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Tech Focused, Client Driven
Technology Investment Bank

Smart M&A Series from Bois Capital Issue 1

How to Maximize the M&A Valuation of Your Company

Many CEO's and Boards focus almost exclusively on the revenue growth of a company to maximize the M&A valuation. While revenue growth is absolutely critical, having a robust M&A process is equally so.

In this article we examine the M&A market and discuss the five guiding rules to maximize valuation of your company.

Create Strong Demand for Your Company with a Robust M&A Process

It almost goes without saying that to generate optimal valuation you need a robust M&A process shaking every tree and turning over every rock to find the ideal strategic bidder and creating a competitive action process.

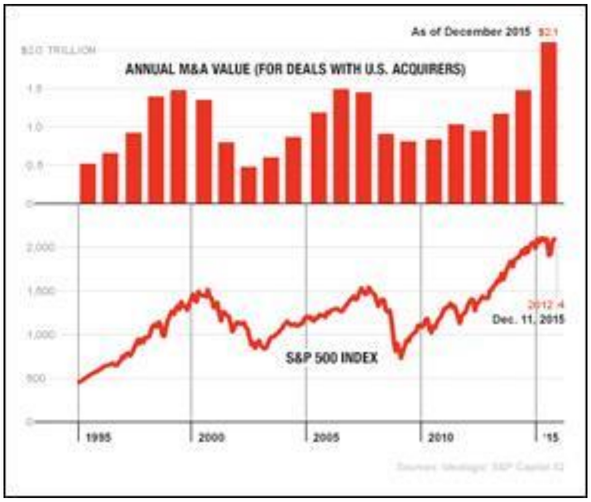
As way of example, Ben Boissevain, one of Bois Capital's Managing Partners, earlier in his career had a technology client who had been approached by a large public company. The CEO wanted 14x revenue for his company based on a single precedent transaction where a company sold at 14x revenue. it should be noted that the average of the precedent transactions for this product and sector at the time was 5x revenue.

In order to obtain 14x, Ben generated a robust M&A process by reaching out to numerous potential buyers and created a heated auction process. The buyer with the winning bid, a multibillion dollar **public** company with version 1.0 of this particular technology, was desperate to buy the client, who had version 2.0. The transaction ultimately closed at 14x revenue. If this tech company had negotiated only with the buyer that had initially approached the company and not generated heated competition in the M&A process, the valuation would have been substantially less. If you are approached, do not go down the road with just one buyer, but create intense competition to increase the valuation.

Search for Domestic and International Buyers to Maximize the Strategic Fit

At Bois Capital, we signed up a US client in the Intelligent Transportation Sector ("ITS") sector, which uses technology to maximize efficiency in transportation, e.g. how many buses to send to a stadium when the football game ends and how many trains to send to the train station when the buses arrive. We did a global search and found a billion dollar company in Spain that provides software for the ITS sector. The Spanish company was eager to acquire a company in the ITS sector in the US. The Spanish company was willing to pay a substantial premium compared to a US buyer given the excellent strategic fit and the Spanish company's willingness to pay a premium to enter the US market. Include both domestic and international companies in the search for a buyer to maximize the strategic fit and thus the valuation.

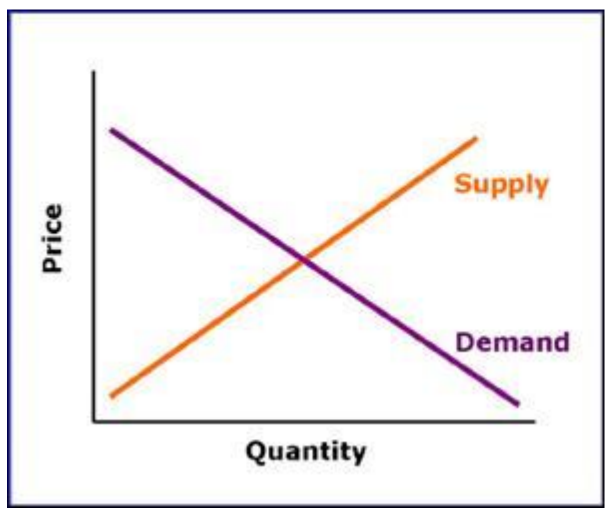
Sell Your Company in an Active M&A Cycle



It is important to understand that we are now in one of the most active M&A cycles in the history. I represented an Indian public company that was interested in acquiring a software company in the healthcare vertical. The year was 2007. The company received numerous offers and our client was selected to enter into an exclusive period with the company. The transaction closed for $330,000,000 in October 2007. Shortly thereafter, the housing crisis hit and the M&A market was in the doldrums for years. The seller knew that the strong M&A cycle would not last forever and chose the right time to sell to maximize the valuation. Sell in an active M&A cycle or be prepared to wait for years until the next active M&A cycle occurs.

Do not be the Last of Your Private Direct Competitors to Sell

At Bois Capital, we represented a Swiss mobile analytics company on its sale to Gemalto, a billion dollar public Dutch company. Given our knowledge of the sector, we were hired by another mobile analytics company in Europe. We generated several significant offers, but the Board decided not accept the offers, as is their prerogative. The CEO showed the board an over optimistic revenue projection for the next several years. The Board determined that if the company sold in 2018 with higher revenue at the same revenue multiple, the valuation would be higher. What this analysis does not factor in is the M&A cycle of a company and its closest competitors. If a company has five competitors in its specific subsector, the first competitor to sell typically receives the highest valuation and the fifth competitor to sell receives the lowest valuation. This is a simple case of supply and demand in the M&A market. The fifth company has less buyers to sell to and will now be competing with the large public companies that have acquired its competitors. Monitor your direct competitors closely and do not be the last company to sell.



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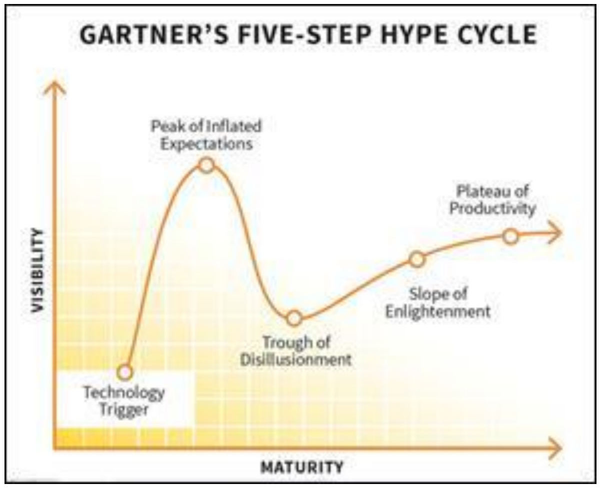
Sell Your Company at the Peak of the Hype Cycle

At Bois Capital, we represented a client with a messaging app that included video and chat. The messaging app sector was at the peak of the hype cycle, with many public companies eager to acquire a private company that competed with Snapchat. Despite the fact that AOL was in the middle of being acquired by Verizon, AOL acquired our messaging client at a substantial valuation in order to compete with Snapchat. If your company does not sell at the peak of the hype cycle, you need to be prepared to wait for years to sell and compete with the large public companies that have bought direct competitors or have developed their own competing technology.



In addition to revenue growth, it is critical to create a robust M&A process, include international buyers, sell in an active M&A market, not be the last of your direct competitors to sell, and sell at the peak of the hype cycle in order to maximize the M&A valuation of your company.

About Bois Capital

Bois Capital is an independent investment bank focused exclusively on the technology sector. The Managing Partners have extensive corporate finance experience combined with a deep understanding of technology.

The Managing Partners have worked on major corporate finance transactions and developed technology products, invested in technology companies and led divisions of billion dollar public technology companies.

The team has extensive corporate finance experience at:

WHITE & CASE ERSTE BANK BARCLAYS

AGILE EQUITY Bank of America

The team has 50 years of combined experience in developing products, marketing technology products and investing in technology companies at:

Alcatel·Lucent Bell Labs QUALCOMM ERICSSON

SoftBank RADVISION Delivering the Visual Experience

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This extensive technology experience enables Bois Capital to understand a client's technology at a deep level, articulate the strategic technological fit with strategic acquirers and find strategic acquirers that might not be obvious.

Bois Capital works internationally, sourcing acquirers from Asia, Europe and North America and leveraging its extensive global network of senior executives.

Bois Capital provides financial advice on significant mergers, acquisitions, spinoffs, as well as financings for private companies. Bois Capital has an excellent track record of closed transactions. We close transactions expeditiously.

Bois Capital provides technology sector specialization, international senior level connections and a Managing Partner leading each transaction on a day-to-day basis. Bois Capital acts for its clients located throughout the world from its offices in New York City and Newport Beach.

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