

What does exit-ready look like?



Isosceles

Why should you always be exit ready?

For some private companies, an exit may not be a key priority, but for venture capital or private equity-backed technology companies there almost certainly has to be an exit at some stage.

In the perfect world, you as a business owner would choose the perfect moment for your exit; when your sales are looking upwards, your team is settled, your data room is full of clean, perfectly organised and prepared documentation; there is competitive tension and a premium valuation is within reach.

For most, however, this is not the practical reality. Quite often an approach comes because an acquirer has a need when you are not quite ready, or an unexpected event hastens an exit.

This is why we are so focused around preparing for an exit well in advance. Everything required to prepare for an exit is also required to run an efficient and profitable business. Time and money spent preparing for exit is not wasted but rather an investment in your future even if that future does not equal an imminent exit.

This document is designed to give a **quick** overview of what we think a well prepared business looks like and introduce our [Business Valuation Questionnaire](#). The results of this questionnaire will start to answer what is surely your first question when considering an exit “what might my business be worth?”

M&A market may have reduced but it hasn't gone away!

324

UK companies acquired
in Q1 2020



UK tech companies attracted
£10.1bn investment
in 2019

35%

35% of UK acquisitions in
Q1 2020 were by
overseas companies

4x

Investment in UK AI and
Deep Tech grew fourfold
between 2015 and 2019
to £2.42bn

#1

The UK is Europe's top
scaling tech nation and is
increasing its lead in the
world



SaaS UK multiples 3.9x
revenues in Q2 2019

Value Influencers

Seven key factors affect the value of your business



The leadership team and the way you build the organisation can be a major unique selling point. The process of attracting and retaining talent represents key intellectual property. The leadership team should represent an equilibrium between experience and potential and a balance between strategic and operational. **So, what might 'good' look like?**

Experience

- A complete Leadership Team that can drive the business forward
- Strong talent recruitment, training and practice processes.
- Well-planned, thought-through recruitment process that is followed consistently.
- Evidence of succession planning in place.

Procedures

- Clear roles and responsibilities.
- Consistent, signed employment contract terms.
- Up-to-date management practices in place.
- Appropriate training to do their job well.

Leadership & Talent IQ

Creative

- The company core values run through the entire team
- Solution/design focused with a sturdy IP backbone
- Flexible working practices, which promote culture and lifestyle.

Competitive

- Employee benefits package to attract and limit talent movement.
- Incentives that connect key employees to the business for the long term
- Career development and support structure to enable employees to further their skills and career aspirations.

Your offering is fundamentally your value proposition. Its capacity to meet the market needs will have a significant impact on any business valuation. The strength of your developed IP, barriers to entry and established pricing strategy can command a premium. **So, what might 'good' look like?**

Customer

- High levels of annual recurring revenues with the ability to upsell and cross-sell.
- Credible road map for future products and services.
- Long term sales relationships that can operate locally, nationally and internationally.
- High client satisfaction ratings and industry awards.

Market Leading

- Offerings that solve clear, quantifiable customer needs.
- Pricing that reflects the value of these offerings.
- Efficiently developed and proven modern technology.
- Repeatable with numerous referenceable success stories.

Your
Offering

Intellectual Property

- Appropriate protection of your Offering, if possible, through either copyright, patents or other robust legal rights.
- Clear company ownership.
- Customer contracts that protect development.

Pricing

- Ability to premium price your offering.
- Quick sales cycle with the ability to alter/enhance in a low-cost, timely manner.
- Ability to increase pricing year over year.

Who is Isosceles Finance?



13 Tech Track
100 clients



75% of our clients
investor backed



Clients
pre-revenue up
to £50m



Helped 300
companies realise
their potential



Operating across
4 Continents



50 Staff across
three locations

The strength and depth of the **customer partnership** will define your ability to achieve premium prices, recurring revenue, high customer satisfaction and de-risk over-reliance on any one customer. **So, what might 'good' look like?**

Customer Base

- Multi-year relationships.
- Top tier customer portfolio with no over-reliance on a single customer.
- Recognisable brand name within the sector, with a referenceable customer base.
- Flawless execution.

Go-to-Provider

- Strong market presence, go to provider or industry leader.
- You hold trusted advisor status.
- High barriers to entry.

Customer Partnerships

Profitability

- Can track individual product/customer profitability.
- Cost structures that can be amended.
- Client appreciation to the value you offer.
- Operate with a trusted supplier network.

Contract

- Multi year partnership.
- Well defined contracts that cover delivery, payment, change order provisions and dispute resolution methodologies.
- Low customer attrition.

The external pressures or influences that impact a **market** and its ability to grow, we define as its Temperature. A company or offering that is in an active space will generate more interest and may accelerate your growth, resulting in an enhanced valuation. **So, what might 'good' look like?**

Industry

- Your market is growing well in excess of standard industry norms.
- Hold a key position in the market, either market share or you deliver a niche solution.
- Barriers to entry exist and your Offering is viewed as leading edge.
- The market commands a premium.

New Customers

- Ability to Identify new customers by selling in new regions or expanding.
- The leadership team are quick to identify new trends and proactively reach for new opportunities.
- A true focus and commitment to expand.

M&A Activity

- There is an active interest in the market from numerous funding providers.
- Mergers and acquisition activity is evident in your market.

New Products

- The business's ability to reinvent or create new products.
- Potential to deliver your Offering through different cost channels.
- Channels to market are understood and established.



If the eyes are the windows to your soul, then **he numbers** are the window to your business. They are the narrative to your past, present and future. **So, what might 'good' look like?**

Profitability

- Healthy revenue growth patterns with consistent profit margin levels.
- Efficient business with further potential to increase profitability with investment.
- Disciplined financial management with monthly KPI reviews.
- Awareness and willingness to address the cost structure in a downturn.

Detail

- Robust set of management accounts and a three-year business plan.
- Established processes to analyse the business by client, product or region.
- Operational feedback loop system to pricing, sales and operations.
- A functional cashflow management system that is actively managed.

The Numbers

Stakeholders

- Self-funding working capital environment.
- A clear ownership structure and the ability to execute a transaction.
- Tried and tested excellent cost management practices.
- Ideally key employees are positioned to benefit from a transaction.

House keeping

- Filing compliance with HMRC and Companies House.
- Using an accounting system which is reliable and practical for your size of business and can scale.
- Use of business intelligence - forecasting, reporting, scenario modeling and pricing.

Why are we different?



Support tech clients
from start-up to
exit



Trusted advisors
to entrepreneurs
and investors



Partner with exciting
technology providers



Track record



Business based
approach



Recruit the best talent



Flexible, tailored and
personal



One partner

The **Reach** of a company is all important and defines the speed at which you can grow. A well-defined go-to-market approach, a widely established network with a proven offering should give you access to numerous clients and markets. **So, what might 'good' look like?**

Recognition

- Marketing strategies and branding are recognisable and consistent with company profiles and values.
- Messaging is exciting and engaging.
- Offerings use current technology, branding and marketing approaches.
- Ability to adapt the offering quickly to meet emerging needs in the market.

Market

- Ability to articulate market share and understand competitor positioning.
- Offer a variety of options to match client consumption preferences.
- Established market research process to capture technology and customer pattern shifts.

Reach

Approach

- Dedicated sales expertise.
- An established opportunity-capture and management process.
- Proven ability to sell outside of home market space.
- Channel models with appropriate operating legal agreements.

Creativity

- Easy for clients to work with.
- Ease of presenting the value proposition.
- Reachable on different platforms (online or physical).
- An active two-way communication that helps keep the business connected with customer base.

Frictionless delivery is the bed rock to all great companies. A repeatable offering supplied by a committed, experienced team will usually help you stand out from the crowd. This ability will enhance reputation, pressure competition, generate IP and market share. **So, what might good look like?**

Customer

- Reputation in the marketplace for delivery excellence.
- High customer satisfaction ratings.
- Hold industry delivery awards.

Team

- Experienced and highly qualified team.
- Clear responsibility and ownership.
- Dedicated, employee centric team.

Frictionless Delivery

Process

- A culture that responds to customer service needs.
- Ability to deliver to your commitments.
- Your values resonate with customer values.
- Maintain focus.

Offering

- Consistently deliver on time and within budget.
- Well defined and documented startup methodology.
- Continued relationship beyond initial effort e.g. maintenance/support agreements or annual renewals.
- Support is a key element of your customer relationship

Want to know what your business might be worth?

[Start here](#)

We have built our [Business Valuation Tool](#) (click this link to begin) to give you a price-band valuation for your business.

We ask 30 questions in total that range from your market to your succession planning, and our assessment of your readiness considers all the factors covered in this white paper.

Ideally, you should begin the process of preparing for exit 12-18 months in advance to ensure your business is in the best possible shape and can achieve the best possible valuation.

The results of this questionnaire will provide you with high-level insight so you can assess how far along the preparation process you are, and which areas still need focus.

After completing this questionnaire, you will receive a valuation banking personalised view of how your business model readiness ranks against buyer expectations for your sector; the report will also identify the key factors you should consider when preparing your business for exit.

Prep4Exit Service Next Steps

1. BUSINESS VALUATION

Complete our Business Valuation Tool for a price-band valuation of your business

[Click Here to Begin](#)



2. PERSONALISED FEEDBACK DISCUSSION

Next, we'd like to arrange a follow-up discussion to go through our view of your valuation.



3. WORKSHOP DAY

A review with the Leadership Team that delves deeper into your organization to develop an outline plan.



4. AGREE THE ACTION PLAN

From the findings of the workshop we will be able to put together a resourced and costed Action Plan.



Relevant Isosceles Article and Blogs

We've written numerous articles which are relevant and informative at this early stage in the exit process. We hope they will answer some of the questions you may have. These articles can be accessed via the embedded links in the titles below or via the Blog tab and Mergers, Acquisitions & Exit category on our website (<https://www.isoscelesfinance.co.uk>)

[Starting a Business for Exit](#) Should the first-time entrepreneur start a business venture with an exit in mind? We've helped entrepreneurs exit from their second business and much can be learnt from the path already blazed by this successful second-time entrepreneur.

[The First-Time Entrepreneur](#) When preparing a company for sale one of the biggest decisions an entrepreneur has to make is when is the right time to sell? What price is the right price?

[What Type of Buyer are you Hoping to Attract?](#)

There are many questions to ask before you can begin the exit process. One of the big questions, is what "type of buyer am I hoping to attract?"

[How Early Preparation can Help you Achieve a Premium Valuation](#)

Exit opportunities don't always come at the perfect moment. Time and money spent preparing for exit is a sound investment in your future and a premium valuation.

[How to Value Your Technology Business](#)

There's no single formula to precisely value your business. There are, however, a number of tried and trusted techniques to determine an indicative value.

[Cash, Earn-out, Loan Notes or Shares?](#)

Cash, earn out, loan notes or shares? With so many options how do you know which is right for you? The choice, however, is not always in your hands!

[Share Sale or Asset Sale?](#)

There are two common ways of transferring the business to new ownership, share sale or asset sale. This article discusses the pros and cons of each.

[How to Survive HR Due Diligence](#)

We've drawn on our experience of taking clients through an exit to pull together our top tips for successfully navigating HR due diligence.

[Why you need a Data Room NOW](#)

Having a Data Room can significantly enhance the due diligence process in an M&A transaction. We urge our clients to build one long before planning an exit.

[What is the role of the M&A Advisor?](#)

Understanding the steps of selling a business is relatively straightforward, but knowing how to increase the value of, and effectively market a business is something completely different.

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