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Driving Business Advantage

Boston ENET
Exit Strategies: Cashing-In

Types of Transactions and Valuation Factors

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Types of Exits

- IPO
- M&A

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IPO

- Few and far between
- Considered the ultimate “homerun,” but is it really…
- Not necessarily “cashing-out”
  - 180+ day lock-up
  - Insider trading laws
  - Public markets reaction to large sales by insiders
- Sarbanes-Oxley has significantly increased the cost of being a public company
- Variations:
  - Foreign markets such as AIM
  - IPO followed shortly by sale
  - Sale of Company after filing for IPO but before IPO goes effective

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M&A

- Typical form of transaction for selling entire company
  - Asset sale
  - Stock Purchase
  - Merger
- Form of consideration is the key to “cashing-out”
  - Cash versus stock
  - Liquid versus illiquid stock

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M&A

- Alternative “cashing out” transactions:
  - Leveraged recapitalization
  - Sale of majority interest, with some management “rollover”
  - Sale of significant stake, with option to purchase remainder at a formula price in the future
  - Sale of major line of business with spin off of subsidiary business
  - License or sale of key intellectual property

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Valuation

- Common Valuation Metrics
  - EBITDA multiples
  - Revenue Multiples
  - Discounted Cash Flow

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Valuation

- Value influencers beyond financial metrics:
  - Intellectual property
  - Customer lists
  - Unique products
  - Competitive advantage
  - Monopolistic market / patent-protected products
  - Brand identity and reputation
  - Potential synergies a target could bring to an acquiror

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