

Equity Matters

6. Exits

23-08-2022



Agenda

- + Introduction
- + Exits
- + Panel Discussion
- + Questions and Answers

Today's Speakers



Tom Early

Head of Equity & Legal
Enterprise Ireland



Killian McMahon

Senior Investment Advisor
Enterprise Ireland



Ken Cahill

Co-founder & CEO
Silvercloud Health



Exit Types

- + Secondary sales
- + Merger and acquisition exit strategy (M&A deals)
- + Initial Public Offering (IPO)
- + Management and employee buyouts (MBO)
- + Acqui hires
- + Liquidation



Secondary Sales

- + You can sell your stake to an existing shareholder or new investor while the business runs as usual
- + Pros:
 - The company can continue to operate with minimal disruption to business
 - The new investor has a vested interest in the business and is committed to its success in the long term
- + Cons:
 - Finding a buyer or investor for your share of the company can be difficult
 - The valuation may be less objective and therefore lower than the market value

M&A

- + Sell your business to another company (also called a trade sale)
- + Pros:
 - One of the strongest exit strategies for business owners as the owners can maintain control over price negotiations and set their own terms
 - The new investor has a vested interest in the business and is committed to its success in the long term
- + Cons:
 - Time-consuming, costly and no guarantees
 - Due diligence is significant
 - Earnouts





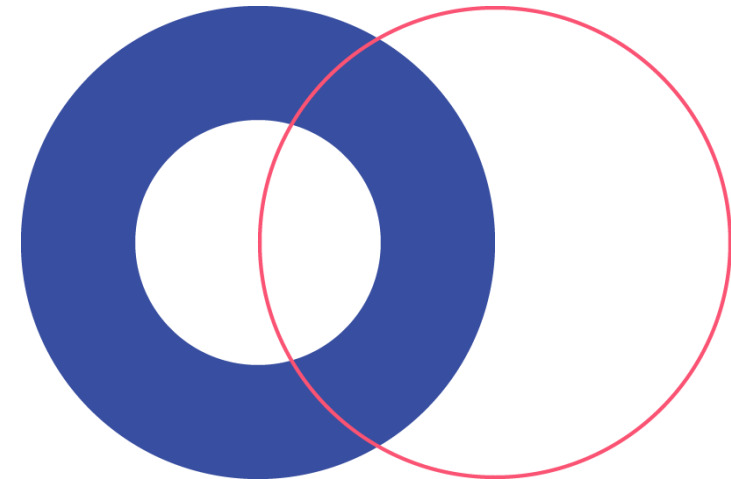
IPOs

- + Taking your business to the public and selling shares as stock to shareholders
- + Pros:
 - Can be lucrative
 - Founders can maintain control
- + Cons:
 - Expensive process and high regulatory costs
 - Expect intense and ongoing scrutiny from shareholders, regulatory bodies and the public
 - Additional requirements of an IPO include mandatory progress and performance reporting
 - Due diligence is difficult, costly and labour-intensive



Management Buyouts

- + Management team buys out the non-management shareholders
- + Pros:
 - Existing management continues to run the business
 - Post-acquisition process should be more straightforward (i.e. no integration needed)
- + Cons:
 - All senior management may not be able to participate





Acquihires

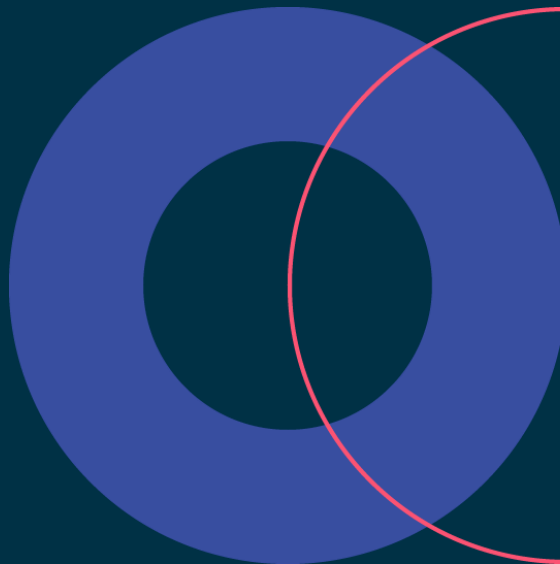
- + Acquihires is a business exit strategy where a company is bought solely to acquire its talent
- + Pros:
 - Strong negotiation position for seller
 - Increased probability that employees have a more certain and successful future
- + Cons:
 - Only certain buyers employ acquihire strategies
 - Time-consuming, costly and no guarantees



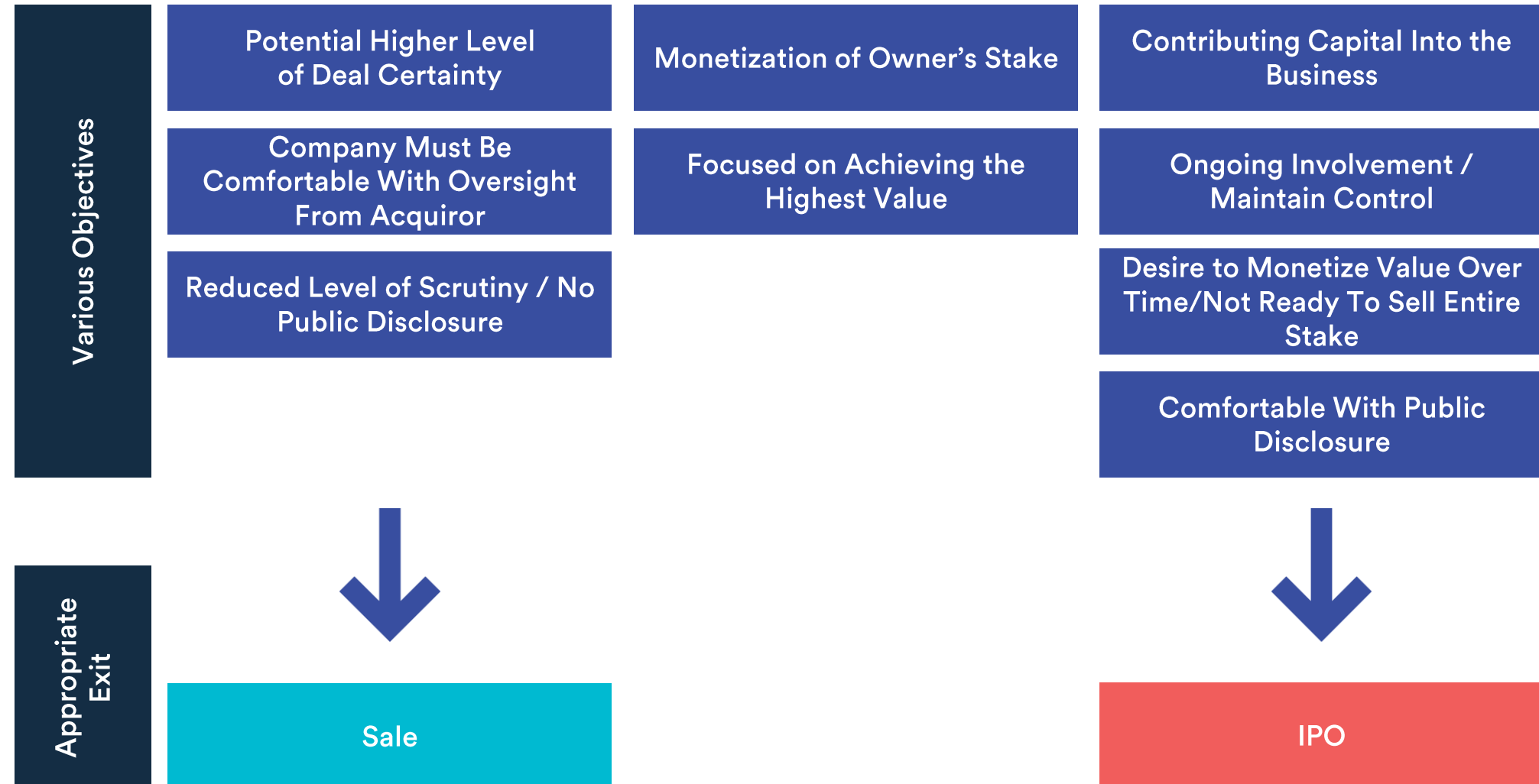
Liquidation

- + Liquidation is one of the final exit strategies, whereby a business is closed down and all assets are sold off
 - Any cash earned must go towards paying off debts and shareholders
- + Pros:
 - The business ceases post liquidation
 - Can be simple and quick
- Cons:
 - Liquidation is not likely to be a high-value exit
 - Can negatively affect founders, employees, partners and customers.

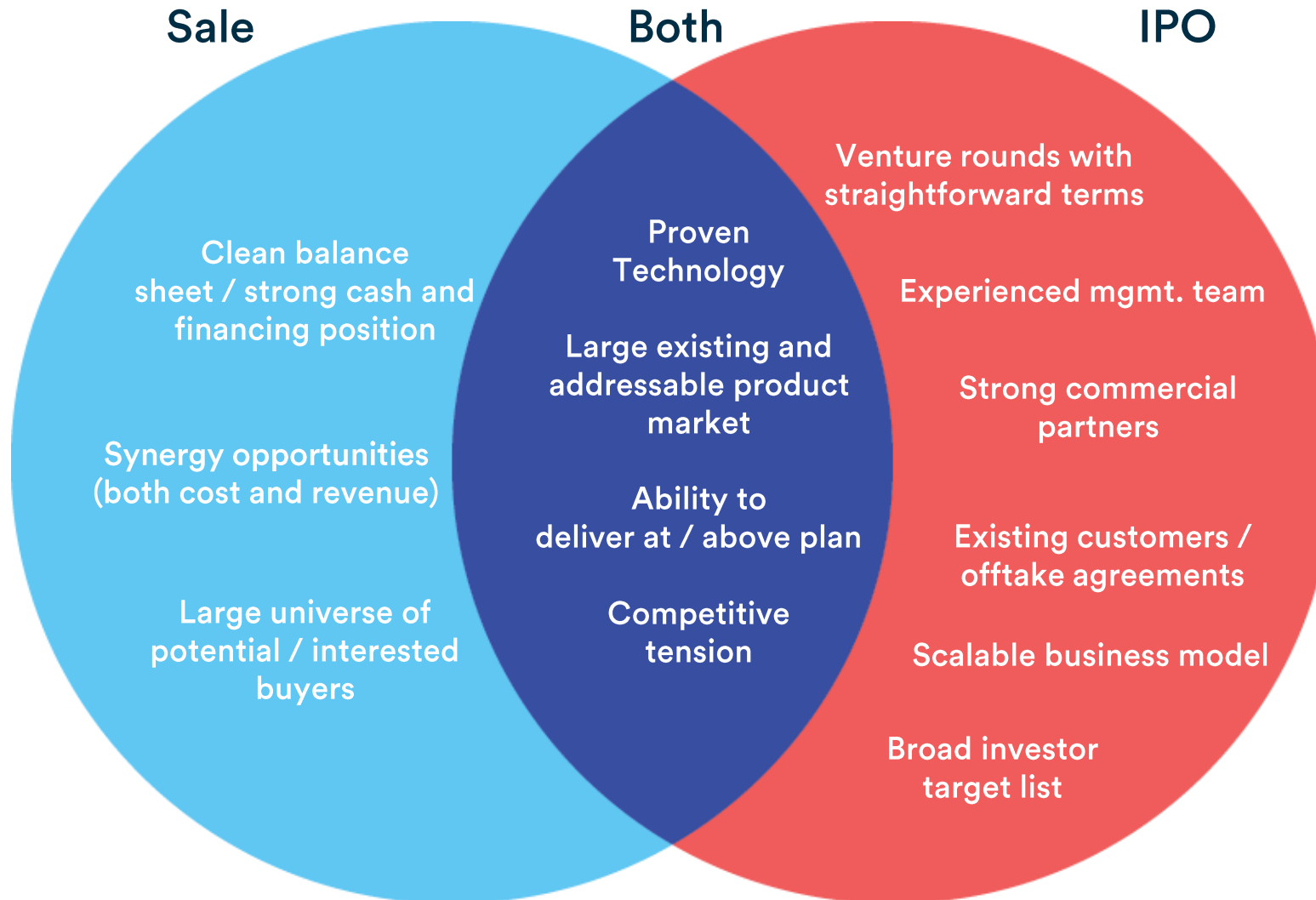
Exit Strategy



Exit Options



Exit Options

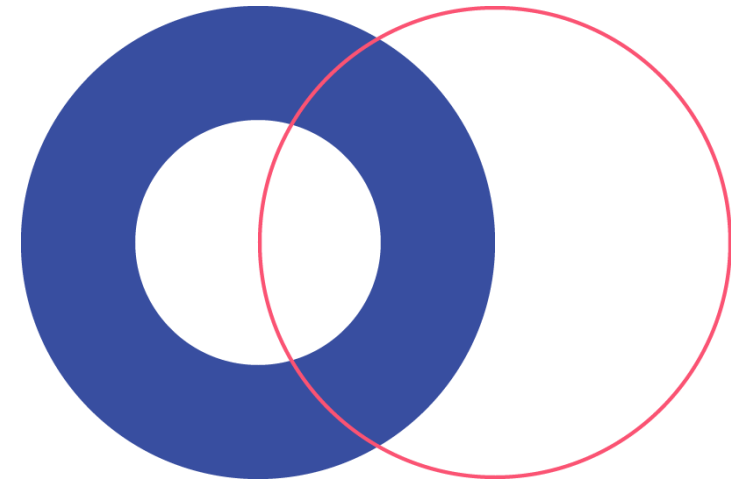


Questions & Answers



Some Practical Advice

- + Get the right advice
- + Get investor ready – remember who you are speaking to
- + Don't downplay your company or your ability... But be realistic
- + Its not just about the money - make sure the investor is aligned to you
- + Plan the funding journey
- + Negotiate





Some Practical Advice

- + Read the term sheet – all of it, not just the price. Control can be even more important
- + Make sure the legal contract reflects your understanding of the term sheet
- + Legal documents need to reflect the commercial reality – you own this, not your solicitor
- + If you don't understand it, don't sign it
- + Monitor the legal process
- + Everything takes longer than you think it will

Thank You

- + Here's the link to the series:
globalambition.ie/equity-matters-webinar-series/
- + If you want to register your interest for an equity masterclass please email: equitydept@enterprise-ireland.com
- + For more information on the supports mentioned: visit enterprise-ireland.com.