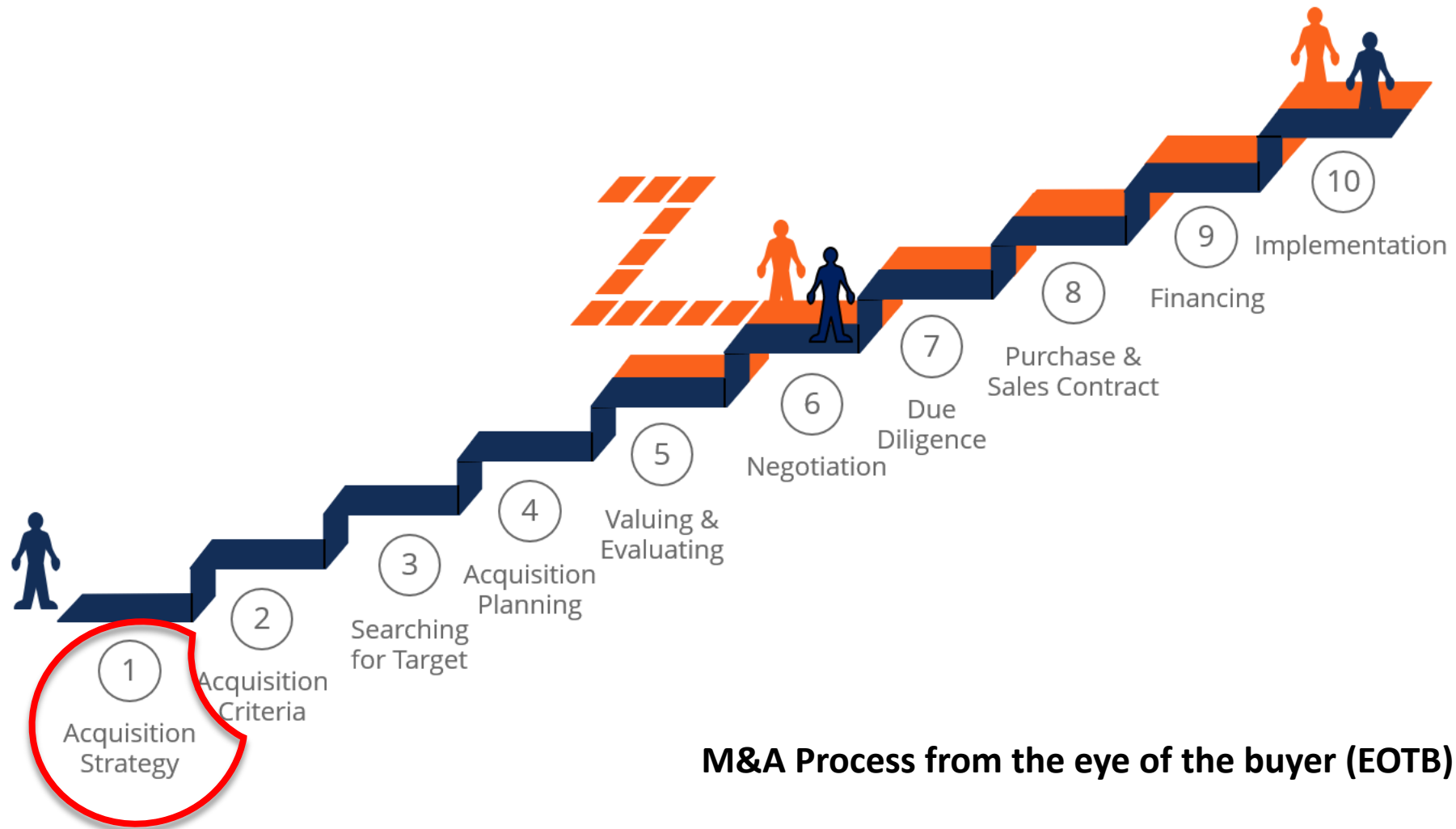


Exit Strategies for Startup Founders & CEOs

James Jimenez



How Startup Exits Happen



M&A Process from the eye of the buyer (EOTB)

Example: Healthcare Tech (\$100M)

► Key Criteria for Identifying / Prioritizing M&A Opportunities

1. A high quality product that improves the quality of information flow and engagement between payers, providers and/or consumers and could benefit from the scale of our platform and network of connections
2. A product that our existing customers / owners would want to consume and which ideally can be easily paired with our existing products
3. A proven "best in class" (or near-best-in-class for highly competitive sub-markets) solution which is appropriate for scale deployment
4. Upon full implementation / integration, makes [REDACTED] a more relevant and integral part of the modern U.S. healthcare ecosystem
5. Brings talent, subject matter expertise and technical competency. Has key employees with deep product knowledge and are experienced in product development.

The Key to Making the Shortlist

MN ST

M&A Themes & Funnel of Potential Targets

M&A theme	Phase I: Top of Funnel	Phase II: Active consideration / Early mgmt. discussion	Phase III: Beginning of process	Phase IV: Active process	Dismissed
Sector Consolidation					
Provider Data Management					
Medical Records/ Clinical Data Exchange					
Authn & Referrals					
Payments / Patient Revenue Management					
Platform depth					
Analytics/ Risk Adjustment/ VBR					
RCM / Hospital expansion					

The two buckets of M&A Pipelines by Revenue

	Micro (<\$1.0M)	Middle Market (\$1.0M+)
Players	<ul style="list-style-type: none">• Individuals• Partnerships (LLC's)• Slightly bigger competitor	<ul style="list-style-type: none">• Accredited Investors (\$1M+ net worth)• Strategic Buyers (2-3 deals/ year)• Private Equity
Valuation (Revenue)	1-2x	1-10x
Where they hear about it	<ul style="list-style-type: none">• Marketplaces• Business Brokers• FB Groups• Real Estate	<ul style="list-style-type: none">• "Fast Company" (Press)• Bankers• Corp Development• Partnerships
Industries	SaaS, Ecommerce, Main Street	Anything that's not Main Street (with exceptions)

Welcome to the Tango: Common Themes

Every buyer has an investment bias (or thesis) and the key to getting on the radar is to **show** them you have what they're looking for

The Cash Cow

The Bolt-on

Lazy Big Brother

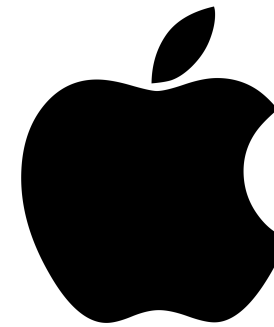
Hey, what you want,
Ooo baby I got.
What you need?
Ooo Do you know I got it?

– Aretha Franklin

The Cash Cow

Profile: “Metrics that are too good to pass up”

- Capturing market share with very little investment/effort. Followup.cc (SaaS) , Fidget Spinners (Ecom), Fortnite (Entertainment)
- The Rule of X
 - Revenue Growth 35% / 5% EBITDA (Software)
 - <10% revenue concentration (Agency)
 - 60% Gross Margin (Ecom)
- Cash balance is 5% or more of sales at all times



The Bolt-On

Profile: “Plug and Play” a feature gap, customer base, or process in the same market

- Significant traction (\$1M) of a feature set on BuyCo’s product /service roadmap or similar offering.
- Sharp management team as measured by previous industry experience, top brands, and chemistry with BuyCo
- Insanely specific focus on feature, customer base, process with a feedback system in place
- Missing key infrastructure like Sales, IT/Security, or vendor realtionships that Buyco can plug into their ecosystem



\$80M for ~\$1M ARR



A Army Navy Depot, Inc
25,000sq ft



1,000sq ft

Lazy Big Brother

Profile: Peer Consolidators, Legacy Businesses (agencies), or just Tech & Talent, New Segment Entry

- Technology (IP) and/or talent that has hit development milestones (Beta, V1..2..3). Any revenue is attractive, but not a requirement
- #4 placed competitor with similar economics, business model, and industry expertise with similar cultures.
- Pre-existing relationship via a partnerships, vendor network/associations, or supplier relationship.
- LargeCo is struggling to grow, has new management and/or investors.



Etiquette: Things that will derail any deal early on

- ✓ Little to no finance/accounting/HR systems
- ✓ Inexperienced (reactive) management team with bad communication
- ✓ Lack of dedication to the deal process (no intermediary or too slow)
- ✓ Excessive negative customer, employee, and vendor reviews
- ✓ “Shiny object syndrome” = chasing too many opportunities and not focusing on one
- ✓ Unrealistic valuations (20x revenue multiple)
- ✓ “Exiting” too soon mindset. No earnout expectations.

Finding Your Dance Partner

<\$1.0M

- Microacquire.com
- Flippa.com
- Bizbuysell.com
- Tworld.com
- Facebook Groups: “SaaS Growth Hacks”

\$1.0M+

- Axial.net
- Investment Banker (Regional)
- Facebook Groups: “SaaS Growth Hacks”
- Public Relations / “Lists of Lists”

Q&A

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