Exit Preparation Checklist

1. Plan in Advance – even though you may not be thinking of an exit in the near-term, it's smart to be prepared as early as possible.
    a. Look at future timelines when planning. An M&A process generally takes around 9 months from start to finish +/- 3 months plus an additional 12 to 36 months for transition to the new buyer or longer if you are planning to stay on for some period of time.
    b. Understand what's important to you and your partners in the event of a sale. For example, is selling to a complementary company that provides your team and customers with increased opportunities your objective? Or would you like to be acquired by a PE firm that can offer you a potential second transaction in a few years?
    c. If you have partners, everyone needs to be in agreement on timing, valuation, and outcomes.
    d. Talk to your accountant / tax advisor about the potential tax impact to you for an Asset vs Share sale. Additionally, what tax impact would there be if you were to take equity as part of a transaction?
    e. Start to build a relationship with an M&A Advisory firm. They can help you to understand what buyers will value highly and any potential headwinds you might face in a transaction. Additionally, they can keep you informed on what is happening in your market, and the broader market, from an M&A viewpoint. Good advisors can help you to prepare the company for an eventual transaction by providing coaching on the preparatory work you need to do and the metrics you should be tracking. Learn how you will be valued by potential buyers – EBITDA or Revenue or some combination of these – and how you can set yourself up for the best outcome.
    f. Ask the M&A firm you are working with for recommendations on legal advisors with experience in Tech M&A. Working with a lawyer or attorney with experience in tech M&A makes a big difference to the process.
2. Get your house in order by ensuring all your information is up-to-date and easily accessible. Buyers will be reviewing EVERYTHING in due diligence.
    a. Customer Contracts should be signed and transferrable
    b. Details on your team including signed employment agreements and certifications
    c. Details around your IP
    d. Supplier Contracts
    e. Shareholder Agreements and Minute Books are current
    f. Leases
    g. Financial reporting
    h. KPIs that a buyer would expect to see for a company in your market (Net & Gross Revenue Retention, Utilization Reports, etc.)
    i. And more
3. Are you integral to operations? How can you move out of day-to-day operations? Is there someone within the company you can groom to take on your role?
4. How strong is your Executive Team? Is there anyone who should be replaced, or any new hires that should be made to improve performance?
5. If an advisor identifies areas in the organization that should be improved prior to a sale, you will need time to work on them. If you don't factor this into your planning, you will leave money on the table.

6. Accounting – GAAP / Accrual based is expected. Cash-based financials will be required to be restated by buyers and are not typically in the seller's favour. Get this restatement done before starting a transaction.
    a. Financial Statements should be prepared by an outside accounting firm.
7. Identify growth opportunities in your market and what it would realistically take for you – or a new owner - to capitalize on these.
8. The future is important!
    a. Buyers will scrutinize your Projections and will look to see whether they have historically been close to actuals. Projections need to be within the realm of possibility because they will be used by a buyer.
    b. Current Sales Pipelines weighted for success should be tracked monthly.
    c. Bookings reports need to be accurate and up-dated monthly.

These are not checklist items but are important to consider:

When you are ready to explore your options, or if you have been approached and want to pursue the opportunity, it's important to work with an experienced M&A advisory firm that is a good match for you. Are they experienced in Tech? Will your project be managed by senior advisors?

Just like businesses, sales processes are not static – they are dynamic. But we want the facts of the business to feel static and solid to potential buyers – so it's imperative to remain focused as much as possible on managing your company (growth, profitability, team, clients) during this time. If your results start to slip, you're like to lose the interest of buyers and will see valuations decline.

An M&A engagement is a series of first impressions. Working with a good advisory firm will help to ensure that your firm's story is told well consistently throughout the process.

It's important to have multiple good quality buyers in the conversation. This is the best way to create the leverage needed to maximize valuation and structure. Talking to a number of potential buyers will also provide you with the ability to choose the company that feels right for your objectives.

It's not just about valuation, it's also about deal structure. Talk to your advisor about the types of deal structures you are likely to see in offers, and why.

You only get one shot to sell your company! Don't leave it to chance or wait for someone to come along with a great offer (this rarely happens). Plan in advance and work with an experienced team.