

Cringe Worthy – Top 10 Ways to Not Blow a Deal



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Panel Discussion at TechExit.io

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Meet Our Panel



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Sarah Miller Wright (Moderator), Founder and Managing Partner, Imbue Capital

Stage 1: Being Invited to the Table

MISTAKE: The Doorbell Rings and You're Still in Pajamas

POOR PREPARATION IS THE ULTIMATE DEAL-KILLER

- **Issue:** Treating potential acquirers as competitors.
- **Issue:** Having no relationships with strategic targets *before* you need them.
- **Issue:** Not preparing your data assets for future uses.

DO YOUR BUYER MAPPING YEARS EARLY

- **Understand the "Why":** Who buys companies like yours? Why? At what stage?
- **Tailor the Story:** Strategic (fit/risk) vs. Private Equity (growth/margins).
- **Create Optionality:** Build relationships to ensure multiple paths to exit.
- **Understand the value of your data:** What else could buyers use the data for beyond your specific use case?

MISTAKE: Handing Over the Keys Too Soon

CULTIVATE INTERNAL CHAMPIONS

- **Relationships Close Deals:** Data justifies them, but internal sponsors drive momentum.
- **Simon's Story:** KKR deal was introduced by his most influential customer (Chair of Industry Association).

MAKE YOUR COMPANY "BUYABLE"

- **Invest in the Narrative:** The \$20K market study was "the best money we ever spent."
- **Professionalize:** Use third-party validation (TAM, customer interviews) to write the buyer's internal investment memo for them.
- **Data:** Not preparing your data assets for potential future uses or underestimating the value of them; be ready to cover data/privacy/AI and cyber to avoid future roadblocks

Stage 2: Deal Structure & Negotiation

MISTAKE: Not Using Process to Advantage

LEVERAGE IS PROCESS DESIGN

- **Create Urgency:** Make buyers invest time before granting exclusivity.
- **LOI FTW:** “I didn’t know I needed to list everything in the LOI”. Aggressive buyers attack ambiguity.
- **Sequence Diligence:** Release critical diligence (tech/IP data) *after* financial and legal sign-off.
- **Nearly Every Deal Has a Near-Death Experience:** Manage deal fatigue and founder expectations.

MISTAKE: Data Governance Gaps

DATA GOVERNANCE GAPS

- **Not thinking about Data:** Focusing on profit while ignoring the data risk or potential future value
- **Privacy:** Not knowing how your data is protected, what it can be used for, if you're complying with relevant laws or talking about them incorrectly - red flags.
- **Security:** Unknown vulnerabilities
- **IP/Data Rights:** Unclear customer consent or transferability.

MISTAKE: Right Deal, Wrong Terms

ELBOWS DOWN – COMPROMISE

- **Fighting For Your Earnout:** Earnouts are always involved and bankers hate them. When should you fight for them?
- **Zero Sum Negotiations:** Caps, baskets, get to “yes”.

THE AVOIDABLE TAX CRISIS

- **Issue:** Not aligning buyer and seller tax positions upfront.
- **Rollover Equity Is Not Created Equal:** Seller pushed to change rollover structure post-LOI, nearly killing the deal due to shareholder tax differences.
- **Action:** Analyze fiscal impact, shareholder alignment, and cross-border implications early.

Stage 3: The **Final Sprint** **Trip-Ups**

MISTAKE: Last Minute Dealbreakers

THE IP OWNERSHIP CRISIS

- **The Issue:** Discovered an IP release clause issue with the Ukraine dev team (freelancers). Ownership wasn't airtight.
- **Lesson:** Clean your IP *early*. Document everything with contractors/freelancers.

SECURITY INCIDENT PANIC

- **The Issue:** A years-old, non-material hacking incident was over-scrutinized due to a lack of documentation.
- **Lesson:** Document all security practices clearly; prepare a data narrative for diligence.

TEAM MISALIGNMENT

- **The Issue:** Key people were brought in too late, panicked about losing identity, and required *mid-deal* retention negotiations.
- **Action:** Align incentives and prepare retention packages for key people *upfront*.

The Cringe-Worthy Top 10 Summary

1. **Not Recognizing Buyers Early** (treating acquirers as competitors).
2. **Poor Preparation** (no relationships, documentation, or narrative).
3. **Misunderstanding Buyer Types** (one-size-fits-all approach).
4. **Losing Leverage** (not creating competitive tension).
5. **Tax Structure Surprises** (value comes after tax).
6. **IP Ownership Issues** (unclear rights with contractors).
7. **Team Misalignment** (key people not brought in early).
8. **Data Governance Gaps** (privacy, security, compliance failures).
9. **Diligence Exhaustion** (founder fatigue and second-guessing).
10. **Deal Structure Rigidity** (inability to compromise on key terms like earnouts/caps).

KEY TAKEAWAY:

**THE BEST
EXITS ARE
DESIGNED,
NOT
DISCOVERED**

