\$5M - \$50M	\$500K - \$7.5M	\$2M - \$50M
Business Broker	\$1M - \$20M	\$250K - \$2M	\$500K - \$10M

A business broker and an M&A advisor both assist in the sale of businesses but generally serve different types of businesses based on their size, complexity, and industry.

Brokers generally work with businesses with an EBITDA range of \$250k-\$2 million. These businesses usually have smaller teams and lower operational complexities, making attracting buyers and structuring deals fairly straightforward. Some of these businesses get sold to regional or local buyers who are looking to buy and run them.

Advisors generally work with businesses with an EBITDA of \$1 million+. These companies tend to have multiple layers of financial, operational, and management structures that require sophisticated analysis. These companies also require a much more detailed approach to deal structuring to meet the seller's goals while maximizing value. They tend to have a larger team, including a management team, and so transition planning becomes much more critical to the success of the sale.

This distinction in client profiles leads to the main differences between brokers and advisors, including:

- Their scope of services
- How they find buyers
- Their fee structure

Below is a general breakdown of each, though it's important to note that this represents *typical* industry practices. Over our 14 years in business, we've encountered numerous exceptions where brokers operate more like advisors and, conversely, advisors operate more like brokers.

Scope of Services

M&A Advisors

Since they work with larger and more complex businesses, advisors take a more nuanced and lengthy approach.

They offer sell-side services that include working closely with clients for an extended period so they can properly help plan the exit, prepare the business for sale, structure the deal, and get you the best price with the best buyer.

Business Brokers

Business brokers offer sell-side advisory services but in a more transactional manner. Again, there are exceptions. But typically, a broker's strength is making connections between buyers and sellers rather than detailed support work, like analysis and deal structuring.

Valuation

M&A Advisors

Advisors provide detailed valuations based on in-depth financial analysis and market conditions. They are skilled in structuring deals with elements like earn-outs, stock swaps, or performance-based payments to optimize the sale for all parties.

Business Brokers

Business brokers conduct basic valuations, which are sufficient for smaller, less complex businesses. Their deals are typically structured as straightforward asset or stock sales.

Buyer Outreach

M&A Advisors

Advisors generally take a targeted approach to finding buyers. This involves proactively reaching out to a curated list of potential buyers. These buyers are strategically identified based on their industry, acquisition history, and likelihood of interest in your business. This casts a more narrow net, but you get more qualified leads.

Business Brokers

A business broker will generally take a non-targeted approach, as this fits best with the types of deals they handle. This is because there is generally less demand for smaller businesses, so brokers will cast a wider net to attract enough interest. Typically, this means sharing an anonymized business profile with a large group of buyers via public listing sites and mass email marketing. While this approach casts a wider net, it often results in a less personalized outreach and may attract buyers with varying levels of interest and relevance.

Fees

For the past three years, we've put together an authoritative source on sell-side M&A fees in the lower middle market. The information in the sections below is based on the data that you can find in our complete [annual fee guide for 2023–2024](#).

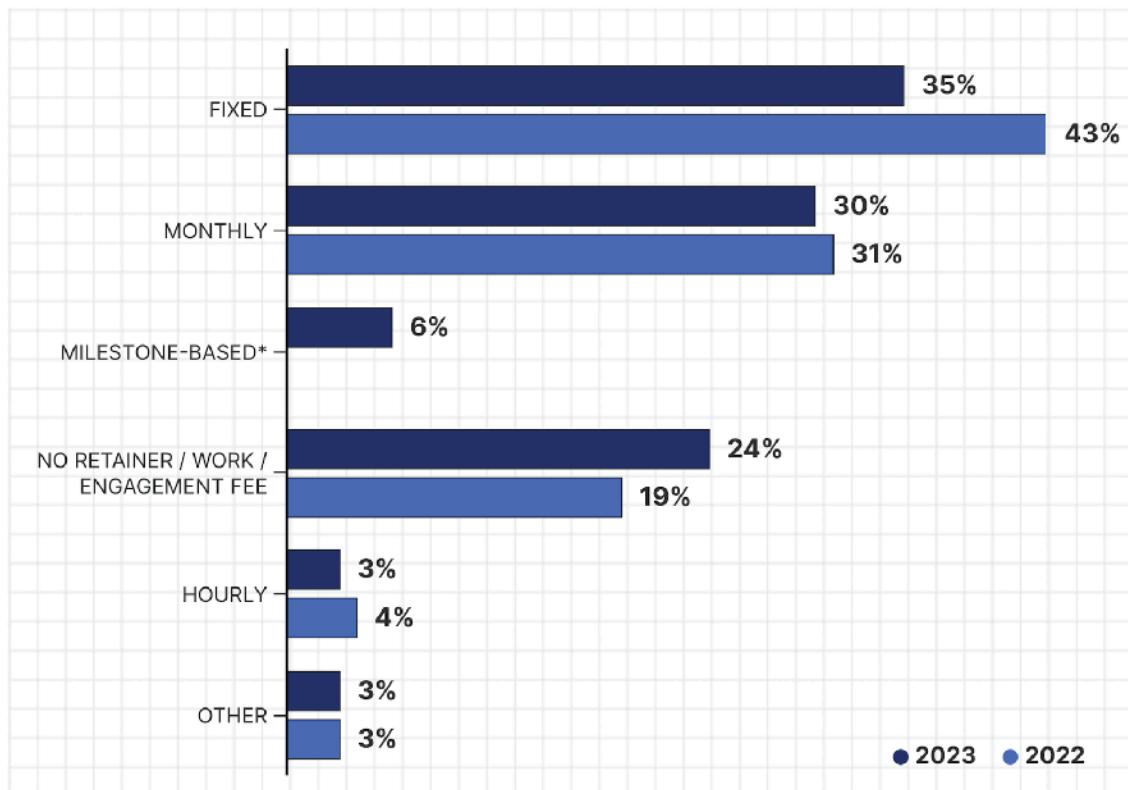
M&A Advisors

While exact fee structures will change based on the advisor and your business, it's typical for M&A advisors to charge a retainer and a success fee (a commission for when they complete your sale).

Our data shows that just over 70% of M&A advisors in 2023 charged a type of engagement fee, whether a fixed rate, a monthly fee, or milestone based.

Engagement Fees

For sell-side transactions, do you charge an engagement/work/retainer fee, and if so, how is it most commonly structured?



* Milestone-based was not an option in the 2022 survey

Broker

A broker will generally only charge a success fee/commission fee. This makes sense, as they're not doing as much work to help you with exit planning, transitioning, and optimizing your business for sale.

Instead, they generate more of their value through the connections they make between you and buyers, which advisors do as well.

Ask yourself:

Where does my business fit within the typical size ranges of where advisors or brokers

operate? Even if your business size puts you more in the range of brokers, but you want strategic guidance from an industry specialist, this lets you know what type of broker to look for.

- **How complex is my business?** Do I need nuanced guidance from an advisor or specialist broker, or can a franchise or independent broker suffice?
- **Am I looking to maximize value or sell quickly?** Advisors and specialist brokers generally focus on value maximization through their nuanced support, but franchise or independent brokers may be able to make a more expedient sale.

After you figure out whether your business warrants a broker or advisor, the challenge is finding one.