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# Exit Execution

The Steps to Follow when it's Time to Sell one of Your Investments

June 22, 2016

- Use chat to submit questions
- Yes, you'll get the slides
- We're recorded, so come back and listen again

ANGEL CAPITAL ASSOCIATION

- Mission: Fuel the success of angel groups and accredited individuals active in in the early-stage landscape
- World's largest trade group for angel investors
  - 220+ angel groups
  - 13,000 accredited investors
  - Voice of accredited individuals, portals, and family offices
- 50 US states + Canada
- Research/ education partner

ANGEL RESOURCE INSTITUTE

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Nashville Capital Network
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band of angels
Life Science Angels
alliance of angels
Launchpad Venture Group
Tech Coast Angels
Golden Seeds
CommonAngels Uncommon Expertise
New York Angels
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AgFUNDER · AngelList · angelMD · DreamFunded

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## ACA PARTNERS

ANGEL RESOURCE INSTITUTE · FOLEY HOAG LLP

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# TODAY'S SPEAKERS

Basil Peters

- Angel backed entrepreneur – company now part of Cisco
- Previously managed a VC, hedge fund, and angel fund
- Angel investor
- Principal - *Strategic Exits Corp.*
- Author: *Early Exits: Exit Strategies for Entrepreneurs and Angel Investors*
- Exits.com/blog
- Angelblog.net
- BasilPeters.com

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# TOPICS WE'LL EXPLORE TODAY

- Developing your exit strategy and plan
- Steps in the exit process
- How long it will take
- How much work it is to execute a good exit
- Where to find resources
- Introduction to the new Exits Execution workshop

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# ARI EXIT WORKSHOP SERIES

**Exit Strategies**

- Changes in the entrepreneurial ecosystem,
- Why early exits are so common now
- Optimum financing
- Pro and cons of VC follow-on financings
- How to know when to exit
- Why we aren't good at exits yet.
- Video available online at:
  - http://www.exits.com/blog/waterloo-exit-strategies-workshop-2/

**Exit Execution (NEW)**

- Everything you need to know once you've determined it's time to start the exit process
- The steps & how long it takes
- Build the optimum exit team
- How much it will cost
- Ensure you get a fair price
- Next presentation at the NACO Summit in Vancouver Oct 4

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# THE MOST IMPORTANT POINT

Only 25% of saleable companies successfully exit

For Saleable Angel Backed and Bootstrapped Companies

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## MOST COMPANIES SELL BELOW MARKET

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## COMPANIES ARE SOLD, NOT BOUGHT

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# THE EXIT IS A BUSINESS PROCESS

- Whether it's a financing, product development, marketing or sales goal
- The chances of success increase dramatically if you have a good plan
- The exit strategy is the plan for the business – the entire business
- The plan should start at the end (the goal)

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# YOUR EXIT STRATEGY

- "Our exit goal is to [sell the company] in about __ years for around $ __ million.
- We plan to execute the exit by engaging a [mid market M&A advisor] by _[date]_."
- The optimum exit strategy depends on the:
  1. Type of company
  2. State of the economy
  3. The M&A market

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## CHECK THE ALIGNMENT

- Key stakeholders must agree on the exit strategy
- The only way to check is to get a 'signoff' on a written exit strategy
- Often requires at least one offsite planning retreat to build full alignment
- Even after, check alignment annually

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## HOW LONG IT USUALLY TAKES

- When ready, 6 to 18 months until the money is in the bank
- 18 – 24 months if the company isn't ready
  - structure needs to be cleaned up
  - growth rate needs to be increased
  - financials need improvement

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## PART 1- BEFORE TALKING TO BUYERS

- About a quarter of the work includes:
  1. Building alignment around exit strategy
  2. Financial history and projections
  3. Creating all of the sales collateral
  4. Cleaning up the corporate structure
  5. Preparing the due diligence
- Usually takes 1 to 5 months

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## PART 2- BUILDING THE SALES FUNNEL

- The second phase includes:
  1. Research on best prospects - globally
  2. Developing tactics on strategic value
  3. Initial contacts to 50 – 250 companies
  4. Responding to 10 - 50 interested
  5. Starting due diligence with 5 - 8
  6. To get to an ideal short list of 3
- Usually takes 2 to 6 months

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## PART 3 - THE BIDDING PROCESS

- The third phase is the most exciting and most intense
- Ideally three buyers will be in due diligence
- And actively negotiating, simultaneously
- The CEO will be fully engaged - and the limiting factor
- Can take up to 2 to 4 months

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## PART 4 - NEGOTIATING AND CLOSING

- Even after there is signed agreement on “the deal” and possibly a deposit
- It can take months for the board, shareholders, M&A professionals, lawyers and tax advisors to agree on the set of definitive agreements
- And obtain all of the approvals from boards, shareholders and regulators
- This final phase is usually 1 to 3 months

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## WHEN TO TELL THE TEAM

- Many CEOs have difficulty determining when they should tell the rest of the team
- Some worry about the employee anxiety
- Others think it is 'none of their business'
- Most of the time the internal grapevine is so efficient that they already know
- Best practice is to tell everyone fairly early
- But don't under-estimate the impact

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## CEO DEAL FATIGUE

- Even the toughest CEOs can be incapacitated
- In my experience it is almost always a factor
- A good M&A advisor will explain, minimize, watch for and work around

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## HOW MUCH WORK IS AN EXIT?

- Like so many things in work, and life, it depends
- But a good estimate for a fully marketed, competitive transaction is about 1 to 2 man-years
  - Excludes legal and accounting time
- That estimate does not include learning time
- If a very smart CEO and CFO wanted to learn enough to do a reasonable job themselves,
- I'd triple the time estimate – at least

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## CONCLUSION

- Only 25% of saleable companies have good exits
- Don't let your companies be "bought"
- Good exits require strategy and planning
- The exit is just another business process
- Check the exit strategy alignment at least annually
- The exit will take 6 to 18 months
- For more information attend an Exit Execution workshop – coming soon to an angel group near you

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# AUDIENCE RESOURCES

- Basil Peters' contact information:
- basil@exits.com
- Videos of talks and workshops: http://www.basilpeters.com/Speaking_Engagements.html
- Blog: http://www.exits.com/blog/

Good luck with all of your exits!

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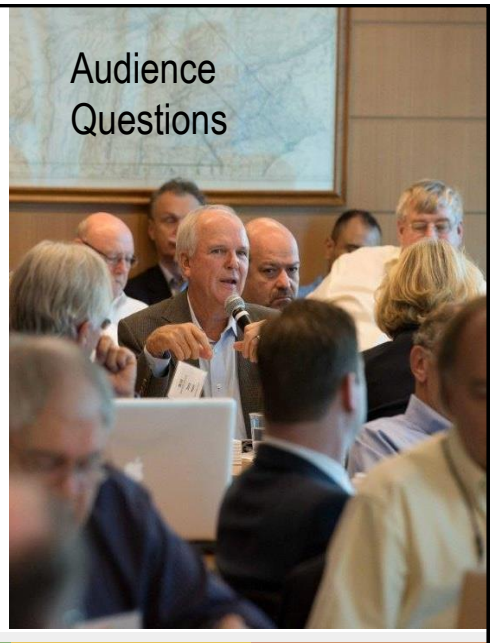
## THANK YOU!
## UPCOMING WEBINARS

August 24: Measures and Metrics: Tracking Performance in a High Growth Company

September 14: Risk Mitigation for Early Stage Companies

Webinar programs archived at:www.angelcapitalassociation.org/events/webinars/

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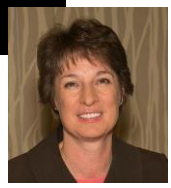
# ADDITIONAL RESOURCES

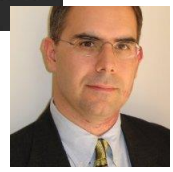
Forbes



Marianne Hudson
Executive Director
Angel Capital Association

http://www.angelcapitalassociation.org/news-forbes/

Inc.
Handbook of the American Entrepreneur



Christopher Mirabile
Managing Director, Launchpad; Board Chair, Angel Capital Association

http://www.angelcapitalassociation.org/news-inc/

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# UPCOMING ACA EVENTS

- September 6, 2016 Women in Angel Investing, Boston, MA
- September 22, 2016, Best of the Midwest, Minneapolis, MN
- October, 2016 SW Regional Meeting, Phoenix, AZ
- November, 2016 Angel Insights Exchange, Nashville, TN
- http://www.angelcapitalassociation.org/events/

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