Middlemarch Perspectives

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Merchant Banking: Bringing the Investor Mindset to the Investment Banking Process

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What if your investment banker thought like an investor—not just a dealmaker? The merchant banking model offers precisely that: a more engaged and aligned approach to investment banking. Unlike traditional investment bankers, merchant bankers often commit their own capital, structure deals with investor discipline, and work alongside clients to effect transactions that work for all parties. The result is a more engaged and effective advisory approach—one that is especially valuable to growing companies seeking thoughtful, conviction-driven partners.

The Original Bankers Were Merchant Bankers

From the Renaissance and up until the late 19th Century, banking was merchant banking. Families like the Medicis, Rothschilds, Schroders, and Barings did not just finance commerce, they participated in it. They invested in businesses and infrastructure while assembling other investors to join them. They worked across borders, laying the foundation for global finance.

The modern merchant banking model is exemplified by one of the most significant corporate transactions in U.S. history: the formation of General Electric in 1892. J.P. Morgan played a central role in merging Thomas Edison's Edison General Electric Company with Thomson-Houston Electric Company to create GE. Morgan didn't just broker the deal, he drove it. He committed his own capital, brought in blue-chip co-investors including Drexel, Morgan & Co. and Kuhn, Loeb & Co., structured the merger, and installed a professional management team to guide the company's strategic direction. His integrated role as both financier and advisor helped transform GE into one of the most important industrial companies in American history.

This combination of capital provider and trusted counselor continues to distinguish the merchant banking model from today's more transactional investment banking approach. When merchant bankers selectively co-invest (and they generally do not invest in every client situation), they are not simply advocating for a deal based on fees—they are

underwriting it as principals. Merchant bankers are doing the work an investor would do: interrogating business models, stress-testing assumptions, and evaluating long-term prospects.

The Modern Merchant Banking Model

At Middlemarch Partners, merchant banking is more than a philosophy, it is a discipline. When we consider investing in our clients—and in select cases, we do—we are forced to examine every element of the business through the eyes of a capital provider. What are the true risks? What elements of the story are most compelling? What will cause investors to hesitate? These questions don't arise at the margins of our process; they shape our process. As a result, when we go to market, we are better prepared, better informed, and more persuasive on behalf of our clients.

Our dual role also builds credibility with prospective investors. When we share our conviction with the investment community, that conviction is not abstract—it is backed by our willingness to invest our own capital. That does not mean we invest in every transaction we advise on, but it does mean that we approach each one as if we might. And in some cases, we do. In other cases, because we are a boutique, we can structure our banking fees in a way that aligns us with the Company's performance over the longer term, something larger investment banks are generally unable to do.

Of course, the merchant banking model is not without its challenges. There is an inherent conflict in acting as both advisor and investor. Some large investment banks have deliberately distanced themselves from merchant banking precisely for this reason. They worry, with good cause, that clients or regulators may question whether advice is being colored by self-interest. That is a fair concern, and one that must be managed with transparency and integrity.

In today's investment banking environment, where large firms often rely on volume and scale, the merchant banking model offers a return to high-touch, conviction-driven service. Firms like Perella Weinberg Partners, Moelis Capital Partners, and Carl Marks Advisors have embraced this hybrid role of advisor and investor. These firms demonstrate how merchant banking can flourish, offering deep engagement and alignment with clients.

For boutique firms like ours, the ability to invest alongside our clients is not a theoretical value-add. It is a practical, day-to-day differentiator. It sharpens our thinking, deepens our diligence, and gives us real skin in the game. We are not simply managing a process—we are participating in it. That mindset drives better decisions, more targeted outreach, and stronger results.

Choosing the Right Advisor for a Transaction

Companies and their owners should evaluate their banking options. They can engage investment banks that facilitate transactions but do not participate in them. There is value in an advisor who isn't a principal in a deal. But companies can also consider the merchant

banking model where an advisor can participate as a principal in the transactions the merchant banker intermediates.

We encourage companies evaluating investment banking advisors to consider not just who can run a process but who will think like an investor? Who will anticipate the hard questions before they are asked? Who will help a client see around corners? And who, if given the opportunity, would be willing to invest in the client's business? These are the questions that point to the value of a merchant banker.

Looking for a partner who thinks like an investor and acts with conviction? Discover how merchant banking with Middlemarch Partners can transform your next transaction.

About Middlemarch Partners:

Middlemarch Partners is a New York-based merchant bank.

Middlemarch Securities LLC is the firm's FINRA-registered broker dealer. It assists companies with capital raises and M&A advisory services and is focused on alternative finance, payments, financial technology, business services and impact investing sectors where companies require sophisticated equity and debt investment solutions ranging from $25 – $500 million.

Middlemarch Capital Partners is the firm's registered investment advisor. It designs special purpose investment vehicles that deploy investment capital in venture and growth capital transactions ranging from $5 to $20 million. The firm sources capital from institutional investors, family offices, and accredited high net worth individuals. Middlemarch can serve as an independent sponsor of transactions but frequently co-invests alongside blue-chip lead sponsors that are sourced by Middlemarch Securities.

For more information about Middlemarch Partners, LLC please visit www.middlemarchllc.com.