

Mergers and Acquisitions

June 2, 2020

ENET Boston Entrepreneurs' Network

Jean Hammond,
General Partner

LearnLaunch
Accelerator II

LearnLaunch Accelerator by the Numbers

7

Years

3

Funds

\$2.5M

Invested

71

Companies
16 closed or
exited

160

Mentors

11

Cohorts

LLX
LL II
ETS
Accelerate

\$100M

External
Investment

240

Employees

8

Venture
Partners

Ecosystem Builder

- LearnLaunch Edtech Accelerator, Campus & Institute
- Boston Entrepreneurship

Angel - 20 years

- Golden Seeds Venture Group (woman focused)
- Hub Angels Investment Group
- Launchpad Venture Group

Serial Entrepreneur

- Co-Founded AXON Networks –acquired by to 3Com
- Co-Founded Quarry Technologies

Exits: Investment capital requires a return

Distributions: Debt Repayment or Dividends

IPO: Initial Public Offering including micro IPOs

Acquisition:

Your company is acquired and all shareholders participate in the proceeds from the sale of your company to the acquirer.

This is by far the most common way that equity investors get their money back.

Do you have the tech, talent, and/or traction?

Acquisition or mergers, generally require that company must have *at least one* of the following:

- **Technology:** Your company has a unique IP that no one else can touch (not even resource-heavy corporations)
- **Talent:** Your team brings great capabilities
- **Traction:** You have captured and maintained happy customers, market demand for your product is high, and just keeps increasing!

Unless your IP or team are truly out of this world, you'll want to optimize for growth, not acquisition, with some focus on potential acquisition opportunities due to traction.

Talent and tech acquisitions

Upside: Truly unique Intellectual Property (IP) and the team that creates it can attract early interest

- Finding a company with the right distribution channels may allow the choice of not raising more capital
 - Only after reasonable proof of product-market fit

Downside: Growth is costly

- **Traction:** You have captured and maintained happy customers, but the market needs services or other capabilities and global sales growth is very expensive

Traction: When do M&A exits make sense

Significant revenue M&A :

- Profitability needs to be in-line industry for multiples planning
- A process can be run, checking interest from many
- Each industry has major bankers and advisors
- Private Equity is the primary acquirer

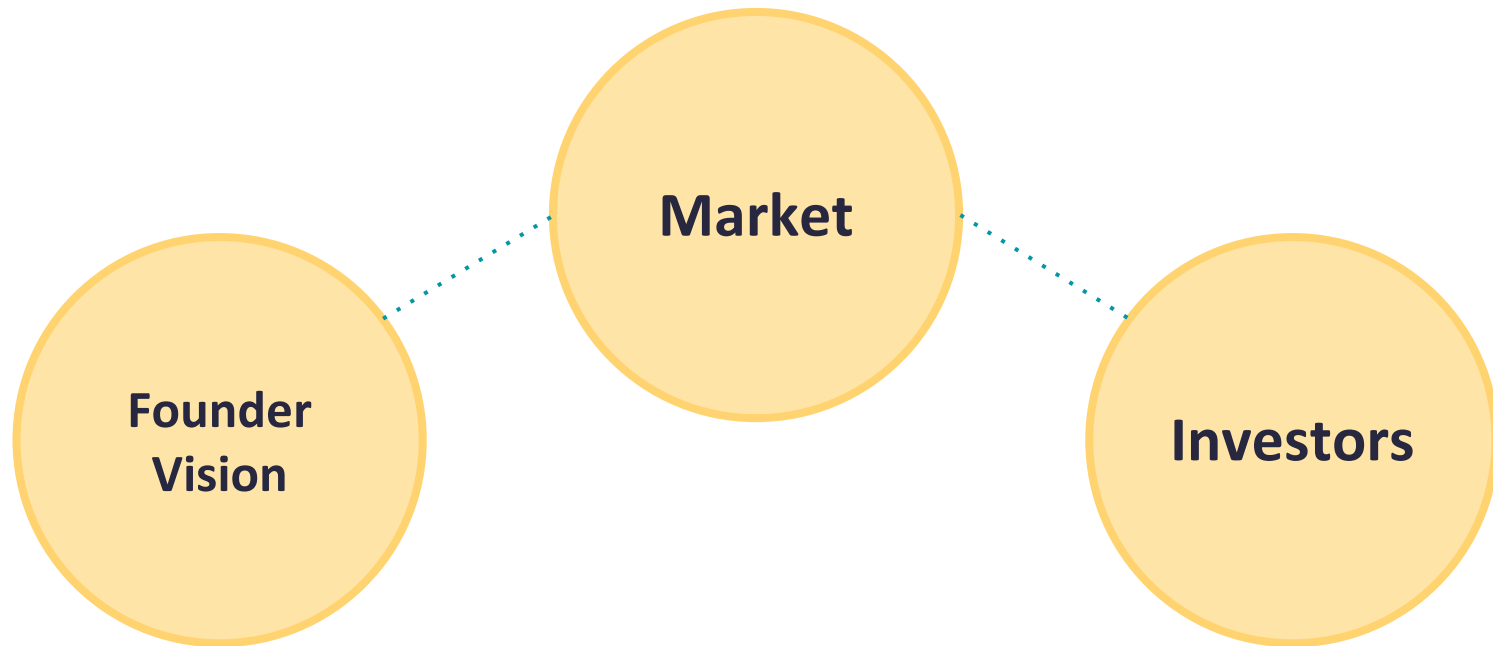
Most M&A is ‘early’ acquisition:

- Revenue ~\$10M, acquisition value ~to \$50M
 - Need to either know where the buyers are or find the right scale advisor / partner

“Early Exits: Exit Strategies for Entrepreneurs and Angel Investors

--- but Maybe Not Venture Capitalists” Author, Basil Peters.

Three factors that impact an exit strategy





Founder Vision

- What is your vision for exit?
- What kind of team do you want to build?



Market

- What are expected market conditions in your industry?
- What is the history of exits in your industry?
- Do you know what multiples businesses sell for in your industry?
 - How does scalability/ profitability affect this
- What is the success rate?



Investors

- What are the needs and desires of the investors you're working with?
 - What return rates
- How do you plan to return investor money?
- Does that fit with the type of investors you're seeking?

What you need to be able to articulate to an investor

In an investor meeting, you often only need to convey a one sentence strategy for exit. But have good answers prepared for the **why**.

Investors need to know:

- What is your vision for exit?
- Are you aware of expected market conditions? What is the history of exits in this market? What is the success rate?
- How do you plan to return investor money? Does that fit with the type of investors you're seeking?

M&A in sound bytes

- Companies are often bought not sold
- The sales rep that runs into your sales rep everyday might be the key
- Running a company and selling a company are different skills
- “Deal making is a profession unto itself. Things don’t just fall into place by accident. A good dealmaker understands that it’s his job to finesse things into place.”

M & A

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