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What's the deal?

A founder's guide to M&A in Europe

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In partnership with MARRIOTT HARRISON

What's the deal?

A founder's guide to M&A in Europe

So you're thinking of selling? You've come to the right place. The M&A process can be pretty mysterious — with much of it kept behind closed doors — so we're here to lift the veil. As M&A looks set for a rebound again in Europe, this guide speaks to the people who know the process inside and out.

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FOREWORD

Exits look set to return. Are you ready?

The past few years have been a rollercoaster for European startups, as valuations rose to record highs in 2021 before falling back down to Earth soon after. The industry is now picking itself up and a feeling of optimism — albeit cautious optimism — has now returned.

For companies thinking about that exit, it means now is the perfect time to get your ducks in a row. We have partnered with Sifted to produce a guide all about getting ready for an exit. It will explore what the M&A market looks like today while also investigating the pain points that founders typically experience when trying to get an M&A deal over the line. At the end, there is also a useful checklist of key considerations before, during and after the acquisition process.

We have also, along with Sifted, invited our contacts in the broader M&A ecosystem to share their insights and advice for this guide on everything from how an investment banker calculates your company's valuation to what to do if a deal collapses.

Selling a business isn't like agreeing to a VC taking an equity stake in your company. The due diligence can be more granular, with valuations very much grounded in the reality of your business today and how it's going to help its new owner — rather than its moonshot potential. At the same time, you must keep running your business effectively and make sure your growth numbers don't drop, all while dealing with a negotiation process that can often take longer than expected. The right partners are important, and as a law firm we at Marriott Harrison are continually advising founders and their investors through this process.

M&A is a transformative process for founders and their companies. To understand how you can use it to reach the best possible outcome for you, your stakeholders and your business, keep reading.



David Bettis
VC and M&A partner, Marriott Harrison

INTRODUCTION

Thinking of selling your business?

Many founders dream of the day they make their grand exit. When all the hard work, blood, sweat and tears finally pay off and everything they've spent so long building can be realised as a return. It's a fantasy that's fun to ponder and it can also provide motivation on the hardest days of running a company.

Dreams do come true — but don't expect to be jetting off to the Caribbean immediately. Closing the deal is just one part of the process, and on the other side founders will likely find themselves tying up loose ends, or even getting ready to go and work for their new employer on Monday.

"It was weird," says Chris Wildsmith, reflecting on the sale of his student accommodation and event management software company Kinetic Solutions, which involved him going to work for the company post-acquisition. This is a common experience for many founders who sell their company: according to Marriott Harrison it's more common than not that a founder will stay on as an employee.

"There was almost no time to think about it, and then suddenly you realise it's the end of an era," he says. "I was 44 so I felt too young not to do anything else, and they were keen for me to stay on. I went straight into a new world, and you feel quite unsettled for a while."

Exits are transformational moments that change the trajectory of a founder and their company's lives forever, but tempered expectations are key to achieving the best outcomes. In Europe, the number of deals being struck has remained remarkably consistent since Q4 2021.

Things are improving, though, as we'll cover in chapter 1. And when the M&A markets really get going again, founders will want to be ready. In chapter 2, we cover the groundwork and in chapter 3, we go over the negotiation.

This Sifted Guide covers the M&A process and seeks to assist founders in maximising the value of their companies and make sure no money is left on the table. Most importantly, it will also help you negotiate the fairest deal possible.

CHAPTER I

A primer on M&A in Europe

What does the data say about the trends?

Everyone's waiting for the year of M&A. The signs are all there: private equity firms have dry powder that needs deploying and corporates are warming to the idea of getting back into strategic dealmaking. So where are all the exit announcements?

"High-quality assets are still coming to market and being sold at good valuations — and we have seen steady levels of M&A activity. What we haven't seen is this huge volume of M&A that reflects a buoyant market," says Daniel Jacob, managing partner at Marriott Harrison.

According to Dealroom, the volume of M&A deals in Europe targeting VC-backed startups has remained consistent on a quarter-by-quarter basis since Q1 2022.

But in more recent months, it appears that momentum is beginning to build.

1

Dealmaking activity continues to pick up

Progress has been slow and steady, however things are moving in a positive direction

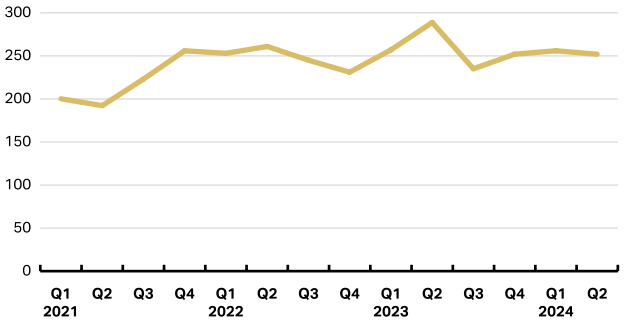
According to Sifted Intelligence, June closed as the most active M&A month in Europe since September 2023 with 93 acquisitions — up 33% from May.

"There's been a lot of wait-and-see, risk-off approach as we go through a lot of the election cycles across the globe," says Chris Malcolm, managing director and European head of technology investment banking at Oppenheimer investment bank. But the latest data suggests activity is really picking up, the expectation being that a flurry of dealmaking activity could soon take place."

"There is a lot of undeployed capital in private equity and venture capital that [needs to be] put to work," he adds. "Anything that's deemed as a must-have rather than a nice-to-have asset is attracting strong valuations. On the supply side, we're seeing funds coming to the end of their hold period, and therefore they're looking to exit some of their assets as well."

The number of deals being cut remains remarkably consistent

No. of announced M&A transactions targeting VC-backed startups



Source: *Dealroom, July 2024*

> **The number of conversations we're having with businesses is really picking up."**

Chris Malcolm, *managing director and European head of technology investment banking, Oppenheimer investment bank*

2

Buzzy sectors are attracting big cheques

Hot sectors like AI, cybersecurity and healthcare have been driving deal values

While buyer hesitancy has weighed on the M&A markets, megadeals are still taking place. In Q2 2024, 11 $250m-plus transactions were announced, on par with activity seen in 2021, according to Dealroom.

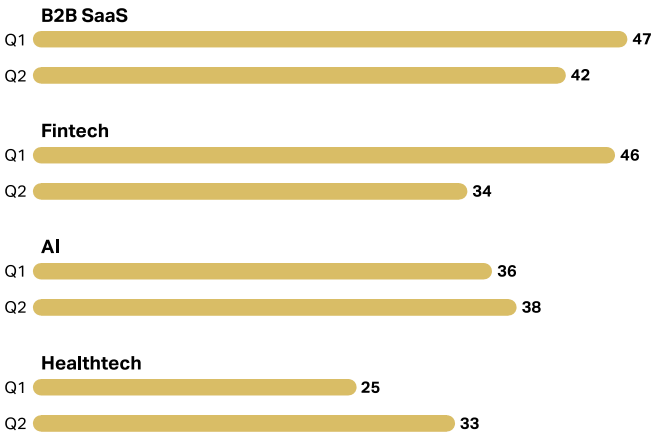
These big deals are typically concentrated in a handful of buzzy sectors, such as healthcare, climate tech, fintech and B2B SaaS, as well as deeptech sectors like AI and cybersecurity, but interest is also helping stimulate activity more broadly.

"We're seeing a lot of VC rounds in sectors such as AI and climate tech, but M&A is still finding its feet," says Bettis. "We're at the very start of the M&A journey for those sectors and if the hype continues going one way then it should be good for founders."

Looking ahead, startups that have amassed large quantities of funding could also become buyers themselves. "Fintech businesses, which benefited from interest rate increases and are now sitting on large cash balances, are actively pursuing tuck-in acquisitions for product, geography or client expansion," says Claudia Rowe, principal at the London-based VC firm Balderton.

Fintech and B2B SaaS are the most active verticals, while AI deals are taking off

No. of M&A transactions targeting VC-backed startups by vertical, 2024



Source: *Dealroom, July 2024*

> **If the hype continues going one way then it should be good for founders."**

David Bettis, *VC and M&A partner, Marriott Harrison*

3

Not all acquisitions tell a positive story

Distressed sales have been a feature of the market in H1 2024 — a natural outcome of tech valuations falling

In 2023, startups saw their valuations slashed as rising interest rates and costs weighed on investors, customers and companies alike. Distress sales have been a notable feature of H1 2024, with startups including the much-hyped electric van maker Arrival, used car platform Cazoo and grocery marketplace Everli all being acquired after insolvency.

> **When valuations are as optimistic as they were back then, there's a lot of pressure to hit those numbers you're forecasting."**
>
> ***David Bettis,*** *VC and M&A partner, Marriott Harrison*

"Careful what you wish for," Bettis says, reflecting on the flurry of VC deal making activity in 2021 that sent valuations to (sometimes unrealistic) highs. "A lot has happened since 2021 and there will always be a combination of factors as to why a company was unable to hit their growth plan and move on to that next "up round" but when valuations are as optimistic as they were back then, there's a lot of pressure to hit those numbers you're forecasting."

Investment firms have been actively targeting this opportunity, with secondary-market specialist Lexington Partners announcing a $23bn fund in January that would purchase stakes from private equity and venture capital funds — it expects to spend around $5bn with the latter.

"Sectors on a cash-down cycle, like pandemic-friendly business models, are potential targets," says Rowe. "These sectors may have long-term tailwinds, but a short-term funding pullback and decreased customer demand, paired with unsustainable cost bases, makes them [attractive to buyers]."

But the other side of the story is that some companies are now in a stronger position for a sale, having taken this opportunity to pivot towards profitability and build more financially resilient business models. Buy now, pay later company Klarna is said to be preparing once more for an IPO after achieving profitability, while fellow fintech Monzo also recently announced its first profit.

"There is still a good deal to be done and exciting opportunities out there as long as founders remain conscious that valuations have shifted away from what their company could have been worth in 2021," says Bettis.

CHAPTER II

Laying the groundwork

You shouldn't underestimate the workload

"The truth is, there are a finite number of companies worth buying," wrote Laura Roeder, the founder of US SaaS business MeetEdgar, when reflecting on the 2021 sale of her business.

She was right. According to analysis from TechCrunch, startups have a one in ten chance of being acquired at or after their Series C round, while 60% will have shut down before even reaching that stage.

There are things founders can do to improve the chances of achieving a good exit though, and one is being prepared for the opportunity at all times.

"From the day you start the business, think about what your end goal is going to be," says Jonny Parkinson, a managing partner at M&A advisory firm Marktlink. "Uninitiated approaches could occur, and [if they do] you will need to know what's right for you. Are you ready to enter into those discussions, and is your business set up for someone to go through the records?"

Companies that wait until a potential deal is presented to them — or who find themselves running out of money and with little option but to put themselves up for sale — risk leaving money on the table by being unprepared.

1

Prepare for M&A before buyers approach

Early discipline pays off: outstanding issues are likely to impact sale price

Few founders plan to still be running their business in their 60s or 70s, yet research from growth funding provider BGF shows that 48% of entrepreneurs don't have an exit strategy in place.

It's a problem. Unpreparedness and uncertainty can chip away at a company's sale price, meaning value is essentially handed away on exit. Therefore, getting on top of legal, financial and administrative reporting is good discipline, whether or not an acquisition is on the table.

"Fully understanding your company's cap table, including the order in which capital is returned, whether there are convertible instruments to be repaid or converted as part of the sale process, and having a clear grip on your option pool, are all essential to being able to assess how attractive a potential offer may be," says Bettis, who regularly advises founders and institutional investors on their exits.

"A clear understanding of the internal approval process is also key," he adds.

Bettis advises companies to confirm which stakeholders hold ultimate control over an exit: can the board of directors approve an offer or is investor consent also required? "Bringing those stakeholders together early to ensure everyone is aligned on what a 'good deal' looks like will be paramount for getting it over the line," he says.

It can also be worth hiring fractional CFOs or HR experts to put the right processes in place. "Data is king, and a good CFO is worth their weight in gold and should never be considered a cost item," says Malcolm.

Spending time making sure historical financial information is as complete and accurate as possible is essential for the M&A due diligence process, but it is also a useful task for companies that want to get better at forecasting. "It points to the overall professionalisation of the business, and it really demonstrates that, because you've got a handle on the historicals, any forecasts you're presenting as part of the sales process [are] credible," adds Malcolm.

Wildsmith says a hired finance director got his company acquisition-ready before selling was even a consideration. "He taught me that it doesn't matter whether you want to sell your business or not, you should run it as if you are," he says.

For Kinetic Solutions, this meant building financial models that showed, at a glance, where the company was heading. Accounts were also broken down according to the different modules and products the company was selling at the time, so it was easy to see how each line was contributing.

Preparedness can also impress. Exited founder of security automation company Informer Marios Kyriacou decided to tighten up his business after receiving a number of inbound requests from brokers. Informer was acquired by Bugcrowd in May this year.

"I took it on myself to make it so the company could be bought quickly," he says, adding he went as far as to work with a HR advisor to implement processes around career progression. "It contributed well to the acquisition because those frameworks we put in place are good for them. When you take on staff, you need to know where they will fit into the [acquiring] organisation."

2

Making sure your cashflow can cope with the M&A timeline

M&A can take ages — and you don't get a break from running your business while you do it

For founders actively looking to market their company for sale, the M&A timeline usually goes something like this: once a company has its affairs in order, advisors or investment bankers draw up a long list of potential buyers. They're sent a teaser outlining the company and why it's a good opportunity for buyers. The offers come in, and early conversations take place to figure out who's putting the best deal on the table. Then it's time to move to exclusive negotiations with one buyer, where heads of terms — which outline the finer details of the sale — are hammered out, before moving on to due diligence and more negotiations. (For uninitiated approaches that are appealing to founders and key stakeholders, you can usually jump straight to the heads of terms stage.) Then, finally, it's time to close the deal.

"It's a huge event you're working towards, and the buyer is going to be scrutinising how your trading is going," says Parkinson. "If you get too distracted by the process, and it has a detrimental impact on your business, that could scupper the deal. You have to juggle a lot of balls at once."

Resilient cashflows are critical for getting through the process unscathed. If any big customer contracts are likely to churn during this period, it could be better to wait; a revenue dip could send alarm bells ringing for the buyer.

Kyriacou recalls a lot of late nights and working weekends in the run-up to selling his company. "As the due diligence was happening I was supplying documentation and making sure their lawyers were fed, but there was the juggling of the day-to-day business as well," he says. "But you are driven by the goal to exit. Until the sale and purchase agreement (SPA) is signed, there's no deal done."

The unicorns' shopping list

List of European companies acquired by unicorns, 2024

Company	Acquisition date	Unicorn
Klaus	February 12	Zendesk
Pento	February 13	HiBob
ClipDrop	February 22	Jasper AI
Zavvy	February 28	Deel
Regate	March 6	Qonto
ultimate.ai	March 13	Zendesk
Okko	April 9	Spendesk
Aaron	May 22	Doctolib
Bitstamp	June 6	Robinhood
BeReal	June 11	Voodoo
Ulzard	June 12	Miro
Argilla	June 13	Hugging Face
typeless	June 21	Doctolib

H1 2024's distressed deals

List of European companies and their acquirers

Bankruptcy rescues	Acquired by
Cazoo*	MOTORS
Arrival*	Canoo
Volta Trucks	Luxor Capital
Everli	Undisclosed
Cityscoot	Cooltra
Cake	Espen Digernes
Luko	Allianz
Aceleron	ADVIK
Re:newcell*	Altor Equity Partners
FINABRO	Soren Obling

**went public prior to insolvency*

3

Understanding where the value lies in M&A

Understanding who your buyer is and what they see in your business is key for founders looking to achieve a good sale price

In the early days of a startup's life, its value is often determined by its expected world-changing potential. A VC will consider things like market size and projected revenue, but even intangible qualities like a founder's grit and determination can contribute.

In M&A, on the other hand, things are a bit more clinical. The buyer will want to know the exact value of the assets and liabilities that they are acquiring as a starting point and are likely to apply a monetary value to risk.

"It's difficult in the heat of the M&A process to say 'oh, I need to make sure I've got that trademark'," says Devin Kohli, the co-head and general partner of Outward VC. "Being on top of your housekeeping should be there from day one."

Law firms and M&A advisors can conduct due diligence stress tests to make sure nothing that could impact the valuation is missing and anticipate any red flags likely to be raised by acquirers. "Buyers don't want to see that you've corrected all of this stuff the week before you were involved [in negotiations]," says David Baverstock, a corporate partner at Marriott Harrison. "We can ask the due diligence questions buyers will ask, so we can assess the answers and look for holes."

Value gets driven up where a business can present itself and its tech as a value-creating must-have. This is why it's not uncommon for B2B startups to find that a customer eventually becomes the one to acquire them — they have already experienced the value their solutions are bringing to the business.

> **Being on top of your housekeeping should be there from day one."**
>
> ***Devin Kohli,*** *co-head and general partner, Outward VC*

For deep-learning startup iSIZE, that customer was Sony in late 2023. "We knew product-wise that we were mature. We had shown that the product works and that big customers are happy to implement our technology," says Sergio Grce, iSIZE's founder. "We knew we would [eventually] be approached and so we decided to make it a formal process."

The paperwork checklist needs to include anything and everything a company might be asked for at the due diligence stage, from staff contracts and inventory catalogues to intellectual property documentation. Buyers want to know exactly what assets and liabilities they are acquiring, and missing documents can have a material impact on the sale price.

CHAPTER III

The M&A negotiation

How to get the best outcome for your company

Sitting down at the negotiating table is about much more than haggling on price. "The highest valuation doesn't necessarily mean it's the largest value creator for the founders," says Malcolm. "You have to look at it in a much broader context. What are you giving up for that [price]?"

Financial factors beyond the headline price, like performance related earn-outs, deferred consideration metrics, escrows and hold-backs all need to be considered, as do the more philosophical aspects of the deal. What will the buyer do with your company and how involved will you be? How much is that control (or lack of) worth to you?

"We asked an investment bank to help us choose the best partner. In the end, we had two offers and we did not choose the biggest of the two," says Benjamin Tolman, cofounder of adtech startup Sparteo. The company was acquired by Bertelsmann for more than €40m in 2017 — despite having the smaller offer. Tolman says it "made 100% more sense" because it was offering to allow the founders to continue growing Sparteo into a global brand within the structure of the organisation.

By focusing on the deal as a whole — not just the price — you can make sure you don't get out-negotiated at the table.

1

Knowing what a good offer looks like

Don't let the dollar signs cloud your judgement. A good deal not only generates healthy proceeds, but also aligns with your future goals

Cash rules everything, but it's not the only thing to consider when making a deal. An M&A outcome should also take into account factors like what the founder wants their relationship with the business to be following the sale, how employees will be treated and whether the target company's brand will remain. Everyone will have a different idea of what a good outcome looks like on those points — and understanding what a good outcome looks like to you provides a solid starting point for negotiations.

It also helps you to understand where concessions might be made. A founder who wants to cash out as quickly as possible, for example, might be willing to take a lower-priced deal because it provides the fastest route. A deal with an earn-out structure, on the other hand, may look like it has more potential upside, but it may also come with the risk that it's not possible to hit the milestones required inside the new company, where budgets aren't in the founder's control.

"Any good advisor will spend a lot of time with the founders not only making sure the business is ready to come to market but also understanding what their objectives are during a transaction," says Malcolm.

Still, founders should be aware of the risk that comes with underselling the business. In the event that a company is sold for less than is hoped, liquidation preferences mean some investors are more entitled to getting their money back than others. Founders will find themselves at the back of the queue, potentially left with not much to show for their hard work.
Then there's tax: a huge lump sum might not be the most efficient way to extract value from a business, depending on local capital gains rules and tax breaks for entrepreneurs.

"Up and down $5m for the buyers may not be material to them, but for the founders, employees and investors it's a massive difference," says Sergio Grce, founder of deep-learning startup iSIZE. "We knew where our valuation was, and we knew what multiples we were giving to angels and VCs. We played the game that 'we need to be… for this to close or the deal is off', and we found the number that was beneficial for everybody."

> **Up and down $5m for the buyers may not be material to them, but for the founders, employees and investors it's a massive difference."**
>
> ***Sergio Grce,*** *founder, iSIZE*

2

Negotiating deal terms that deliver the right outcome

Drive a better deal by knowing the terms to watch out for and understanding the moments at which you have the most leverage

"The outcome of the acquisition is very much in the negotiation," says Grce. "Throughout our process the price changed — not as much as we wanted — upwards. But it can go down because of mistakes in the negotiation."

"In VC, the style of negotiations is more friendly. In M&A, especially with private equity investors, negotiations can be rougher and you have to be prepared," adds Benjamin Ullrich, a partner at German law firm YPOG.

> "In M&A, negotiations can be rougher and you have to be prepared."
>
> ***Benjamin Ullrich,*** *partner, YPOG*

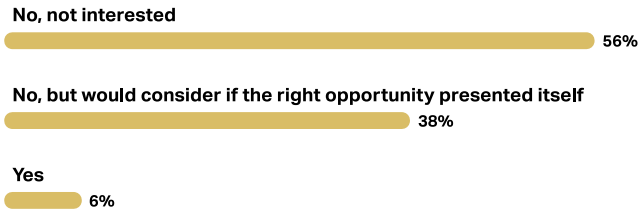
Running a competitive process — where multiple bids are being considered — can be costly, but it is also a strategic way to drive the price of a deal up and gain more leverage by having buyers compete with each other over the terms on offer. "If the company's doing well and you've received some inbound interest, it's an indication that you should go out and shop for more offers," says Malcolm.

Lawyers will also come up with strategies for reducing any risk a founder is exposed to by agreeing to certain deal terms. Warranties, for example, should be taken seriously in M&A. Where a VC may be reluctant to sue a portfolio company over a breach, an acquirer is much more likely.

"Founders should be careful," Ullrich says, and consider insurance products that reduce these risks.

Is your company actively looking for M&A opportunities?

Survey of B2B SaaS startups in Europe and Israel valued between €100-999m



Source: *Sifted*

Key deal terms to look out for

PRICING STRUCTURE

Founders should accept the possibility that the largest headline figure may not always be the most attractive offer once the buyer reveals the exact structure of their offer.

In fact, it's extremely rare for a buyer to pay the headline sale figure in cash on day one. Instead, buyers often resort to various potential pricing mechanisms. For example, they may expect key management to stick around for several years post-sale, to continue to drive growth and 'earn' part of the proceeds. The buyer might defer a percentage of the proceeds to be released periodically, often depending on future performance metrics. The buyer may hold back a proportion of the proceeds in case any skeletons come out of the closet post-sale.

RESTRICTIVE COVENANTS

A buyer usually expects founders to enter a number of trade restrictions as part of a sale process, including non-competes, non-poaching and sometimes broader non-dealing provisions. While it's often reasonable for a buyer to protect the goodwill of the business it's acquiring, these restrictions should be drafted so that only the genuine interests of the company are protected and not overly burdensome on the founders.

In the context of an M&A transaction, restrictions lasting between two and three years from the date of sale would be considered usual in the UK. That said, the reasonableness of the restrictions must be considered in light of how much money the founders are receiving for their shares.

LIMITATIONS ON LIABILITY

"What are the founders on the hook for?" It's a common question that should be at the forefront of a founder's mind. Often, it's the management sellers who are expected to carry the burden for potential recourse post-deal as they are seen as primarily responsible for any historic wrongdoings.

This is particularly relevant to sellers providing the buyer with warranties. Warranties are contractual promises by the sellers to a buyer, stating that the business being acquired is "as expected" and that there are no significant liabilities lurking in the background undiscovered or undisclosed. They often make up a significant proportion of the sale and purchase agreement and are commonly 20+ pages long. Sellers have the opportunity to disclose any inaccuracies in the warranties to the buyer as part of the sale process and the founders will be expected to spearhead this process, with close support from their legal advisers.

CONDUCT/CONTROL PROVISIONS

Any creative and operational controls founders have following an exit will heavily depend on the pricing structure of the deal, the buyer's intentions for the business and the agreed approach between the parties. If there is to be a substantial earn out, then founders should be seeking to implement suitable controls that allow them to meet any performance metrics that determine if the headline figure is received. This should include adequate representation on the board of directors going forward and an appropriate level of autonomy to continue managing day-to-day operations. If that's not to be the case, serious consideration should be given to how realistic it will be for the metrics to be achieved.

ONGOING EMPLOYMENT RELATIONSHIP

Will the founders remain with the business full time? Will they enter into a transitional consultancy arrangement or will they leave immediately following the sale? What are the consequences for existing employees? These questions should be carefully considered by founders.

Perhaps the most important question, particularly when there is a substantial earn out in play, is what leaver provisions the buyer will seek to impose in respect of that ongoing employment relationship. Many founders who have taken institutional investment will be familiar with the concept of leaver provisions and the consequences of becoming a good or bad leaver. However, when ownership of the company shifts to a third-party, founders should be alert to the fact that their role is also likely to shift from owner to employee. With potentially millions at stake through an earn-out, founders must understand the circumstances in which they may be required to forgo that value if they leave.

3

Dealing with negotiations that fall through

M&A negotiations don't always work out, and if a deal falls through it's important to dust yourself off and get back to running a strong business

Once M&A negotiations are underway, a deal falling through can feel like a catastrophic outcome. But it can happen.

Parry Malm, founder of AI content creation startup Phrasee, has experienced this twice. In 2019, two US-based companies made takeover bids. The first offered $38m in an all-cash deal, but later backed out citing concerns about synergies between the companies. The second offered $25m — but as an all-stock transaction.

"I built a spreadsheet showing how much cash would go to my bank account and how much would go to the government. [It didn't] look good," Malm says, so he walked away.

The challenge afterwards was to reinvigorate the executive team, whose hearts were set on getting a deal done. Malm brought on an experienced chairman who helped refocus the team on growth, rather than being blinkered by the pursuit of another potential sale.

It turned out to be a blessing in disguise: Phrasee experienced a boom in sales during the pandemic that allowed it to continue growing without fundraising.

"I thought if I fundraise it's going to reset the clock, and new investors are going to have a longer-term liquidity horizon. We did more with the resources we had and invested all of our revenue into growth," he says. In August 2021, as startup valuations were peaking, Malm phoned an investment banker and asked them to put the business up for sale. Phrasee sold for "a shade over $100m".

> "You cannot be afraid of a deal falling through. The best deal is the one that gets done."
>
> ***Parry Malm,*** *founder, Phrasee*

It was a stroke of life-changing luck, but also a lesson in understanding the importance of keeping a company on its growth trajectory, no matter what the exit plans (or setbacks) are.

"It's the only time in my life I've looked someone in the eye and said 'no, I don't want your $25m'," Malm says. "It was tough but you cannot be afraid of a deal falling through. The best deal is the one that gets done, that's the lesson I learned."

4

Thinking about post-acquisition life

It's hoped that a successful exit will reintroduce an element of stability — both personal and financial — that is often missing from the intense demands of running a business.

Acquisitions can be life-changing events for founders, but be careful: "You've been on a shoestring and sometimes the temptation to buy boats, holiday homes and gift money away is huge," says Nataša Williams, cofounder and CEO of wealth management firm Cadro. "In the moment of receiving the money it appears infinite, regardless of its quantity. But if you haven't thought about it strategically, the infinity of it tends to disappear quickly."

> "Think of the money as an enabler for your personal strategies."
>
> ***Nataša Williams,*** *cofounder and CEO, Cadro*

Considering what life would ideally look like for the next five to ten years if the deal goes through provides the framework for what to do next. "Think of the money as an enabler for your personal strategies," says Williams. "What do you want to do next and what does the future hold for you personally?"

Founders should take professional advice on how to structure an investment portfolio that means the money continues to grow post-deal — and resist the temptation to over-index on angel investing, which can lock up cash for indefinite periods.

Another important question for founders is: What next? In the case of iSIZE, Sony was motivated by a desire to integrate the company's technology into its own business, meaning there was not a natural role for the founders.

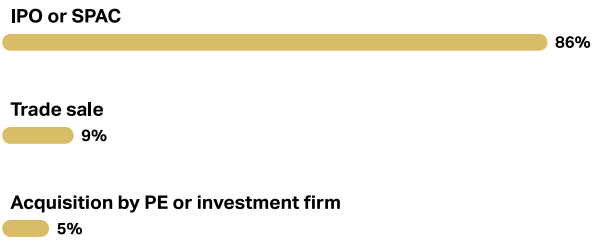
"What that meant for me was that I'd have to look for different roles in the Sony team, but I decided not to do that in the end," Grce says. "My partner is still working but I am not, and so I have a lot of time for my relatively young family and daughter, and purchases like houses and doing some market investments. But I am full of ideas of what I want to do next."

Chris Wildsmith, founder of Kinetic Solutions, has put his skills as a founder to use at Volaris Group, whose strategy is to acquire software companies that it can make bigger. Wildsmith often finds himself helping companies that weren't in fantastic shape at acquisition to turn things around.

"When everyone else says 'don't go near that disaster', I'm the one walking towards it. Founders create from scratch and I like changing things," he says.

What would be your company's preferred exit strategy?

Survey of B2B SaaS startups in Europe and Israel valued between €100-999m



Source: *Sifted*

The recap

All the top pieces of advice



Work with experts to **formalise your internal reporting and documentation**, and keep everything up-to-date



Understand **where your buyer is going to find value** in your business, and pitch it to them



Gather all of your paperwork and conduct a **due diligence stress test**



When offers are on the table, think about the value they offer **beyond the price** and the impact of the specific deal terms



Time your M&A process so it can take place when your company's **cashflow is at its strongest**



Negotiate carefully — and remember, you might end up working for your buyer



Hire bankers and lawyers to do the **heavy lifting** of the M&A transaction, so you can keep the business running



Take a **cautious approach** to any risk a deal might expose you to, and consult the experts on how to limit this



Sometimes deals fall through — what's important is that you **don't lose focus** on building for growth



Enjoy the proceeds — but make sure you have a long-term plan to manage them

Predictions

Looking into the future of M&A in Europe



"[AI and other hyped sectors] are premature markets where we're seeing a lot of VC rounds, but M&A is still finding its feet. We're at the very start of the M&A journey for those sectors and if the hype continues going one way then it should be good for founders."

David Bettis, *VC and M&A partner, Marriott Harrison*



"There are needs in the market. Private equity, who we see as buyers in a lot of these transactions, are all telling us they've got money to invest and that money has to be deployed at some point. We also see new ESG requirements coming in and a need for technological change that will drive the market as well. We're expecting 2025 to be a better year than it has been and we certainly have seen more transactions coming on. The overall landscape is now more positive than it has been in the last 18 months."

David Baverstock, *corporate partner, Marriott Harrison*



"The recent M&A market has made clear that there is a clear split between industries in a cash up cycle and those in a down cycle. [Leaders in] sectors on a cash up cycle — like cybersecurity, vertical SaaS and fintech — are signalling that they can achieve better growth with their cash via acquisitions, versus reinvesting in the business."

Claudia Rowe, *principal, Balderton*



"We are focused on the volume of discussions that are currently happening. There is a lot of undeployed capital in private equity and venture capital that [needs to be] put to work, so anything that's deemed as a must-have rather than a nice-to-have asset is attracting strong valuations. On the supply side, we're seeing funds coming to the end of their hold period, and therefore they're looking to exit some of their assets as well."

Chris Malcolm, *managing director and European head of technology investment banking, Oppenheimer investment bank*



"We'll see an increase in opportunism and an increase in Big Tech flexing its muscles where it can to stay ahead of the game. Now the previous challengers, say Revolut in my sector, will use their muscle to start acquiring. You'll see the growth of Monzo and Revolut in fintech, or if you look to other sectors, the guys who had risen in the 2010 to 2023 wave will start themselves being significant acquirers."

Devin Kohli, *co-head and general partner, Outward VC*

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