



# Managing a Successful Exit

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# What Defines Success?

**Check!** - Stakeholders may have different views!!!

- Founders
- Investors
- Management Team
- Staff
- Customers
- Partners



# What is Involved in Managing?

Preparation

Appointing Advisors

Building your 3 Teams

Information Memorandum ("IM")

Management Presentations

Negotiating a Term Sheet

Due Diligence

Negotiating the Sale & Purchase Agreement ("SPA")

Disclosure

Signature to Completion

Post Completion



# Preparation

## Get your house in order

- Financials
- Disputes (customers, supplier, competitor, shareholder, employee)
- Option grants, bonus plans etc

## Set plausible alternative strategies

Improve the company's profile (PR, press announcements, awards etc)

## Revamp your website

- Ensure messaging is aligned

## Agree solutions to potential areas of conflict

- Price expectations
- Reps and Warranties
  - General
  - Tax and IPR
- Settlement of claims

To be done ahead of time, not mid-process!



# Appointing Advisors

## Bankers

- Geography
- Negotiation skills
- Sector experience
- The team

## Lawyers

- Style
- Depth and relevance of their experience
- Separate team for management

## Accountants

- Minimise role as much as possible
- Use tactically in specialist areas
  - Tax
  - Option schemes etc

They all need to work together effectively



# Building your 3 Teams

## 1 Business as Usual Team

- Don't take your eye off the ball
- The company needs managing
- Reorganise exec team/change responsibilities

## 2 Company Deal Team

- 3 layers
  - Transaction Committee (max 2 investors/non execs)
  - Executive group (2-3 relevant Execs)
  - Due Diligence team
- High time commitment

## 3 External Advisors

Define, Communicate and Implement a Strong Chain of Command



# Information Memorandum (“IM”)

Organise an offsite with a small working group

- Identify
  - Value
  - Targets
- Make sure
  - You see the wood for the trees
  - Messaging is consistent

IM should be brief (6-10 pages), easy to understand and cover

- Company Overview
- Market Opportunity
- Company Solutions/Technology
- Customers and Partners
- Competition
- Organisation and Management Team
- Financial Overview

You are selling the Company not its Products!



# Management Presentations

## Content

- Decide on messaging hierarchy
- Create structure
- KISS
- Tailor for each company and the audience

## Style

- Conduct the team - don't be a soloist
- Demonstrate
  - Credibility
  - Professionalism
  - Teamwork
- Reinforce messaging
- Build relationships with the buyers

Management Presentations are really Management Team Job Interviews!



# Negotiating a Term Sheet

Create market tension – if you can

- Socialise your alternative strategies

Put yourself in the buyer's shoes

- Take off the rose coloured spectacles
- Buyer will have to justify internally and to analysts

Be prepared to walk away

Agree difficult areas eg warranty cover up front – not during SPA negotiation



# Due Diligence

## Electronic Data Room

- Review what the buyer's team is reading/printing
- Decide what and when to disclose

## On Site

- Brief & debrief team regularly
- Block and tackle
- Reinforce messaging

## Style

- Put yourself in their shoes
  - Be helpful
  - Be enthusiastic
  - Build relationships with buyer

Use a Disaster Recovery Plan as an excuse to scan documents in advance



# Negotiating the SPA

Get Fit (and catch up on your sleep)

- Nothing ever gets agreed until the early hours

Understand what will be important for the buyer

- Warranties
- MAC clauses
- Delivery of the company
- Accounting pre/post completion
  - Revenue recognition
  - Locked box mechanisms

Have your good and bad cops

- Let those staying be the good guys!

Manage the lawyers – they get paid by the hour



# Disclosure

Institutional Investors interests are different to Warrantors

- High % of acquisitions are not deemed successful
  - Guess what happens next!!!

General disclosure of Data Room

Make sure that “emotional” points are disclosed eg

- Special pension arrangements
- Non standard benefits
- President’s Club trips
- COC provisions

Treat with the seriousness it deserves



# Signature to Completion

## Communication

- Employees
- Customers
- Market, Analysts etc

## Avoid triggering a MAC (Material Adverse Change) event

- Comply with covenants eg hiring

## Delivering the Company

- Employee option paperwork
- Minority shareholders
  - Dragging
- Contract assignments
- Subsidiaries

Don't underestimate the workload in this phase



# Post Completion

Handover

Managing Post Merger Integration (“PMI”)

On going negotiations

- Working capital adjustments
- Escrow releases
- Warranty claims

Payment of Proceeds

- Major investors
- Employees
  - Tax deductions

Enjoy the fruits of your labours!