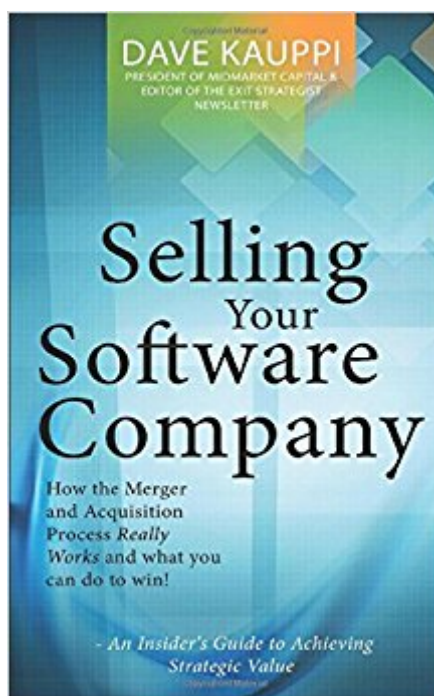


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# Selling Your Software Company: An Insider's Guide To Achieving Strategic Value



## Synopsis

Selling your technology company for strategic value involves far more than creating a great technology, product, or service. Much of your success will depend on your business model and important value drivers such as contractually recurring revenue and network effects. The most important factor is the process you employ when you sell your company. The greater your company's reliance on the leverage of technology, the greater the room for the market to interpret its selling price. We explore all aspects of the M&A process, from the planning and marketing to the Letter of Intent, due diligence, and closing, and everything in between. We discuss topics like the subtle language that buyers use in LOI's that can cost sellers huge swings in value at closing; optimal transaction structures, avoiding punishing net working capital adjustments, negotiating tactics, and much more. This book is a must read for the tech entrepreneur contemplating the sale of their business. In order to maximize your company's value you must fully engage the competitive marketplace. We have seen swings in the value of technology companies of millions of dollars between an unsolicited offer for a small software company by a Private Equity Group and the ultimate purchase transaction from a strategic industry player. That staggering result is the difference between selling at a cash flow multiple and selling for strategic value in a competitive soft auction. The greater the complexity of the process, the greater the advantage to the one with experience. Just ask a rookie quarterback in his first NFL start. Selling a business is a highly complex process and the business seller is usually in their first transaction while the typical buyer has made dozens of prior acquisitions. This book attempts to level the playing field by sharing the author's seventeen years of deal making experience representing technology focused sellers of businesses.

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## **Customer Reviews**

I am glad I read this book. I am always on guard with these types of "How To" books as a 200 page commercial to sign up for my course or buy my product or service. To that end, the author did not disappoint. In the process of pointing out all the complexities of the M&A process, the pit falls of the inexperienced seller, and why you need to hire a good M&A advisor, he clearly presents a wealth of information that will be useful to both buyers and sellers alike. The descriptions of deal elements, often citing actual deals are clearly presented and easy to follow. The author is a deal enthusiast and he takes the reader through the process of completing the transaction in the often contentious zero sum game of business sale transactions (every dollar the buyer saves is a dollar the seller does not receive). For every move the buyer makes to his or her advantage we get to see the work around, compromise, or counter move necessary to keep the deal on track and moving to closing while preserving the seller's transaction value. It does not read like a mystery thriller, but the many twists and turns of the business sale process do provide for good reading.

This book was eye-opening. I am familiar with selling products and services, and assumed that selling a company was pretty much the same process. An important take-away was that you have to fight for value on the front end to get sellers to recognize your strategic value beyond a multiple of cash flow. That is just the beginning of the journey. The book details the importance of a properly worded letter of intent and how the transaction price and terms need to be defended through due diligence, the translation of the LOI into the purchase agreement and through to closing. When I sell, it will be my first sale. The book points out that my likely buyer would have already acquired possibly dozens of companies and will know all of the ways to tilt the transaction in their favor. I am glad I read this and feel so much better armed to fight the battle.

I recently started to plan a selling strategy for my business and searched for books on the topic. I lot of what I saw had material that could be easily gleaned from the financial press and business shows. This book goes much deeper into the behind the scenes maneuvering between buyer and seller. From this book I now fully appreciate that getting interested parties to the bidding table is just the opening move in a strategic battle to wreak havoc on your company's valuation. This book

provided me with valuable education and examples on buyers tactics and how to defend my selling price from start to finish. I wish I had found this book long before I decided to plan my exit but am glad I found it now- it is well written and will walk you through the whole process.

Before I read this book I thought that when I sell my company, I will just do it myself. After reading these chapters describing all of the elements and complexities, I am rethinking my decision. It is not so much that each step in the process is something I could not do. It's just that many of the required activities will be my first experience and the consequences of not performing that step at the highest level could be costly. I will keep this book close by as I go through my business sale as the content covers the M&A process from soup to nuts. On a side note, don't skip the last few pages. They are worth ten times the price of admission. Thanks, this book was very timely.

Dave Kauppi does a remarkable job of sharing invaluable experiences in *Selling Your Software Company*. The M&A principles explored in this book are beneficial to all deal professionals and would be sellers of any type of business. This is an absolute must read for anyone participating in the sale of a privately held business.

The author of course promotes their own services heavily :) Nevertheless, it's an easy reading and it contains lots of useful insights. Recommended - especially given its price.

great "heads up" if you are in the process or thinking about selling your IT business

Read this book if you own a tech business - it will save you time, money and aggravation of "learning from your mistakes" when you make your inevitable transition plan (sell it). I have followed Dave's blog for years - very insightful and sometime funny too. For non-tech owners, it's is still educational to learn why your "normal" business will be very unlikely to sell at software company multiples - they often are oranges and apples.

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