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# Come rain or shine

Commercial solutions for corporate lives

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# **Making Yourself Attractive to Technology Investors**

Technology Breakfast Briefing, 29<sup>th</sup> March 2012

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Tony Kypreos, Springboard.com

# Introduction

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- A Seller's perspective
- Standing in the shoes of a potential Buyer
- Practical steps to be taken now

# Housekeeping

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- Contracts with customers and suppliers
- Employees
- Business Plan

# More Housekeeping

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- Company secretarial
- Accounts
- Insurance
- Data protection registration
- Settle minor litigation

# Intellectual Property

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- We own it
- We don't own it
- We're not sure who owns it....
- Protecting it
- Breaching someone else's

# Restrictions and Consents

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- Contracts
- Shareholders
- Lenders
- Landlords
- Regulatory

# Planning the Sale Process

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- Picking your team – internal and external
- Key deal points
- Confidentiality – letter of intent/ heads of agreement
- Any pre-sale re-organisation



# Due Diligence

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- Anticipating the questionnaire
- Analysing problem areas, eg developed software
- Information Memorandum/ Expert Report

# Expect the Unexpected

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You can't plan for everything....

# Approaches to gaining venture investment (without undermining your venture in the process!)

**springboard();**

Tony Kypreos  
London  
29 March 2012

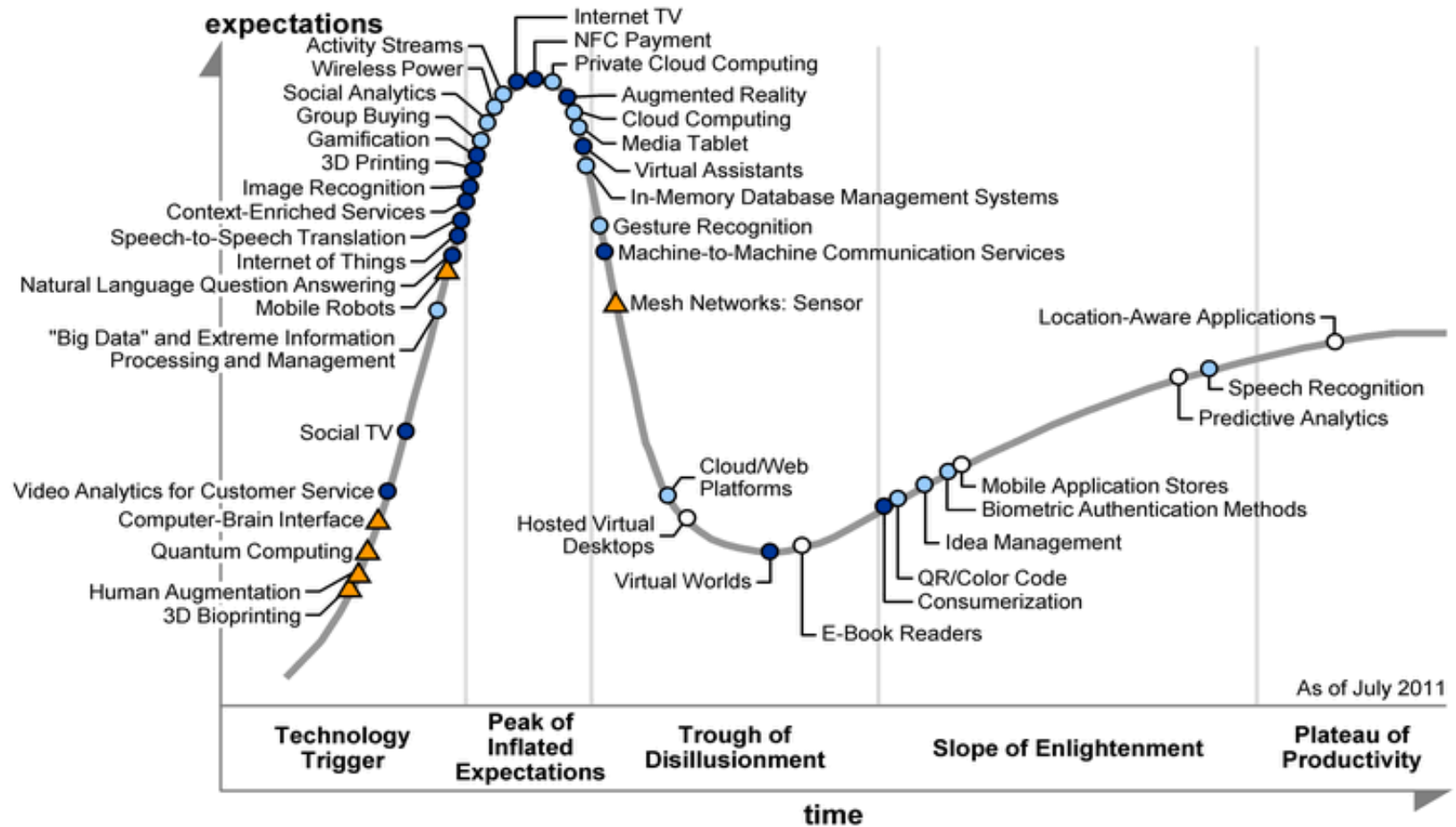
By invitation  
Kingsley Napley

# springboard();

1. 12 direct investments & Advisory Boards (USA & Europe)
  - \* Algorithmic Publishing – Lingospot Inc.
  - \* Mobile Engagement – ScreenReach Ltd
  - \* Nanotechnology – P2i Labs
  - \* 9 other investments through [www.springboard.com](http://www.springboard.com)
2. Co-Founder & Investor of Venture Accelerator [www.springboard.com](http://www.springboard.com) (Cambridge University, NESTA)
3. Founder/CEO venture – communication device / platform
  - \* Fastest growing, underserved segment in TMT
  - \* Communication, engagement, wellbeing
  - \* Lifetime Communication Ltd (Angel round June 2012)

# Discussion Topics

1. Questions?
2. How do you **position** a **growth-stage** tech company to be **valuable** to potential **investors**?
3. The end-game
  - Achieving a successful exit
  - Case studies
4. Discussion



- \* Are you “growth-stage”?
- \* Means different things for different types of investors and industry sector
- \* In TMT sectors:
  - \* Technology feasibility has been proven
  - \* Customer and Product viability (business model) validated
  - \* The upside commercialization is beginning to take off (but not yet fully exploited)
  - \* Growth capital to build up operations, expansion

# Angel Investors

- Own money / syndicated
- Business experts
- Growing in UK (EIS, SEIS, Angel co-Fund)
- Leverage business credibility & expertise
- Want a liquidity event (maybe exit Series B)



# Venture Capital

- Venture capitalists (manage LP's money)
- Looking for strategic sale (x10)
- Do your partner research
- Term sheets (preference shares, warrants etc.)
- Understand the fund status
- Understand the portfolio
- Be in strong position (don't chase them)

# Corporate development

- Understand the players & adjacencies
- History & background of investments
- Financial or strategic
- Don't jeopardise your exit

# Achieving a “successful” exit

# M&A Exit Case Studies

① Apertio exit to NSN (T-Ventures investment)

② PlayFish exit to Electronic Arts

❑ Different sectors Telco, Social Gaming

❑ Both UK companies

# Corporate Venturing

- Apertio – T-Ventures investment
- Exit 3/2008 to NSN \$205m
- Core Networking Infrastructure Provider

# Apertio exit

- Apertio delivers a single, open, subscriber-centric architecture for current and new generation operators.
- Address a significant industry problem
  - Reduces “silos” of user information in Telco operators (mobile & fixed) – big issue
- What really happened?
  - Be a “pain” to big incumbents – customers demanded the service from the big players
  - Be well funded - control of own destiny did not need to sell
  - Have alternatives - Competitive tension NSN, Ericsson & Nortel (and IPO)

# Rapid value creation

- Playfish is a social network gaming company with innovative, award-winning and category-defining games.
- Over 60 million unique players per month
- \$3m seed investment in 2007
- \$18m series A (9 months) – Index & Accel
- Sold to EA 2009 \$245m – within 2 years (+ earn out)

# 20 x Exit in 2 years!

## Learning from Kristian Segerstrale Co-Founder

- Dare to dream big enough
  - Technology disruptor – internet, mobile, social media (Dinosaur slayer!)
  - Widen your addressable market - to take on \$50B game industry
  - Challenge the buyer – how will you help me build this into a Billion \$ company?
- Product is less valuable than the community (D2C)
  - Product engaged 60 million unique players every month
- Building strong cultures creates resilience



# “In control factors”

1. Large & growing market (not small & shrinking!)
  - your CEO needs to convince the buyer
2. Be best in class (technology, operations, customers)
  - Understand competitive set and why you are better
3. Attractive business model (some examples)
  - Cash efficient (hosted, no sales force req'd, no admin, no physical goods)
  - Services not product (no warehousing, no staff, shipping or logistics)
  - Very scalable (no “x deals per staff” ramp up required)

# “In control factors”

4. Demonstrable opportunity to drive top-line growth
  - Revenue growth / validate this
  
5. *Effective* management team
  - Not necessarily the best but works effectively for results
  - The right CEO (often not the founder by this stage)
  
6. Unexplained strategic relevance to the buyer
  - Let the buyer discover something for themselves (set-it up let them discover it)
  
7. “Optionality”
  - Competitive tensions – never have 1 or even 2 investors / buyers

# Key success factors

1. Sell what the buyer wants to buy
  - Not your own ambition and vision
  - Understand the buyer language and where they need to go
  - Show you can continue without them and get bigger / better
2. TIMING is crucial – understand cycles / tensions
  - Be aware of when strategic buyer is in the market e.g. Mobile Advertising (Google Admob, Apple Quattro), Social Gaming (EA Playfish, Disney Playdom)

*But most important of all... ..*

### 3. Educating the buyer community

- Participate, know who your potential buyers are.
- Buyers want to buy companies that are **not** for sale!
- Understand that large companies have lengthy processes and stakeholder committees
- To get the highest price the buyer must be comfortable with the business and the people in it

# Know your Global Eco-System

- Where's the Talent
- Knowledgeable and competent Non-executives and Advisory Groups.
- VC investors (Angels, VCs, corporates)
- Industry Associations
- Standards Bodies
- Professionals that understand your needs
- Sensible Cost Bases

# Further reading

Selling Your Technology Company for Maximum Value – Rupert Cook

Raising Venture Capital for the Serious Entrepreneur – Dermot Berkery

# Questions

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