Selling Your High Tech Business: Top Ten Lies Sellers Tell Themselves
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June, 2002

There may indeed be beauty in truth-but there's also something elegant about how a few self-deceptions seem to recur whenever people approach the sale of their technology businesses. Often exacerbated by wishful thinking, greed or inexperience, these mistakes almost always stem from the principal's inability to view the selling process objectively.

1. "I'm better off going with the first offer. If I shop the deal, word will get out."
One of the realities of virtually any sale process is that word will almost always get out, one way or another. That's why sophisticated sellers tell their employees at the outset and give key people incentives to stay. Generally, the increased value from competing offers will greatly outweigh the cost of the retention incentives.

2. "I don't need an investment banker."
This is literally true, I suppose. You also don't need a car to go from Downers Grove to Uptown in Chicago, but try it with public transportation sometime. Time after time I see companies stumble as they try to sell themselves, only to create tremendous value when they finally hire an investment banker.

3. "There's no other buyer that is good for my company."
While there can be compelling synergies with a particular party, this statement is usually made about buyers who say they won't tinker with the existing business. This plays well to principals who feel duty-bound to employees to keep the business intact. Unfortunately, and even given the best intentions, what buyers say they will do and what ultimately happens can be two very different things.

4. "My company is very clean: I don't need to worry about due diligence."
This one always gives me a secret chuckle. Bankers have a similar line: "These projections are conservative." The truth is, in the vast majority of cases due diligence will uncover some problems. I recommend that people do their own due diligence investigation before the sale process. First-time sellers almost always ignore this advice; second-time sellers almost always follow it.

5. "An earn-out is the best way to bridge the gap between the seller and buyer."
An earn-out is a mechanism by which an additional purchase price is payable at a later date if the company performs to expectations-usually a revenue or earnings target. They sound nice, but it's rare for a company to stay the same after being purchased. With some incredibly lucrative exceptions, earn-outs almost never pay out.

6. "There's no investment money out there anymore; time to sell."
A lot of technology companies have learned a hard lesson: Make money. If you can't, buyers will be as scarce as investors.

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7. "The contract process is just for lawyers."
Every word in an acquisition agreement has economic impact. If it doesn't, it shouldn't be there. Read and understand it better than the buyer and I guarantee that you will not regret it.

8. "Once I sell, my worries are over."
Sorry, but no. Most acquisition agreements carry continuing exposure to the seller to back up the representations and warranties made to the buyer. This exposure can last anywhere from six months to many years, depending on how much leverage you have and how good your lawyer is at negotiating. If you are not careful during the contracting process, you will not make it to the end of the period, no matter how long or short it ends up being.

9. "I'm getting an employment contract, they must want me."
Well, they certainly want a non-compete from you, and they may even want you for a short while. However, most founders don't last very long after the deal closes. Be prepared to update your resume.

10. "No one will notice this problem."
Not only will they notice that problem but it will cost you money if you don't deal with it early in the process.

If you are unfamiliar with the sale process, surround yourself with experts who have an interest in your success and listen to what they have to say. The surest way to protect yourself is by telling the truth-to yourself, first and foremost.

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