

Preparing for the Sale



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MobileSolve Group is a boutique investment bank providing M&A, Capital Raising and Financial Advisory services to technology growth companies.*

This newsletter presents short articles on industry or transaction topics of current interest.

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Preparing for the Sale

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Selling a business is an intricate and difficult process that is rife with uncertainty and unpredictability. Unexpected developments will no doubt occur. Success requires preparation, discipline and thoughtful management. The first step, preparation, takes more time and is more complex than generally understood, and deserves examination.

Define Your Goals

The first step is to be clear about the motivation to pursue a transaction. There can be a multitude of reasons, such as an exit for investors, responding to an unsolicited offer, retirement, strategic necessities such as obtaining resources from a larger party, and other goals. The particular goal(s), and there may be more than one, will define the strategy for the sale.

Assemble a Deal Team

Because of the complexity and importance of a strategic transaction, it is always best done with the support of a group of experts, the most important being the investment banker, who, in addition to performing the financial function, can organize and manage the other members of the team.

A relationship with an investment banker works best when there is a long-standing rapport that has engendered mutual trust. A prior association accelerates the investment bank selection process and ensures the selected banker has a good understanding of the Company's business and the transactions goals of the owners and executives. Execution of the transaction will be surer, and occur at a faster pace.

The next key member of the team is the attorney, who must also be selected carefully. Often the Company's usual attorney is not the right choice. That attorney might be a specialist in licensing, software or commercial deals, but not corporate transactions. An experienced corporate transaction attorney is needed, and the investment banker can recommend one.

Other professionals that might be needed in the course of a transaction are tax experts, the

Company's accountants, the seller's personal tax advisor and others.

Assess The Timing

Absent distressed circumstances or an unsolicited offer, selecting the "right time" for a transaction is always difficult. It requires a careful study of the interaction of many variables, including general economic conditions, the states of the M&A and capital markets, prior transactions in the sector, and potential demand for the Company's products and services.

Prior to starting a transaction, it is advisable to have the banker render an informal opinion on the timing after conducting an evaluation of the business and the current economic and financial environment. Taking the time to allow a product/market to mature, or to implement operational changes at the Company can ultimately lead to a higher sale price.

Sometimes M&A markets behave predictably. First, one or two small, early transactions happen. Then large companies decide they require the technology or entry in the market fit and several competitors are quickly snapped up. Then M&A activity peaks, and is followed by a few less lucrative transactions of the companies that remain.

All this can occur within the short space of a year. If your sector will follow such a pattern, it is possible to estimate the optimal time-range to sell. A banker knowledgeable about the industry can quickly analyze the situation.

Prepare and Gather Documentation

Several documents are needed for a transaction, and must be prepared in advance. The primary ones are the Summary, sometimes referred to as the "Teaser," which is a one or two page description of the Company meant to develop initial interest on the part of buyers. Another, and the most important document, is the Confidential Information Memorandum ("CIM"), a full description of all aspects of the Company.

Having an organized and presentable Confidential Information Memorandum ("CIM") is critical to a successful transaction, but it takes time to create. The seller must be ready to devote a substantial amount of time working with the banker to produce an attractive yet informative document.

Also needed is a Non-Disclosure Agreement ("NDA") that is specially developed to cover transactions. They can be complex documents when companies are trying to balance sharing information with customers or competitors, while protecting themselves from that information being stolen or used against them if the proposed transaction does not occur. It is worth the extra effort to have the appropriate NDA for the sale process.

A Company must also gather documents for the due diligence. Among them are lists of customers, suppliers and competitors, organizational charts, strengths and weaknesses assessments, descriptions of intellectual property such as patents or trade secrets, and recent financial statements prepared by an independent accountant.

The documents should be uploaded to a professional data room where activity can be tracked. Tracking activity can be useful in determining which potential buyers are sincerely interested in the Company, and which bids are less likely to be adjusted later because they have followed a thorough due diligence.

Develop the Buyer List

One of the more important strategic decisions in the sale process is the decision of which buyers to approach. In today's global M&A market, and counting both strategic and financial buyers, the list can literally run into the hundreds. Of course, it would be inefficient and detrimental to the sale effort to contact too many companies.

What is needed is a clear conception of the value drivers of the Company, and how those drivers might fit with different types of potential buyers. Here too, a banker that knows the industry well is important in selecting buyers to approach.

Stay Attentive to the Business

Perhaps the most important factor in the preparation is not to lose sight that the performance of

the Company remains paramount throughout the sale process. Early in the process, buyers will be given financial projections for the business and will monitor them closely throughout. CEOs who take their eye off the business and allow a company to falter as it's being sold risk a negative purchase price adjustment. The value of a lot of hard work can be lost at just the wrong moment. Manage the business, and support the experts, but let them manage the deal.

Sources: MobileSolve Group Analysis

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Most-Read Articles

[Valuation Is Only The Beginning](#)

[M&A in 2016: Boom or Bust?](#)

[Deal Structuring in the LOI](#)

Transactions

The following are notable M&A transactions and capital financings announced or completed in the last month.

Notable M&A Transactions

[RNTS Media](#) acquires Inneractive - leading independent mobile ad exchange focused on powering native and video ads for \$72 million. [See details here...](#)

[Cisco](#) acquires Leaba Semiconductors - a designer of networking chips, for \$320 million. [Check details here ...](#)

[Mobvista](#) acquires NativeX - leading ad technology for mobile games, for \$25 million. [See details here ...](#)

[Microsoft](#) acquires Xamarin - it develops tools to build and test native mobile apps. [Check details here ...](#)

[Amazon](#) acquires EMVANTAGE payments - it is an advanced payment platform for Internet and Mobile Payment. [Check details here ...](#)

Notable Capital Financings

[Mobify](#), is a mobile commerce platform used by leading retailers, has raised \$10 million, funding round led by Acton Capital Partners. [See funding details...](#)

[Inmoji](#), the market leader for connecting brands with consumers on mobile messaging with branded interactive emojis, has raised \$5 million in Series A funding led by renowned innovator Dr. John Wigneswaran. [See funding details ...](#)

[Snapchat](#), is a photo messaging app, has raised \$175 million from Fidelity Investments. [See funding details...](#)

[Gamezop](#), a Smartphone gaming platform, has raised \$350,000 from Kwan and others. [See funding details ...](#)

[Payleven](#), a mobile payments startup, has raised \$10 million. [See funding details ...](#)

[TodayTix](#), is a mobile platform for last-minute discount Broadway and Off-Broadway theater tickets, has raised \$9 million - series B round. The funding was led by Walden Venture Capital and TYLT Ventures. [See funding details ...](#)

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