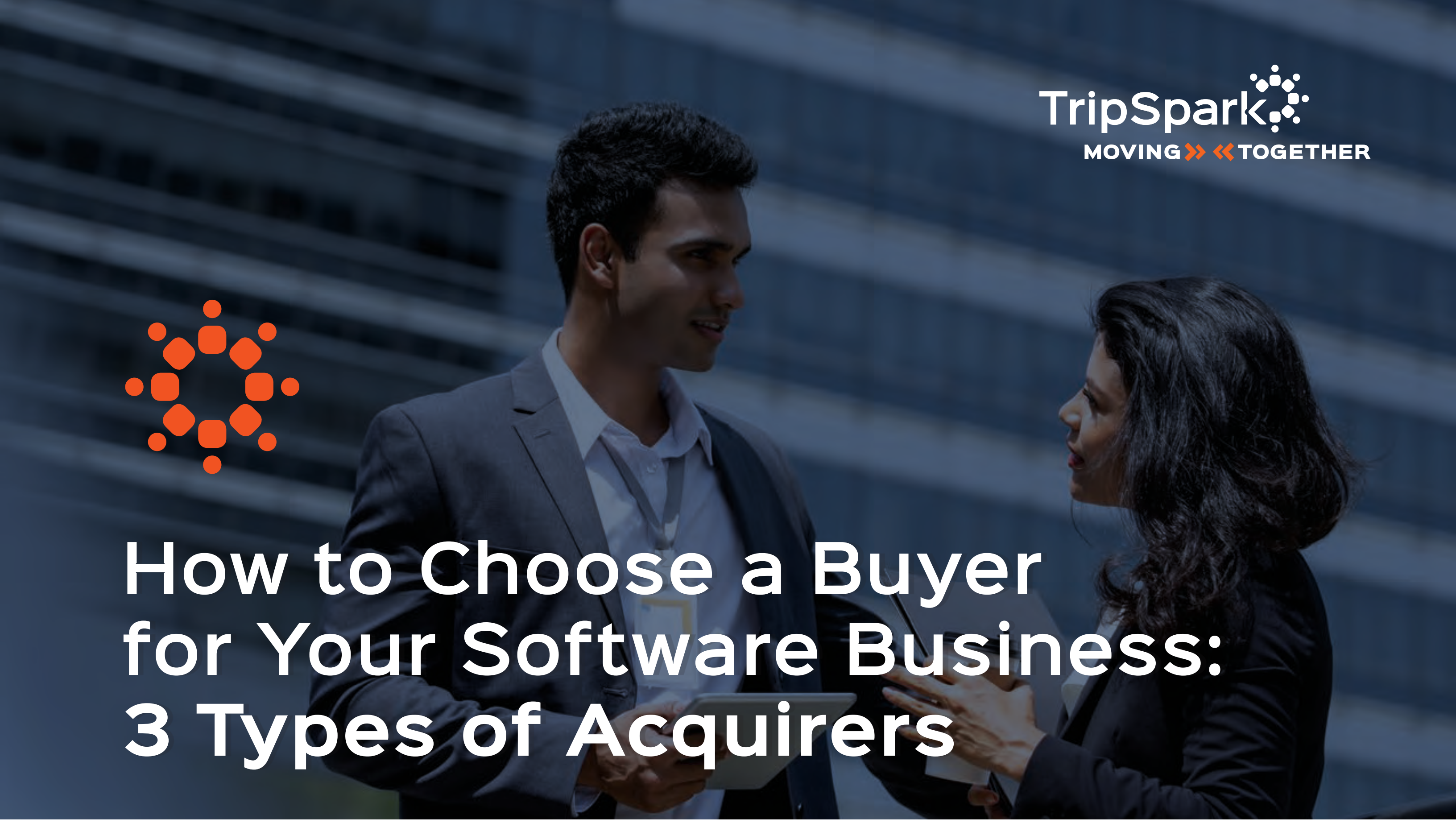


How to Choose a Buyer for Your Software Business: 3 Types of Acquirers

While it is flattering for software business founders to be approached by potential acquirers, it is important to note that not all buyers are made equal. Engaging the 'right type' of acquirer can be the difference between long-term sustainability, and the disintegration of what you've worked hard for, and built over the years, if not decades.

The right buyer for your business will be the one whose goals are aligned with your own. Whether that is to maximize your sale price, or to keep your business intact, each type of acquirer has their own value proposition.

TYPES OF ACQUIRERS

Private Equity Firms

PE firms are experienced with handling acquisitions, and are typically well-funded, which facilitates a relatively quick and smooth transaction. However, PE firms tend to operate with a short-term lens of no longer than 3 to 5 years, often loading their portfolio businesses with debt before flipping them to another buyer.

Strategic Acquirers

Strategic acquirers typically fall into two categories:

Corporations that wish to diversify their product portfolio will often look for new markets to enter. Over the years, we have seen manufacturing or service-based businesses acquire software vendors that sell into the acquirers' industry. These acquirers typically offer a premium on the businesses they decide to buy, but often lack the expertise to carry the business forward. As such, the acquired businesses frequently experience significant value destruction before the business is re-sold to another, hopefully competent and financially committed, buyer.

Companies in adjacent industries may look to expand their product suite through acquisition, rather than building the product themselves. Considering how the products will integrate with each

other to achieve greater share of wallet and being able to leverage the customer list of both organizations is paramount to success.

Direct Competitors

Competitors as acquirers will enable greater industry consolidation, economies of scale, and market dominance. However, there are often dangers associated with mergers, including a lack of job security for employees, cost of rebranding, and difficulty merging competitive product suites. Moreover, if the purchaser is significantly larger, the danger is that they are only acquiring the business for its customer list and will dismantle the acquired company post-acquisition.

A FOURTH TYPE OF ACQUIRER

At TripSpark, we don't fit neatly into any of the four categories above. Like private equity firms, we are experienced in handling the due diligence and acquisition process. However, we are different in that we keep our businesses permanently; we buy and hold forever. We are therefore focused on positioning the business for sustainable growth. Like strategic acquirers, we are constantly looking to enter new vertical markets; but unlike other strategic acquirers, we often keep existing management and employees on board to run the business as they are the experts in their field.

Choosing a Buyer

Ultimately, choosing a buyer is all about fit. At TripSpark, we pride ourselves in our ability to offer stability and a long-term home to our portfolio businesses. Many of the founders and business owners that we speak to credit our buy-and-hold mentality as the reason they chose TripSpark over other types of acquirers.

If this acquisition philosophy is aligned with your goals and vision for your business, then TripSpark may be the right acquirer for your company.

THREE TYPES OF ACQUIRERS

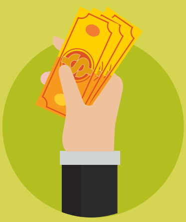
PROS	VS	CONS

1. PRIVATE EQUITY FIRMS

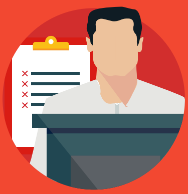
Experienced with handling acquisitions

Flip businesses quickly

2. STRATEGIC ACQUIRERS

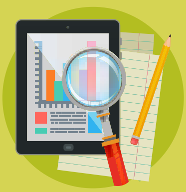


They offer a premium purchase price

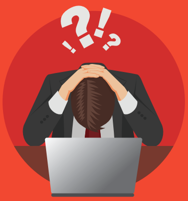


Lack expertise in carrying the business forward

3. DIRECT COMPETITORS



Enable industry consolidation, economies of scale and market dominance



Lack of job security for employees, expensive rebranding process