

LOYAL

What does it take to get your
company M&A ready?

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Venture

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Why are we **here**?

Current roles

- Senior Advisor, Silverpeak (tech investment banking boutique)
- Head of Selection Committee (SC), EIC Scaling Up
- Member of the SC of the Tech Tour Deep Tech

Recent transactions

- (Closing) EUR 105m Series A for SiPearl (semis, Europe)
- Nov 21: sale of Proximis (ecommerce software, Fra) to Planet (Advent International)
- Dec 19: sale of Playgiga (cloud gaming, Spain) to Meta (fka Facebook)

Reasons for the webinar

- Support eco-system
- Have known Kamal for 15 years
- NOT looking for deal-flow

Purpose

- Make M&A one of your key priorities
- Make you sure you take away 1-2 actionable ideas from today's session



What we are covering today

01

Why is M&A more relevant than ever?

02

What's happening to the M&A market?

03

What does it mean for earlier-stage companies?

04

What does it mean to be M&A ready?

05

Who are the buyers?

06

How do you make an approach?

07

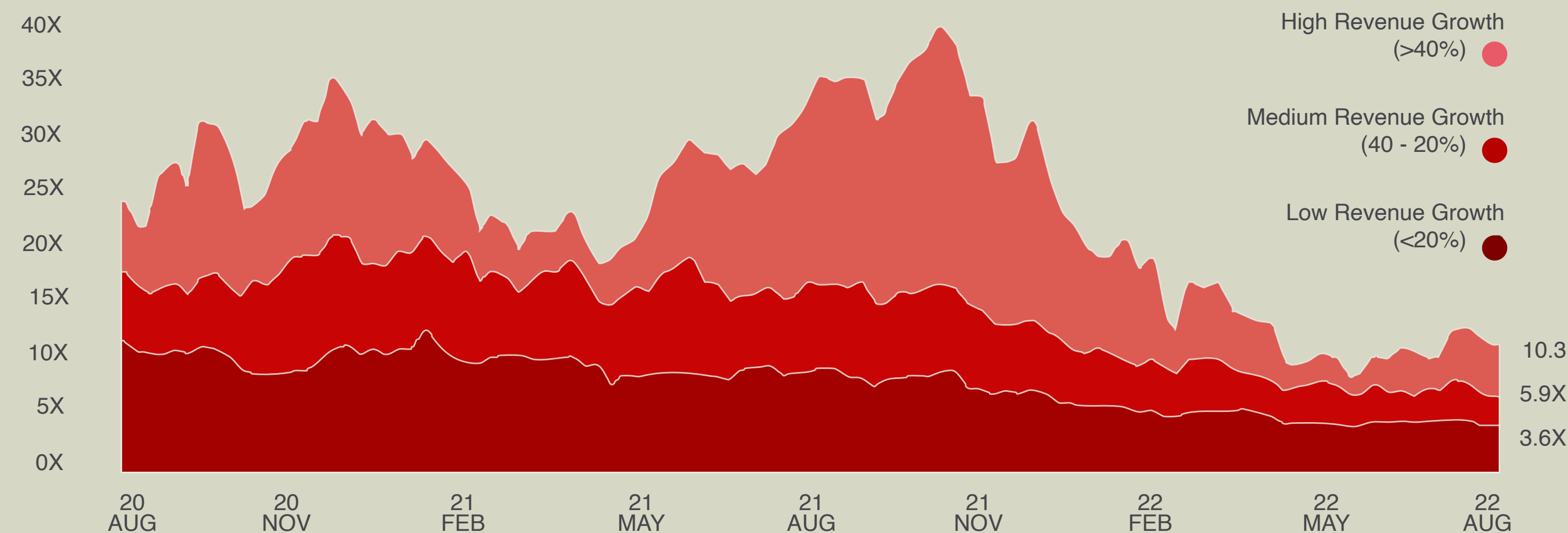
What is the role of advisers?

08

What is a typical M&A process?

Why is M&A **more relevant** than ever?

Valuation Multiples: WCP SaaS Revenue Multiple Index (Enterprise Value / Next 12 Month Revenue)



We've seen nothing yet

- Upcoming economic recession as central banks' policies play out
- Slowing demand – which will (eventually) impact your business

What does this mean in practice?

- Bifurcated market: will you benefit from the flight to quality – really?
- Internal round becoming VERY common – can/will your shareholders support you – really
- Valuation under CONSIDERABLE pressure – are you as valuable as you think – really?

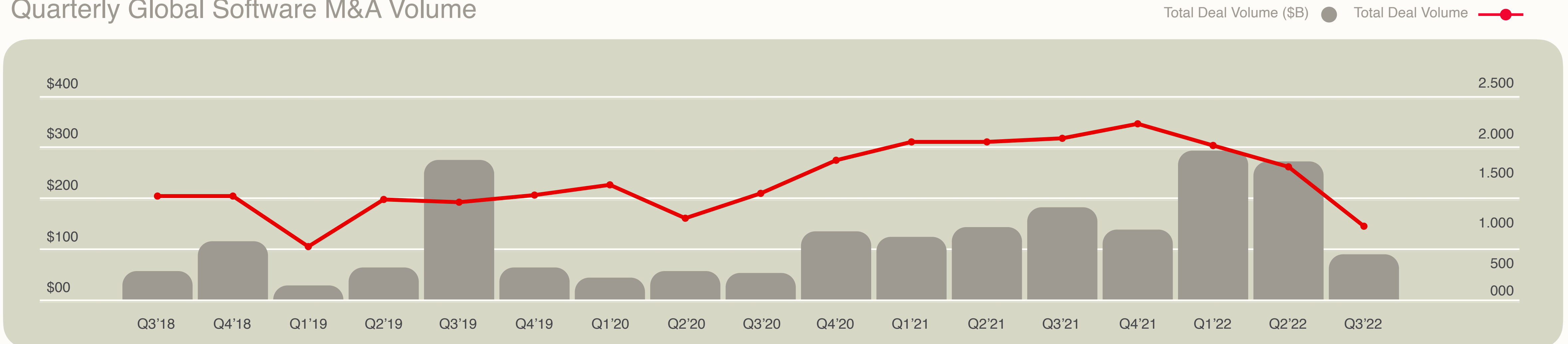
What's happening to the M&A market?

Adobe/Figma (\$20bn, 100x ARR) is the exception

Now you understand why your shareholders are nervous

- Don't count on your existing investors to top you up (they may; but will not commit to it)
- They will want to see you have a plan B..
- .. and take their interests at heart

Quarterly Global Software M&A Volume





What does it mean for **earlier-stage** companies?

M&A is a rational market

- Today's buyers are watching the pennies
- Buyers are concerned about market reaction

You will need to show you can move the needle for your buyer

- In theory, innovation can pay off
- In practice, buyers (and their CFOs/approval committees) want to see real revenues (say >\$10m)

You will need to show you can move the needle for your buyer

- Truly disruptive companies, e.g.
 - Take out competition, Facebook/WhatsApp (\$16bn)
 - Buy disruption, Google/Deepmind (\$500m)
- Acqui-hires – more but waiting for bankruptcy may be tempting

Rules of thumb

01

Selling with <\$10m
in revenues is hard

02

1 in 2 smaller companies
end up with only 1 offer

03

The chances are you
will sell to someone you
already know

What does it mean to be **M&A ready**?



A clear business strategy

- Elevator pitch – you will need it when introducing your company to potential buyers
- Concise PPT with key USPs vs competition (and no NDA) as a follow-up
- Clear idea of what you are building (and what you are not)

Industry profile

- Get on league tables
- Work the industry conferences – even if it looks like a waste of time
- Have a lively news/blog on your web site (and promote it)
- Get noticed by industry analysts + journalists

A clear exit plan

- Time horizon, possible buyers, realistic valuation

A clean company

- Best is to have a VDR ready (e.g. iDeals)
- As a VC-backed company, you should have plenty of information and data around)

Who are the buyers?

3 types (by decreasing ability to pay)

- Portfolio companies of PE funds working on build-ups
- Corporate buyers
- VC-backed companies looking for complementary technologies/geographies/segments

Map possible buyers

- Use value chain approach
- Rank buyers based on: synergies, M&A proclivity, cash + ease of access

The map will change over time

- As your understanding of what you are changes
- As you meet buyers and they tell you what they want (and what they don't)

	PUBLISHERS		AD NETWORKS		AD TECH				
CATEGORY	ONLINE	TRAD & MIXED	GENERAL & VIDEO	MOBILE	TARGETING, RTB & EXCHANGES	MOBILE - FOCUSED	NATIVE & CONTENT MARKETING	AGENCIES	TOTAL
TOTAL	5	7	9	5	19	6	8	7	66
A - LIST	2	2	3	2	7	4	2	2	25
	Hearst Vox Media*	Axel Springer* Tengelmann	AOL* / adap.tv Microsoft* / Bing Yahoo / Brightroll	Google* / Admob & InMobi ² Opera / AdMarvel	Adobe AppNexus* (TCV, Microsoft) Brightcove (Hearst Media) Criteo* (BVP, IDInvest, Index) Pubmatic (DFJ, SVB)	Millenial Media ³ / Jump Tap Singtel / Amobee Smart (Aeris Capital) Twitter / MoPub*	Outbrain* Taboola (Fidelity Inv.)*	Omnicom* / OMD WPP / Joule	

Orders by value chain and alphabetically by category / Not systematically checked for conflict OR Previous discussions

How do you make an approach?

Golden Rules

01

Never make a cold call (get an intro, meet at conference, LinkedIn contact)

02

Always create impression of competition (leverage FOMO)

03

Never, ever, mention price (you may have a good surprise)

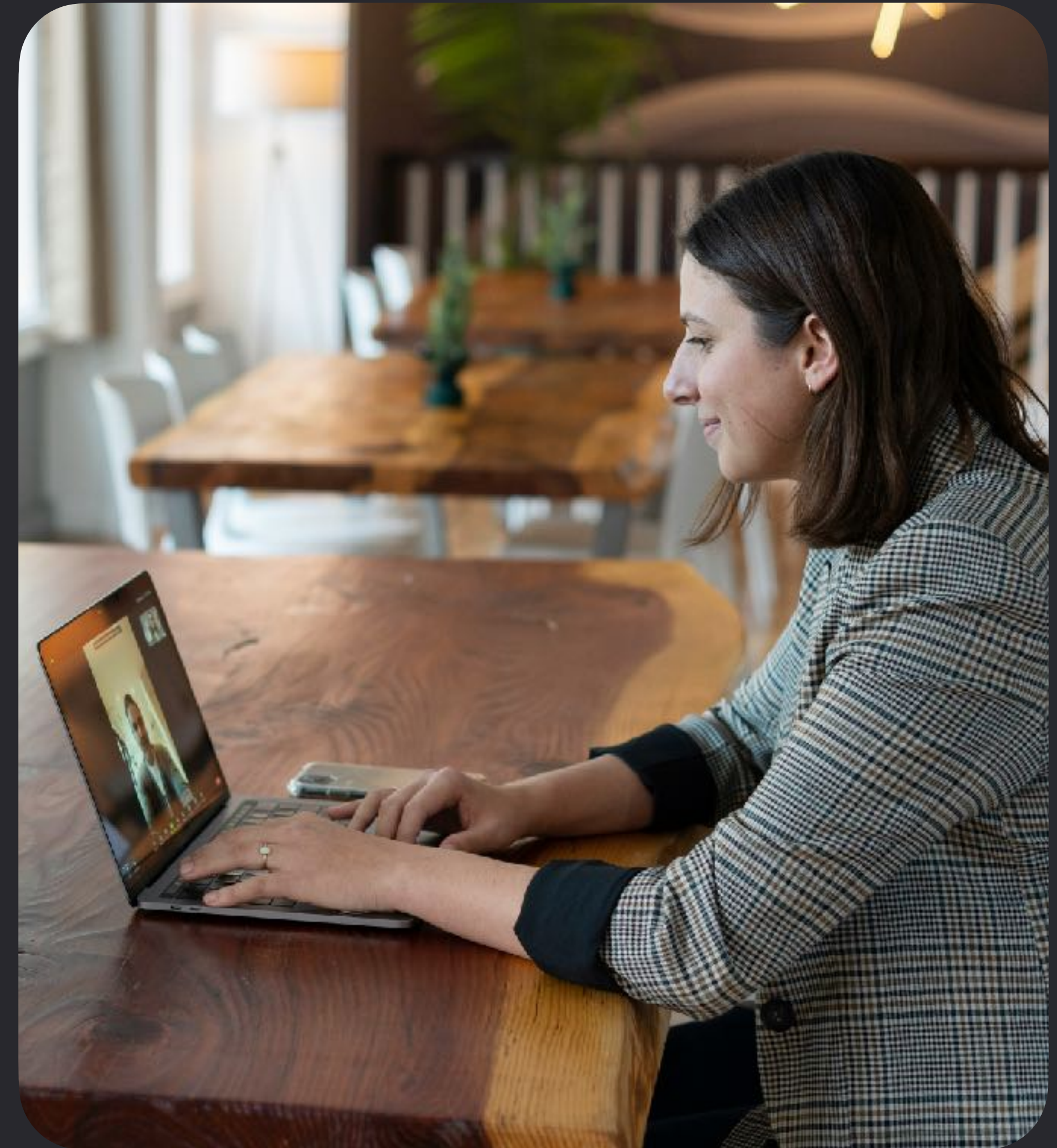
How do you make an approach?

Create an approach plan *By category of buyers and alphabetical order*

#	COMPANY	CATEGORY	CONTACT NAME & POSITION	EMAIL	ACCOUNT MANAGER	PHONE NUMBER	LOCATION
2	GE	Industrial Automation	Sara Aguilo, Senior Manager Director, Global business Development / M&B, Head of EMEA	sara.agudelo@ge.com	JMD	T +44 207 3026373 M +34 696 948 704	London

Special case: inbound enquiries

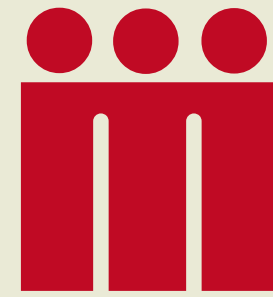
- Qualify level of interest (too many overzealous analysts out there)
- Offer to meet “to get to know each other” – only at right level (VP or GM BU)
- Suggest they call back in 12 or 24 months’ time



What is the role of advisers?

- **Informal**

- Board members (incl NEDs)
- Advisory board members
- Peers and friends
- 1st level contacts LinkedIn



- **Formal advisers**

- Accountants
- Lawyers

.. do you need to upgrade?

Advisers you already have

- **Can you afford them?**

- Will they want to work with you?
- Do you have sufficient cash?



- **What do they bring?**

- Credibility/brand name, sector expertise, relationships, process (impression of competition)

- **What are the costs involved?**

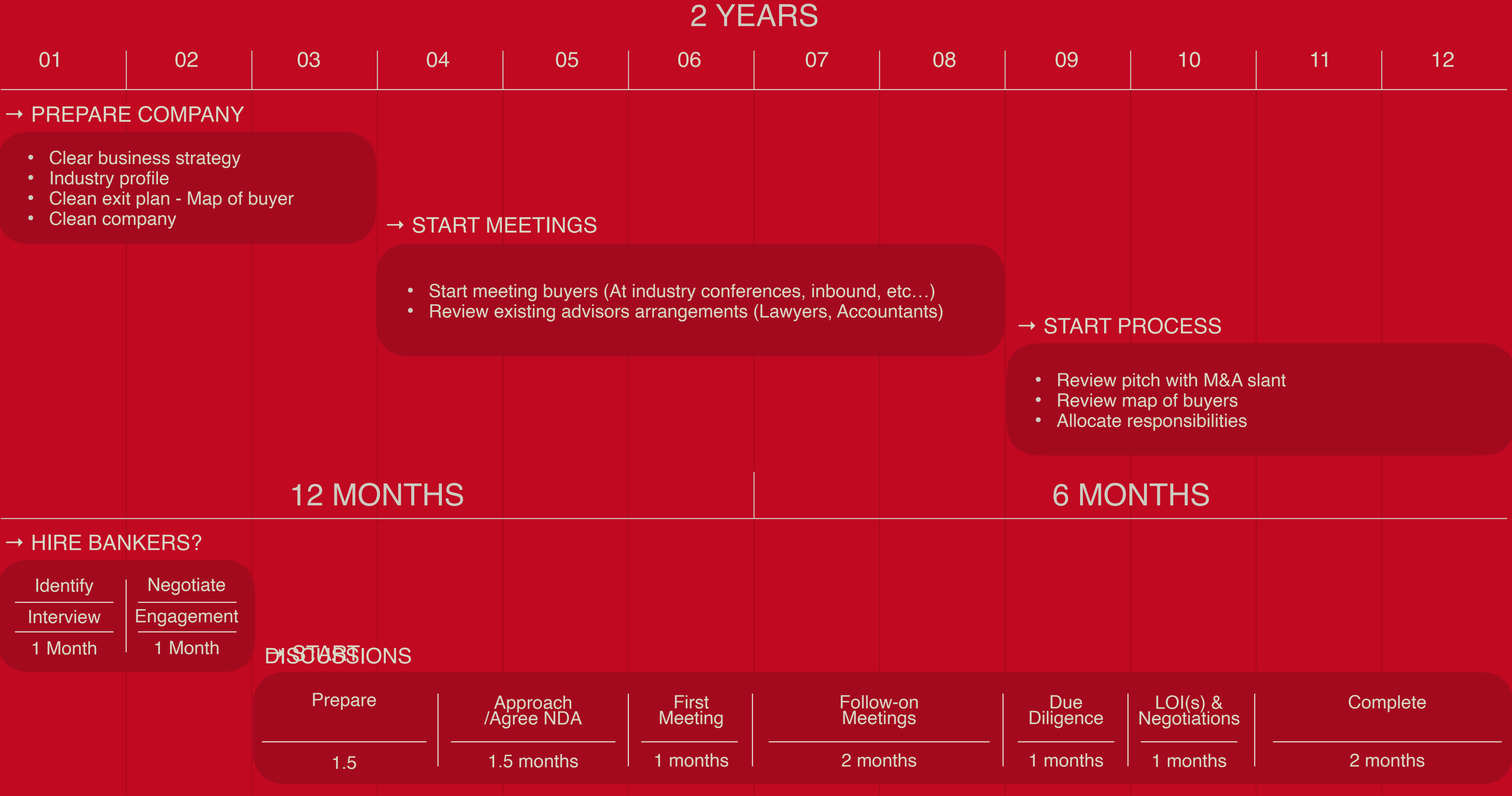
- Min fee (\$250k and often more)
- Retainer (\$20k and more)
- Tail of 12 months

- **Worth mentioning**

- You can use deal introducers (1-2%)
- If boutiques don't want to get involved, think of specialised one-man bands

What can bankers do for you?

What is a typical process?



Conclusion

the art of the deal

01.

Funding is becoming REAL difficult

02.

M&A is back to reality valuation-wise

03.

Most smaller companies sell with difficulty ANYWAY

04.

It is never too early to prepare

05.

Mapping is a powerful predictive tool to identify potential buyers

06.

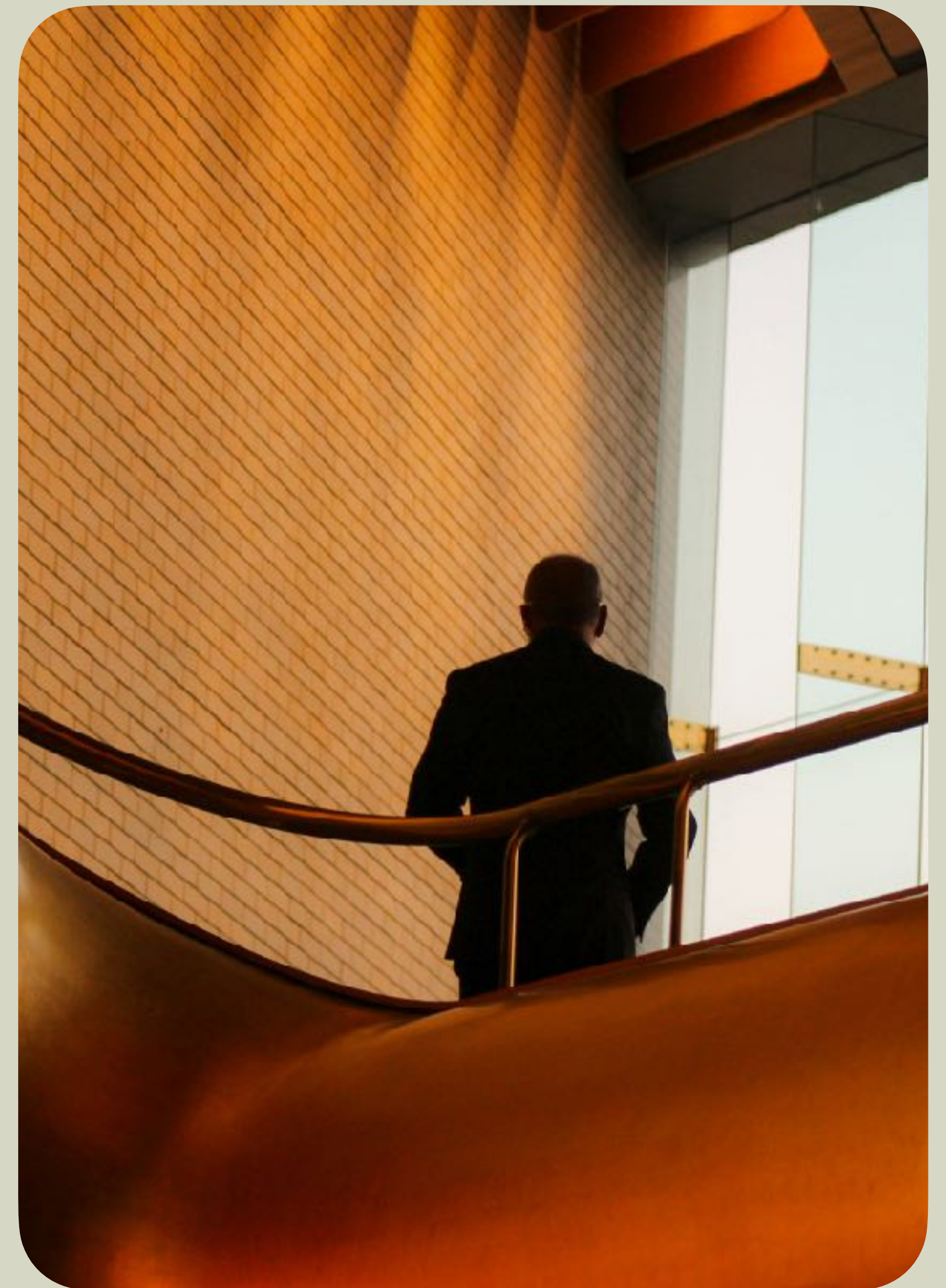
Dialogue with buyers should start well ahead of any M&A process

07.

Identify you advisers early

08.

It takes the best part of 2 years to make it happen..



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