CRAFTING
THE PERFECT EXIT,
SELLING YOUR
BUSINESS,
AND EVERYTHING ELSE
ENTREPRENEURS
NEED TO KNOW

SELLING YOUR STARTUP

ALEJANDRO CREMADES

FOREWORD BY **BHAVIN TURAKHIA**

WILEY

Praise for *Selling Your Startup*

"Don't sell your business until you've read this book. *Selling Your Startup* is an essential resource founders have needed for a long time. The world is awash with advice on *how* to *start* a business, but Cremades shares practical wisdom on how to play the end game."

—Will Glaser, Cofounder
Sold Pandora to SiriusXM for $3.5 billion

"If you thought product market fit, fundraising, and scaling your startup were challenging, M&A will make those efforts look simple. Alejandro perfectly balances both the science and art of M&A from the sell side for entrepreneurs in this book, bringing clarity to what can feel like an extremely complex process. If you're a founder or entrepreneur, add this to your must-read list."

—Reggie Aggarwal, Cofounder
Sold Cvent to Vista Equity Partners for $1.65 billion

"Securing the right acquirer for your business, on the right terms, makes all of the difference in your vision being realized, or it being stolen and crushed. Use this resource to get clarity on your ideal target buyers and optimize the terms for lasting success."

—Kevin O'Connor, Cofounder
Sold DoubleClick to Hellman & Friedman for $1.1 billion

"The multiples your investment in reading this book can deliver are off the charts. Beyond the difference in financial outcome it may have, it could make all the difference in what happens to your company and customers next, and the opportunities you will have as an exiting founder."

—Duke Rohlen, Cofounder
Sold FoxHollow Technologies to Ev3 for $780 million

"I know of countless startups who could have benefited from the advice that Alejandro has collated here. I'm happy that this book now exists, so I can recommend it in the future to companies going through the stressful and often uncertain M&A process."

—Jack Smith, Cofounder
Sold Vungle to Blackstone for $750 million

"This is an essential guide for all founders. From surviving due diligence to maximizing price and terms, to getting through the emotional roller coaster, not killing your own deal, and setting up a great new chapter in your life, put this book on top of your reading list."

—Sandeep Akkaraju, CEO
Sold IntelliSense to Corning for $750 million

"I've cofounded and sold a number of companies in my career in the tech industry. It's always important to have great advice and counsel as you make these key transformative decisions. Alejandro's insight will help you develop better strategy and tactics to ace this pivotal part of the journey and get the most out of the opportunities and companies you create."

—Drew Perkins, Cofounder
Sold Lightera Networks to Ciena for $550 million

"You've put so much into starting a company you owe it to yourself to make sure the outcome is worth it. This book will help you make the most of your exit, no matter what the circumstances of selling your business are. From now on, I'll be recommending *Selling Your Startup* to every entrepreneur I meet."

—Will Herman, Cofounder
Sold ViewLogic to Synopsys for $497 million

"As you build your company and the various critical aspects—fundraising, which investors, culture, product market fit, and scale—put thought into what a successful exit looks like, as this does influence your success. This book will provide you information that can help you in your startup journey."

—Sujai Hajela, Cofounder
Sold Mist Systems to Juniper Networks for $405 million

"Once again Alejandro Cremades brings an incredible amount of much-needed knowledge to the startup community with this work of literature. This book is extremely useful to all companies and contains viable information that can set the stage for a successful M&A. No entrepreneur should be entertaining acquisition offers or even running a fundraising process until they've read this book."

—Lior Elazary, Cofounder
Sold EdgeCast to Verizon for $400 million

"*Selling Your Startup* is a must-read for all founders of funded startups. It is a credible resource that will help prepare entrepreneurs to skillfully navigate this often precarious part of the business cycle."

—Milind Mehere, Cofounder
Sold Yodle to Web.com for $340 million

"While every M&A situation is unique, many fundamentals are universally applicable. In *Selling Your Startup,* Alejandro Cremades breaks an often complex process down to the basics in a way that's both accessible and logical. Whether you're new to the world of M&A or simply looking to refresh your knowledge, this book is an invaluable read."

—Jeffrey Glass, Cofounder
Sold m-Qube to VeriSign for $250 million

"All great projects and startups begin with the end in mind. If your venture is a success, an exit is most definitely in your future. *Selling Your Startup* is a fantastic resource that the startup community has needed for a long time."

—Craig Walker, Cofounder
Sold GrandCentral to Google for $100 million

"Selling a startup is the most important decision in the life of an entrepreneur. I wish we had a book like this when we were in the process of selling our company."

—Ander Michelena, Cofounder
Sold Ticketbis to eBay for $190 million

"A startup is a very hard journey for any soul on this planet. Very very few startups get to IPOs and most need to get to a solid exit. Alejandro is demystifying the exit by giving everyone a cheat sheet to get the most from their hardships."

—Ramu Sunkara, Cofounder
Sold Qik to Skype for $150 million

"If you have done it right, so much time, energy, sweat, tears, and sacrifice go into creating and building a startup, so it's a tragedy when the outcome falls so far short of its potential because founders simply aren't prepared for this phase. This book finally turns the tables in favor of founders. No matter where you are in your startup, read this and know Alejandro has your back."

—Dane Madsen, Cofounder
Sold YellowPages for $100 million

"It's what you don't know that really hurts you in business. Until now, startup founders have been at an extreme disadvantage without access to this information. You owe it to yourself, your team, your investors, and customers to get equipped with this knowledge."

—Iñaki Berenguer, Cofounder
Sold Pixable to SingTel for $26 million and CoverWallet to Aon for an undisclosed amount

"A lot has been written about how to build and scale startups, but not about the process of selling them. Alejandro has compiled the collective wisdom of hundreds of the top founders with big exits and brings it altogether in this really one-of-a-kind book that is of immense value if you are ever going through this process."

—Luis Sanz, Cofounder
Sold Olapic to Monotype for $130 million

"*Selling Your Startup* is a must-read for the entrepreneur who needs to know the ins and outs of selling your business in the shark-infested waters of M&A. Alejandro's book provides you with the knowledge and insight you need to ensure you make the right decisions and optimize your opportunity. The emotional ups and downs of the process can be overwhelming so the key is to understand all your options throughout the process and plan your responses in advance so logic will prevail rather than the emotion of the moment."

—Allan Hahn, Founder
Sold multiple companies for $1 billion+

"Startup founders suffer from a basic disadvantage when selling their startups. For most, it is the first time they're going through that process, while everyone else involved (corporate buyers, investors, lawyers) have repeated experience at the art of M&A. With this book, Alejandro is tipping back the scale and demystifying this process in a clear, down-to-earth, and detailed language. Highly recommended reading for startup founders and execs."

—Eran Shir, Cofounder
Sold Dapper to Yahoo for $55 million

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To my love and life partner, Tanya, and my daughters,
Mila, Liv, and Alya, the greatest joys of my life.

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I would also like to thank my little daughters, Mila, Liv, and Alya. At the time of writing this book, Mila was four years old and Liv and Alya were three years old. Even though they wanted to play at all times, they were very understanding when Daddy needed to work. Girls, if you ever read this, know that seeing you grow into intelligent, strong, and compassionate young women has been the best part of my life and a great motivation. More than anyone else, you are the people that I want to make proud of me.

Thank you to my father, Bernardo Cremades, my mother, Leticia Roman, and my brother, Bernardo Cremades Jr. They have always been rooting for me no matter what since the very early beginnings of my entrepreneurial journey. They have been constantly reliable and picked up the phone whenever I would call them even if it was 1:00 in the morning.

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I would also like to thank all the people who have been involved with my prior ventures: investors, advisors, employees, and customers. Most of my knowledge about acquisitions comes as a result of working closely with you.

Last but not least, I want to offer my thanks to all of my readers. I appreciate the faith you are placing in me by reading my book, and I hope my experience and insights will help you forge your best path forward on your journey of selling your startup.

Thank you all. I am very fortunate to have you in my life.

Foreword
by Bhavin Turakhia

I believe it is our moral obligation to make an impact that is proportionate to our potential.

I have always had a passion for reading books and credit a lot to this habit inculcated into me during my early childhood. Reading enables you to shape your life from the wisdom and experiences of others. Stand on the shoulders of giants.

Growing up, I was a quintessential nerd—with a penchant for math and physics and a natural affinity for writing code from the age of 10. I was fortunate to find my passion early on and spent every spare moment in the computer room, when PCs were monochrome terminals with MS-DOS and 5¼-inch floppy drives. I devoured biographies with fervor and learnt much from the success and failures of Intel, Apple, Microsoft, Oracle, and countless others. It was clear to me then—I wanted to start my own company in this revolutionary new world.

Seven years later, I was raring to go, and along with my younger brother Div and $300 of borrowed capital from Dad, we started our first company—Directi—a web presence provider and domain name registrar.

Fourteen years later, we were number four worldwide, with 10 million domain names, a network of over 50,000 global resellers, and $70 million in revenues. Hari, then CEO of Endurance International and now a close family friend, approached us with an offer to buy Directi and I still remember to this day being very conflicted about it. However after six months of them courting us, and several deep strategic discussions, it made sense and we sold the company for $160 million—our first exit.

Div, my brother, had already independently started Media.net, which he then grew into a $900 million exit. And I had turned my attention to Radix (currently the number one new gTLD registry) and Flock (now Nova—competing with G Suite and Office and providing collaboration and productivity software to global users). Finally in 2015, I cofounded Zeta with Ramki Gaddipati—with a mission to make payments invisible and reimagine banking

I have never started any company with the goal of selling it. My startups were born out of my passions. I believe "frustration is the genesis of entrepreneurship"—and when entrepreneurs see something they would like to change, they go ahead and effectuate that change. If you are reading this book, perhaps you have already launched and built your own company or are in the process of starting up. As a successful business, however, most founders will receive one or more (bittersweet) opportunities to sell their company.

There are a countless number of books on starting up, running, and growing successful businesses. However, most of the material available on M&A comprises glorified media stories, and not much quality content has been published on this critical milestone of a startup's exit (pardon the oxymoron). There certainly wasn't anything like this when I was deliberating over my exit option.

I have bootstrapped or self-funded my entrepreneurial pursuits, and I have been in the fortuitous position of not having to raise capital for most of my past companies. If I had, however—Alejandro's book *The Art of Startup Fundraising* would have been my trusted guide.

With this new book, *Selling Your Startup*, Alejandro makes a great contribution to the startup community by addressing the less commonly covered subject of navigating the other end of the startup lifecycle intelligently. Understanding this process can enable you to meaningfully harvest years of hard work.

Whether you are a later stage startup receiving inbound offers or are encountering tough times and contemplating a distress sale, this book will help you build your business with the end in mind. It will help you master the art of the exit. If you foresee one in the near term, then this book will serve as your field guide.

It will walk you through strategies, preparation, paperwork, and processes. It will help you with a decision framework for your next chapter after. After monumental sacrifices, it is a travesty to see founders and teams end up with unfair outcomes during M&A processes. If you want your mission, team, and consumers to continue to flourish beyond an exit, and maximize the outcome for everyone in a win-win manner, then it's time to turn to the next page . . .

—Bhavin Turakhia
Founder
Zeta, Flock, Radix, CodeChef, Directi

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1

Seeding What Would Grow into Panthera Advisors

I first dipped my toes into the acquisition world while running my previous company, Onevest, which was backed by 14 different venture capital firms.

Building Onevest was a wild ride—full of terrible lows and exceptionally steep highs—but it became one of the largest communities of entrepreneurs, supporting over 500,000 founders in 234 countries.

Onevest and its portfolio of companies provided services such as cofounder matching, accelerator programs, a vibrant Q&A discussion board, key workshops on everything related to building and scaling businesses, and a platform where investors could meet and invest in startups.

It was a dynamic and deeply loyal community.

Accelerated Growth through Acquisitions

On the journey of building and scaling Onevest, part of its growth was organic, which we absolutely lucked out on, but the other part of its growth was attained through acquiring major competitors in the space.

In total, we acquired three of our direct competitors, which was bold and certainly risky, but it turned out to be a strategic move in the end. Two of those transactions, CoFoundersLab and Founder-Dating, were purchased in the millions of dollars and were a bit complex, given all the stakeholders who had a hand in the pot.

In one of those deals, we inherited investors who were not very sophisticated in these sorts of deals. A ton of back-and-forth negotiating ultimately shot the billable lawyer hours through the roof.

As newbie investors, they would either get stuck on standard terms or they would request things different from what was generally accepted in the market. That proved to be a painful but valuable lesson I will never forget. This specific experience is the reason I typically warn entrepreneurs to stay clear of non-sophisticated investors.

These kinds of investors can literally blow up a good deal, or at least significantly complicate things. Believe me, it can be frustrating and complete nonsense when you experience it firsthand. It's almost as if someone is throwing stones at their own glass house—but what can you do?

Yet those specific deals each came with important lessons that really helped me to understand how startup acquisitions work from an operator's perspective.

Acquisitions, to my surprise, were one hundred times harder than rounds of financing. And there's dealing with all types of emotions and egos, so mastering psychology is key.

Inbound Interest and a Path Forward

About eight years into building the business, Onevest started to receive inbound interest from companies that were drawn to our distribution capabilities, data, subscription structure, and access to the venture world.

The offers to buy the company couldn't have come at a better time. I had spent nearly a decade building Onevest with my wife, Tanya Prive, and at that time, she was pregnant with our second and third child (yes, identical twins!). But we soon found out the pregnancy held other surprises for us.

At six months, Tanya was diagnosed with twin-to-twin transfusion syndrome, a rare condition affecting the placenta in identical twin pregnancies where blood is transfused disproportionately from one twin (donor) to the other (recipient), causing the donor to have decreased blood volume and the recipient to be overloaded with blood, which often results in the death of one or both babies. With that diagnosis, Tanya was rushed into the hospital for an emergency C-section.

Our twin daughters were born at 28 weeks gestation, weighing in at 2.4 pounds and 1.7 pounds, respectively, which catapulted us into weeks, and then months, where our baby girls fought for their lives in the hospital. After 129 and 180 days, respectively, at the neonatal intensive care unit (NICU) at Mount Sinai in New York City's Upper East Side, they were finally discharged and able to come home. Our lives had changed, and I knew that stepping back from the daily grind was the right thing to do for myself and Tanya.

Before our girls came home, our four-month-old daughter, Alya, had to undergo heart surgery. As she was wheeled into the operating room, I was preparing the agenda for a board meeting on the four acquisition offers the company had received. I wanted to be near my daughter that day, but the offers left us no choice.

One of the acquisition offers had a 24-hour expiration date. It was December 19 and the members on our board were about to check out for their holiday vacations. It was literally the only time we could get everyone together.

I was a wreck thinking about all the things that could potentially go wrong with Alya's surgery, but I had to sidebar my thoughts to get our board aligned. We unanimously agreed that pursuing an acquisition was in the best interest of our stakeholders. But how did