How to prepare your startup for acquisition in just 6 steps

PRESENTED BY
MICROACQUIRE

Finally – someone has offered to buy your startup.

You've been waiting years for this moment. You feel euphoric, excited. Dreams of life post-acquisition flash through your mind.

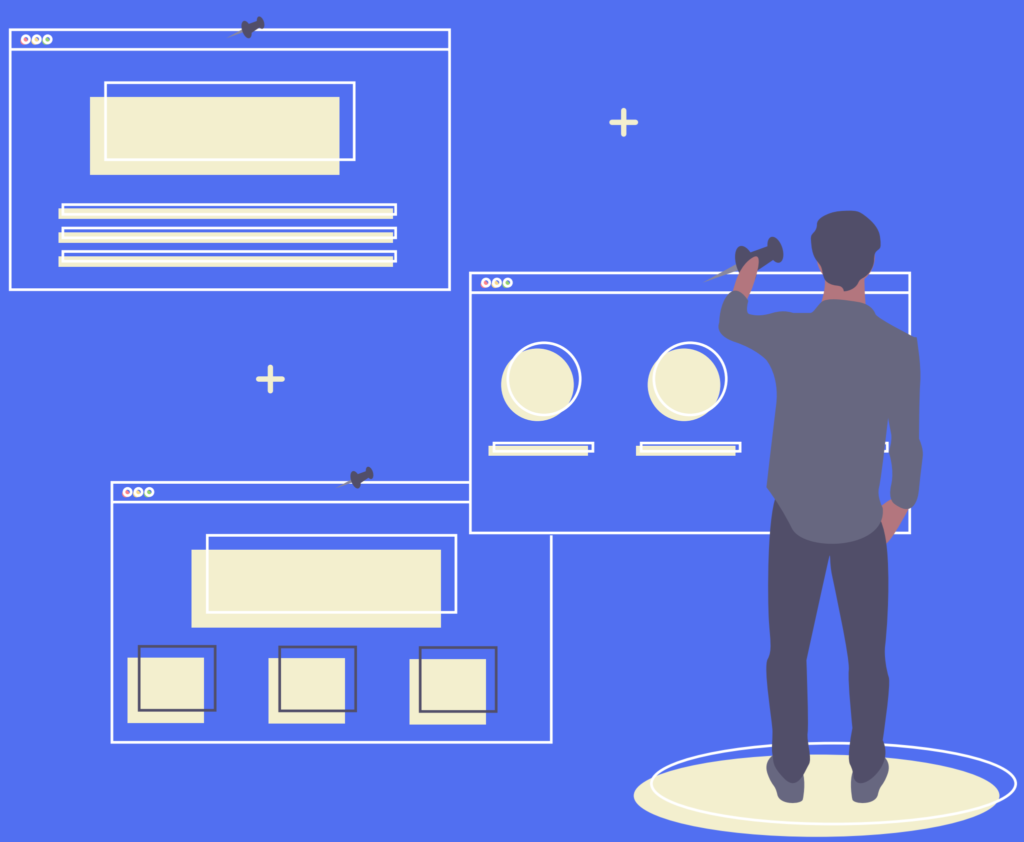
But then the nerves kick in.

How on earth will you prepare for this acquisition?

Because the hard work isn't quite over yet. If you fail to prepare, or do so badly, you could deter the buyer, hurt your valuation, and net yourself less money.

Then there's your team. Are they aligned to this new company? What can you do to make the transition easier for them?

I've been through the acquisition process several times, with two successful exits under my belt. So I'd like to share what I've learned. Hopefully, it'll give you a smooth ride to the finish line.



STEP #1 | Don't stop growing

Acquisition offers are just that. Offers. They're not set in stone until the very last moment. So yes, be excited. Yes, prepare well. But whatever happens, don't neglect the growth of your business. Stay the course. Keep to your targets. After all, it'll only improve your company's value, and you won't risk your startup stalling if the deal falls through.

STEP #2 | Do your homework

Acquisition stories are everywhere, good and bad, so learn from them. Avoid others' mistakes. Find out how the acquisition will affect you and your teams. Reach out to other entrepreneurs, particularly those in your industry who've sold businesses before. They'll have practical advice to navigate the process successfully.

STEP #3 | Get your records in order

The buyer is going to audit the hell out of you, so consult your accounting, legal, and HR departments and get your house in order, including all relevant paperwork. Discrepancies during due diligence can kill acquisitions, or at least, hurt your valuation. So if recordkeeping is your Achilles heel, get it fixed fast – your buyer will be looking for mistakes.

STEP #4 | Hire professionals

In fact, enlist some outside help for due diligence. While I'm sure your staff is competent, we've already established (in step 3) that mistakes can kill a sale. So hiring professionals with specialized knowledge of acquisitions and the necessary preparations can be a big help. Here are some to consider:

CPA FIRM:

A pre-sale financial audit gives the buyer independent, legal confirmation of the veracity of your records. This helps grease the wheels, so to speak, and will inspire confidence and trust.

VALUATION FIRM:

Unsurprisingly, the buyer wants to pay as little as possible. Get your business independently valued and you've got an accurate, fair number that will hold water under intense buyer scrutiny.

FINANCIAL/ACCOUNTING SERVICES:

Expect to prepare pro forma statements, financial schedules, expense accounts, revenue reports, and much more. The buyer may also ask for earnings predictions and forecasts to gain an understanding of cash flow, or even multi-year projections. Don't overwhelm your accounting staff (that leads to mistakes) – get some help.

LAW FIRM

A great firm will help your staff organize and standardize legal documents the buyer requests. It might also alleviate the stress of communicating with the buyer's own legal counsel.

While hiring outside support will cost you, their specialist skillsets leave little to chance. With a crack team of professionals behind you, you'll all but guarantee a successful acquisition.

STEP #5 | Communicate your expectations

You and the buyer have different goals. It's therefore important to weigh your own expectations against those of the buyer to avoid trouble. It's not just about the money – think about your life after the acquisition ends.

For example, you should be able to answer these questions:

- Are you staying on, and if so, what role and responsibilities will you have?
- Will you have any say in decisions?
- How will your product mesh with the buyer's offerings and strategies?
- Is this how you see your product being used?

If your expectations don't align with those of the buyer, you're jeopardizing your long-term happiness. Some founders regret selling for this very reason.

STEP #6 | Look for a culture fit

I'm sure you want the very best for your business and your employees, but it's easy to be suckered in by a great offer and neglect establishing the buyer is the right fit. Misaligned cultures cause painful transitions, so you need to understand the buyer's values, beliefs, and how their mission statement supports these. Are these ideas you and your team can stand behind?

Being acquired is a bit like selling a house. You want the best price and assurance the new owners will take good care of it. To do that, you need to keep it clean, fix anything broken or missing, and contract specialists to obtain independent valuations. You also need to vet your buyer to ensure a smooth transition for everyone involved. Follow the six steps above and you'll walk away with more money, fewer headaches, and an unassailable confidence you did the right thing.