

# “End Games & Exit Strategies”

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# Venture Investors...

- Raise pools of capital from institutions
- Invest in promising private companies
- Focus on superior management teams, proprietary products and growth markets
- Work closely with management
- 3-6 year exit horizon

*The “exit plan” is an essential part of a company’s on-going strategy*

# Life cycle of a company

- Seed – product development, pre-revenue
- Early Stage – product refinement, market entry
- Expansion – revenue growth
- Later-stage
- Exit event

*Venture Capitalists tend to specialize  
on stage of development*

# Exit Event

- Another stage in the life of a company
- Liquidity for investors, employees and founders
- Additional resources for company
- Initial Public Offering “IPO”
- Trade sale

# IPO

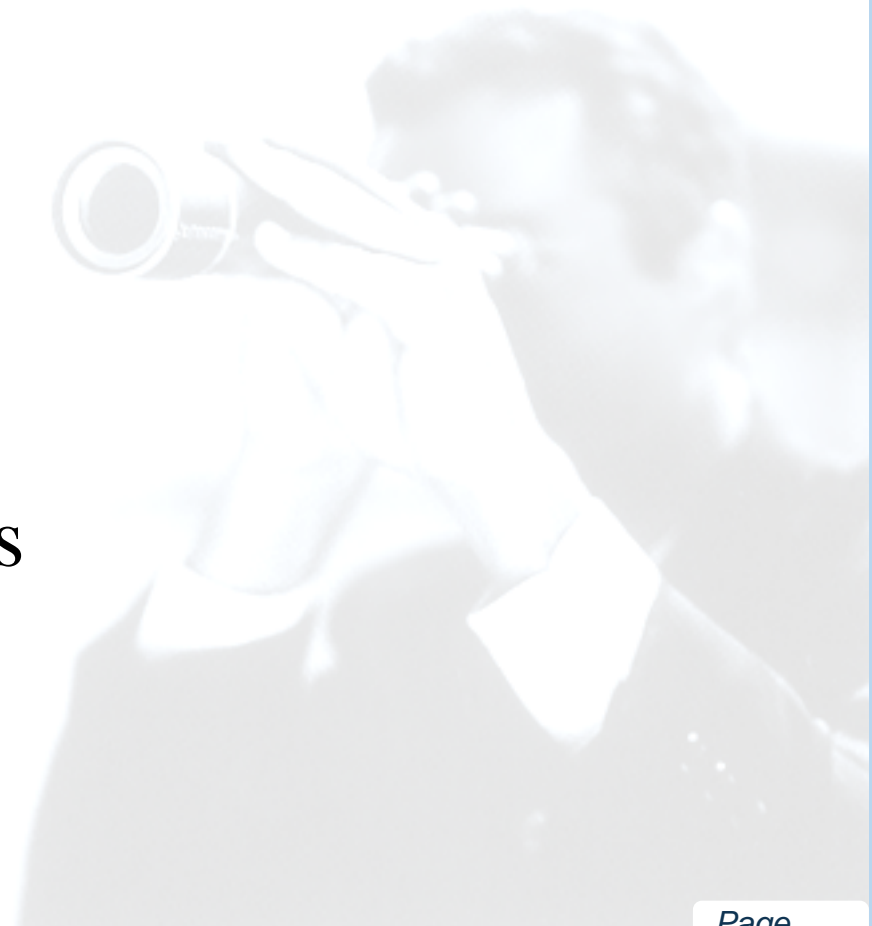
- Access to capital for company
- Investors can sell or hold
- Limited and unpredictable window for public offerings
- Reporting requirements
  - Sarbanes-Oxley compliance
  - SEC filings
- Quarterly expectations from Wall Street

# Trade Sales - Acquisitions

- Cash and or stock
- Merger synergies
  - Products, technologies, R&D
  - Markets
  - Sales and distribution
  - Geographies

# What do buyers look for?

- Revenues, gross margins, profitability
- Growth
- Customers
- Technology, products
- Time to market
- Management, employees
- Geographic coverage



# How do buyers value a company?

- Financial buyers
  - Multiple of sales, EBITDA or cash flow
  - Market comparables
  - Value as a “stand-alone” entity
- Strategic buyers
  - Value of product and market synergies
  - “Make vs Buy”
  - Value derived in part by what the acquirer can do with the company



# Important Factors

- Consider exit strategy throughout company's life
- Companies that are cash-flow positive have more options than those that are not
- Highest prices are paid by strategic buyers
- Chemistry is very important
- Investment bankers can be helpful in organizing the process and in creating a competitive situation