
MidMarket Talk

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How an Hourly Billing Model Can Allow Investment Bankers to Reach Underserved Clients

By Frank Williamson, Founder, Oaklyn Consulting

One reason my career as an investment banker appeals to me is because I see how our work directly benefits people and the economy.

Like other investment banking firms, my firm assists investor groups and startup-to- middle-market private businesses with mergers, acquisitions, capital-raising and strategic corporate finance decisions.

Unlike many other investment banking firms, though, we choose to charge time-based fees for our services, rather than base our compensation on the more common success-based billing model. We've found that this approach allows us to help clients who might otherwise choose to not work with an investment banking firm.

The biggest benefit that I see of billing by the hour is that it frees us from having to usher a deal to completion in order to be compensated — because that's not always the best way to serve

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Hourly Billing Model, continued

the client. Instead, this structure allows us to function more as a counselor, working alongside clients to help determine their best course of action, which may not include a deal at all. In doing so, we complement lawyers, accountants, investors and traditional investment bankers by handling what doesn't fit neatly for them.

One common situation that we encounter is when a client has been approached by a motivated buyer, so they don't need to go through the customary auction process. For example, one recent client, a medical practice, had received an unsolicited purchase offer from a private equity-backed roll-up. We helped them determine whether or not to accept the offer by conducting due diligence on the deal, building a financial model for their practice, representing them in negotiations and, most importantly, helping them understand what a fair offer would look like. In the end, the client decided that their independence was more important than the deal, even though the offer was fair. This is a perfect example of a successful outcome that does not include a sale.

Sometimes a client simply needs our help in developing set of options for a major business decision. We recently worked with the founder of a profitable and fast-growing business, who had decided to sell all but a small piece of his company. He wanted to determine the viability of any potential internal or external buyers, and also wanted to know what his team members were looking for out of a possible deal. In addition, we determined how best to split the company and finance a potential transfer, all of which will make the client's eventual decision as uncomplicated as possible.

For some clients, a successful outcome could involve one of many situations — licensing, a joint-venture deal, an asset sale or a merger. One recent situation we had involved a healthcare software company that had a long sales cycle for their product, which was truly innovative and useful. Their investors were getting antsy and wanted to see signs of progress — either cash returns or break-even cash flow. By developing an investor presentation, we solicited interest from several potential partners that included customers, partners in joint ventures and buyers of the company. The company can choose to move forward with any of these options, all of which would be positive.

One final niche group for which an hourly billing model works is early-stage companies that are seeking help raising investment capital for expansion. These clients usually come to us with most of the background work themselves, and are seeking our help to determine how much money they need and to hone their fundraising presentation. These situations are too small to justify a meaningful transaction fee, but we're still able to provide useful advice without any future obligations.

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About Frank Williamson

Frank Williamson is the founder of [Oaklyn Consulting](#), a strategy consulting firm with a financial focus. Oaklyn Consulting helps the owners of lower and middle-market businesses and investment funds with corporate finance, mergers, acquisitions, capital raising and succession advice. The consultants at Oaklyn Consulting do not work as brokers; they act as counselors to their clients.

