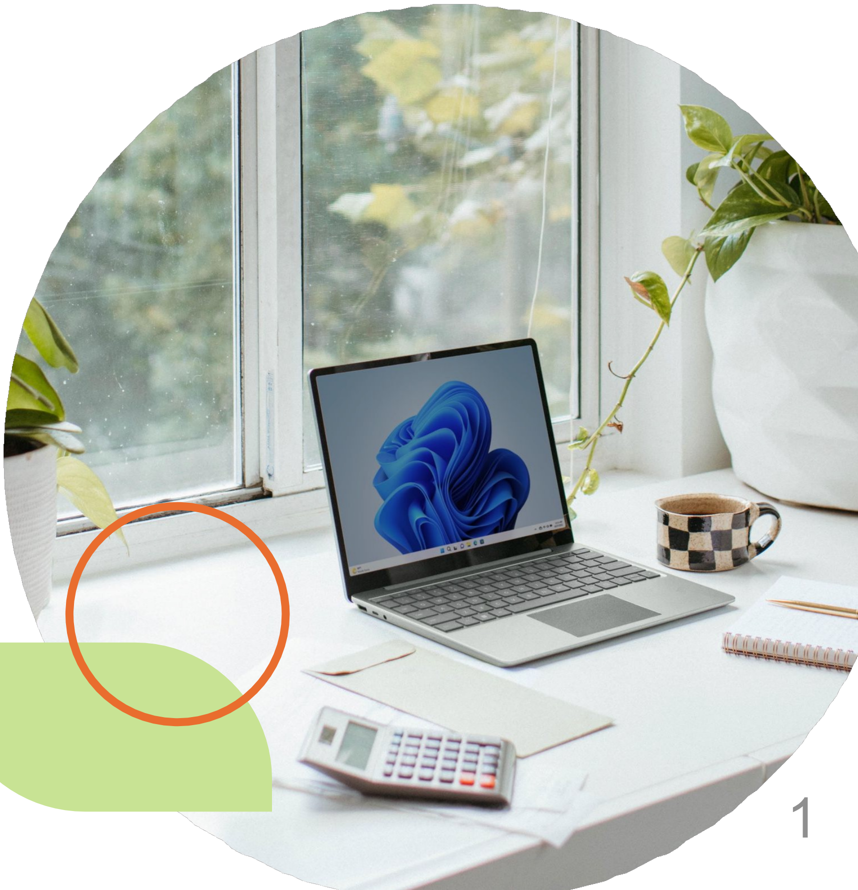
Managing Unsolicited Offers: Why Work with an Advisor?



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Introduction

If you have been approached by a company interested in a discussion about acquiring your SaaS or IT company, don't make the mistake of thinking that you don't need help because this company has already approached you. The challenge is only just beginning.

In most cases, this will not be the most strategic buyer, or the best offer. It is extremely important for shareholders to understand that now is the time to decide: Is this a good- quality potential buyer? Do they want to bring alternative buyers to the table to generate competitive offers for consideration? Or do they want to keep the conversation to the company that has approached them? Having competing offers in play is really the only way to create the friction needed to leverage up offers and negotiate better deal terms.

More importantly, shareholders need to decide if they want help navigating the conversation and potentially creating a more competitive process, or if they will try and manage the process themselves. An advisor can help to protect your interests, provide guidance on your best options, and ultimately achieve a better outcome.

Note that publicly-traded firms with access to top-notch legal and financial resources in-house wouldn't dream of trying to manage their own M&A process.

At the bare minimum, you should speak to an advisor to understand what your options could be.

An Expert Opinion

It feels good when a potential buyer expresses an interest. But keep in mind, the company approaching you will likely have a skilled M&A team and / or advisors managing their process, while this may be your first (and perhaps only) experience going through a sale transaction. It's risky to try and manage this alone. An experienced advisory firm working on your behalf – one that has a successful track record of previous Tech M&A transactions, who knows your market, current valuation metrics, and can articulate your unique value – can add significant value, protect you from critical mistakes, and will more than pay for themselves.

Tequity's advisors are skilled in the art of negotiation and finding creative ways to get a deal done. Most importantly, we know your market, we know the buyers (public, private, private-equity backed, and others) and we are able to utilize our network and global reach to bring additional buyers into the conversation if shareholders wish to create this additional leverage. Note that when a potential buyer sees that you have engaged with an advisory firm, it gives the impression that you are serious, and that you are also likely talking to other potential buyers (whether you are or not).

We will drive the best strategic valuation and terms while also avoiding mistakes that will can prove costly for shareholders.

M&A Negotiations

When a company makes an unsolicited approach, two things tend to happen:

Shareholders divulge too much information too soon.

This could be a serious disadvantage to your business if the interested buyer is a competitor and the deal does not close. You do not want to give up too much competitive information too soon.

Shareholders who are business operators lose focus on their company strategy and results start to slip.

An important advantage of working with an advisor is that you can let them focus on running the M&A process so you can continue to focus on running, and growing, your company. If key metrics decline between the start of a process and due diligence because you've been distracted, your valuation will be impacted and the initial offer will be off the table (known as retrading a transaction).

The M&A negotiation process can be highly emotional for sellers. As your representative, we can focus on the transaction without allowing feelings to distract us from the goal while also protecting your relationship with the buyer - this leads to a smoother way forward if you will be remaining active in the business or at the very least will be staying for a transition period.

Competitive Offers

Ensuring that your opportunity has received sufficient market coverage to good-quality strategic buyers creates the leverage that is needed to help maximize both valuation *and* the quality of the offers.

Generating multiple offers provides shareholders with insight into how the company is viewed and valued by different potential acquirers, and also provides the security of knowing that all possible options were explored before making a decision. When you are only talking to one buyer, there is no leverage, making it difficult to increase the valuation or achieve a better structure: the buyer is aware that you aren't speaking with anyone else. Additionally, you have no idea whether the offer you are considering is at the top, the middle, or the bottom of the range you could expect to see in a broader market exploration. Experienced advisors can provide assurance on the quality of any offers and buyers.

When you engage an advisor to help, buyers understand that you are serious and that you are talking to multiple companies, and they know they will have to put forward a strong offer if they want to be taken seriously.

Driving multiple offers from a variety of buyers provides shareholders with the certain knowledge that they have not only achieved the best possible outcome, but that they have found the right buyer who will protect their legacy and provide increased opportunities to their team and customers.

Timing

Often, when companies are approached, they go down the path of conversations, discovery, and sharing of confidential information before giving any thought to whether or not the timing is actually favorable for them.

Selling a little too early is usually better than selling too late, but sometimes it is better to wait till the company has achieved a more favorable profile before exploring a sale. Understanding this can save a lot of unwasted time on conversations that are simply too early.

Our advisors can help you understand when the timing makes sense for you, what buyers are looking for, the types of metrics will result in a better valuation, and things that will impede your valuation or are likely to result in more onerous deal structures.

We often begin conversations and work with companies well in advance of any M&A event. We can help founders to understand what they need to do get ready, and how they can best prepare for a sale in order to achieve their objectives, along with staying on top of what we are seeing in the market from an M&A perspective.

Conclusion

Getting approached by one or even several potential buyers feels great. But the best way to protect your interests and achieve the best outcome is by engaging with an experienced M&A advisory firm like Tequity.

Our advisors can assist in determining the best time, building out your go-to-market strategy, and ensuring you don't leave any money behind. Even if an unsolicited offer is not compelling today, it should prompt you to consider reaching out to the right advisors. It's never too early to start a relationship with Tequity.

On average, Tequity clients started meeting with our advisors 2 years before going to market.

TEQUITY ADVISORS

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