

# STRATEGIC CORPORATE DEVELOPMENT PLAYBOOK

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How to create optionality and improve your company's odds of being successfully acquired (without putting up a for-sale sign)

**JULY 2017**

OPENVIEW

# HOW TO USE THIS PLAYBOOK

## Ground Rules

- This playbook provides a framework, tips and templates for proactively raising awareness of your company and positioning it for a successful acquisition outcome.
- It does **not** tell you whether you should sell your company; nor does it go into details about how to execute a transaction.
- You still need great business fundamentals and great products for a great outcome, but this playbook will help you better surface that story with the relevant audience in a time-efficient way (so you can keep executing!).
- If you have questions or would like more information, drop us a note!



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John leads corporate development for OpenView, including helping our portfolio establish strategic relationships with potential alliance partners and acquirers, advising on and executing M&A and capital raise transactions, and leading exit planning. He also covers OpenView's network of large tech companies, investment banks, private equity and venture lenders.

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Kyle helps OpenView's portfolio companies accelerate top-line growth through deep insights into their market landscape and customers. He leads segmentation, positioning, channel/partner strategy, new market entry and packaging/pricing initiatives, partnering closely with portfolio leadership teams. He also covers OpenView's SaaS metrics and benchmarking research.

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# BEFORE WE BEGIN

**Understanding why you  
should proactively engage  
in strategic corporate  
development**

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## **Optionality**

It's the CEO's job to create optionality for the business and be prepared for different outcomes.

## **Expanded Business Opportunities**

It can help you develop new technology alliances and go-to-market partnerships.

## **Intelligence**

You'll uncover important insights about your market and how the largest players view your space, plus you can educate them on the market.

## **Relationship Building**

You'll be investing in and building long-term relationships. This will give you a better chance of being in the right place at the right time later.

# GETTING STARTED ISN'T ROCKET SCIENCE

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## **Rome wasn't built in a day.**

Positioning your company for a successful exit by acquisition is an open-ended, ongoing process. From the outset you can't easily predict how long it'll take. But remember that along the way you will uncover opportunities to expand business through alliances and partnerships while gaining key market insights.

## **There are three main work streams to tackle.**

1. Drafting your corporate deck
2. Identifying and reaching your target partners / acquirers
3. Meeting with and leveraging investment banks

# SAMPLE WORKPLAN

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MONTH 1	MONTH 2 - 3	MONTH 4 - 6	POST
<b>Corporate Deck</b>			
<ul style="list-style-type: none"> <li>Complete a rough first draft of the deck</li> <li>Receive feedback from BoD and team and begin iterating.</li> </ul>	<ul style="list-style-type: none"> <li>Complete a presentable, working draft of the deck.</li> <li>Iterate based on pro bono feedback from i-banks.</li> </ul>	<ul style="list-style-type: none"> <li>Present and circulate deck with all Tier 1's and some Tier 2's.</li> </ul>	<ul style="list-style-type: none"> <li>If i-bank is engaged for active M&amp;A process, polish &amp; customize deck for in-depth discussions.</li> </ul>
<b>Target Acquirers</b>			
<ul style="list-style-type: none"> <li>Create and tier a target list.</li> <li>Identify a thesis for each Tier 1 potential acquirer.</li> <li>Research org charts to identify key contacts at each target</li> </ul>	<ul style="list-style-type: none"> <li>Set up 'mutual partner education' meetings with all Tier 1's.</li> <li>For pre-existing threads, create plan to deepen &amp; expand relationships.</li> </ul>	<ul style="list-style-type: none"> <li>Complete initial conversations with all Tier 1's.</li> <li>Set up meetings with all Tier 2's.</li> </ul>	<ul style="list-style-type: none"> <li>Meet with all Tier 2's.</li> <li>Set cadence &amp; drip campaign to remain engaged.</li> <li>Extend target list as needed.</li> </ul>
<b>Investment Banks</b>			
<ul style="list-style-type: none"> <li>Develop list of top 3-5 investment banks in your space.</li> </ul>	<ul style="list-style-type: none"> <li>Meet with at least 2 of the target i-banks.</li> <li>Explain value prop and assess capabilities/fit.</li> </ul>	<ul style="list-style-type: none"> <li>Meet with all target i-banks.</li> <li>Rank them all for fit.</li> </ul>	<ul style="list-style-type: none"> <li>Select the top 2-3 banks for eventual bake-off if BoD requires it.</li> </ul>



# CORPORATE DECK

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# WHY YOU NEED A CORPORATE DECK

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- To help you easily tell your company's story 1:1 with prospective acquirers, partners, and investment banks.
- To send out to your contacts for circulation after a meeting.
- To use in actual i-bank conference presentations.
- To create a basis for future marketing materials in a full banker-led M&A process.

# 10 BEST PRACTICES AND TACTICAL TIPS

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## **1. Tell a great story**

Don't lose your audience before you've even started.

## **2. Don't be boring**

Use descriptive, punchline-oriented slide titles.

## **3. Go native**

Produce charts and graphics in native PPT rather than dropping in 3<sup>rd</sup> party images.

## **4. Be concise**

10 to 15 slides for the core deck.

## **5. Keep it simple (KISS)**

Avoid overly technical, text heavy product slides (outside of the appendix or unless requested).

# 10 BEST PRACTICES AND TACTICAL TIPS

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## **6. Stay professional**

Include logo and numbers on every page.

## **7. Check for consistency**

Colors, fonts, chart types, images, etc.

## **8. Ban anything blurry**

Don't use pixelated images and ensure all graphics are presentation quality.

## **9. Iterate, a lot**

With your team, your board and your advisors.

## **10. Export to PDF**

To preserve formatting and ensure your deck doesn't get altered.

# Make it a great story

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- Describe the big ugly **problem you solve** (or plan to solve) for your customers.
- Enlighten them as to why it's a **huge market opportunity**.
- 'Wow' them with **why you're different** & how you've innovated – your **secret sauce**.
- Convince them you enjoy a **competitive barrier**.
- Showcase your **team**, experience and talent.
- Explain your **business model** in simple terms.
- Detail the historical and projected **financials & KPIs**.
- Conclude with the **strategic need(s) you fill** for the target party.

For more in-depth,  
tailored discussions

# Weave your story through these core presentation components

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1. Problem
2. Business highlights
3. Market validation
4. Competition
5. Product & Technology
6. Customer acquisition model
7. Customers & Partners
8. Expansion opportunities
9. Team
10. Financials & KPIs

# Expand where necessary

DETERMINE YOUR STORY'S KERNEL	AND THE KEY QUESTIONS TO ANSWER	BY BUILDING OUT COMPONENTS
Changing market or evolving customer need	Key pain points? How are you well-positioned?	<b>1</b> Problem <b>3</b> Market Validation
Competitive product gap	What are incumbents doing wrong?	<b>4</b> Competition <b>5</b> Product & Technology
Huge market opportunity	How big? Growing how fast?	<b>3</b> Market Validation
Operational leverage & great unit economics	KPI's? Which processes are driving value?	<b>6</b> Customer Acquisition Model <b>10</b> Financial & KPIs
Truly unique underlying IP	Superior performance and functionality?	<b>1</b> Problem <b>5</b> Product & Technology

# Sample high-level timeline

	WK 1	WK 2	WK 3	WK 4	WK 5	WK 6	COMMENTARY
Complete strawman outline	█						<ul style="list-style-type: none"><li>• A deck can be finished in 1-2 weeks but usually takes several</li><li>• A first draft – even in shell or very rough form – is critical in order to start getting feedback and making progress; your audience needs something to react to</li><li>• Leverage i-banks – they will provide valuable feedback while also relaying your message out to the market</li><li>• Plan on 10-20+ iterations before final formatting edits</li></ul>
Create first draft of core sections	█	█					
Iterate on content / messaging with BoD and exec team		█	█	█	█	█	
Practice and gather feedback from i-banks and other 3 <sup>rd</sup> parties; iterate and repeat			█	█	█	█	
Formatting and polishing					█	█	



# Want more insights into building the perfect corporate deck?

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Check out OpenView's Guide to Building a Corporate Development Deck for Expansion Stage Software Companies.

Email John or Kyle for your copy.



# TARGET ACQUIRERS

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# 6 Step Process for Engaging with Acquirers

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1. Identify and prioritize target acquirers
2. Consider their thesis for acquiring you
3. Track your work
4. Identify key touchpoints and set up meetings
5. Run the meetings successfully
6. Nurture relationships post meeting

# Identify and prioritize your target acquirers

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**Strategic  
buyer (\$\$\$)**



## **Large strategics**

Established, multi-billion dollar software companies who play in your space (but where you'd fill a gap in their offerings).

## **Hot SaaS companies**

Mid-sized, fast growing SaaS companies that have a similar target customer/segment and may be interested in a new product line.

## **PE firms**

Private equity company looking to roll-up companies in a similar space or restructure a company to sell it at a higher valuation.

**Financial  
buyer (\$)**

## **Fortune 1000**

Large, non-traditional tech buyer looking to expand into digital.

## **Existing players in your ecosystem**

Larger direct competitors who may want to build a competitive moat, or existing partners in your ecosystem.

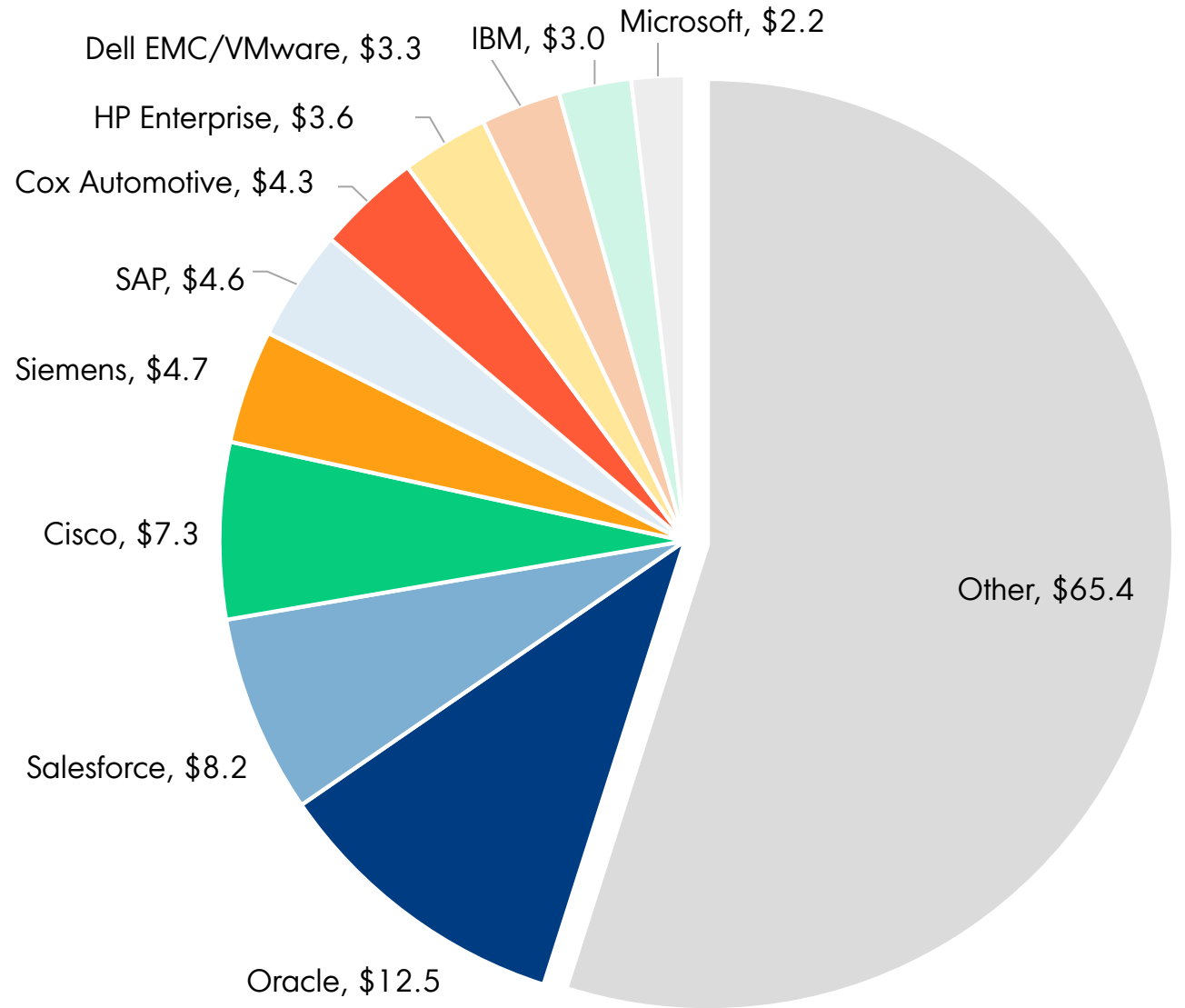
## **PE-backed technology companies**

Typically legacy technology players or lower growth companies. Spend money on acquisitions similar to how a PE firm would.

# THE LIKELY SUSPECTS

These ten Big Tech companies account for half of the combined value of SaaS acquisitions. The chart shows spend by acquirer in \$B over the last five years (2012-17).

Pitchbook deals with known acquisition value of \$50M+ from June '12-May '17; total of 268 deals worth \$119B; excludes PE-backed companies. Not shown on the chart: Iron Mountain (\$2.6B), ARRIS International (\$2.4B), Lenovo (\$2.3B)



# PUT YOURSELF IN THE BUYER'S SHOES

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## **Why would they want to acquire you and is it a priority?**

Their thesis will be driven by any combination of product extension, features/functionality gap, new market (geography or customer type) or vertical entry, addition of scale/revenue or financial prospects.

## **How well do they know you already?**

Pre-existing partnerships are a natural proof-of-concept and de-risk an acquisition from the perspective of a buyer – almost viewed like “dating before marrying.” They should be high on your target list.

## **Who are the influencers in the organization?**

Research org structure (e.g. through LinkedIn) to understand influencers at relevant departments – Corp Dev, Biz Dev, Product, Sales, Business Unit GM's and Engineering. Over time it will be important to have multiple touchpoints to find your 'champions.'

# Track your work and record everything

TIER	TYPE	THESIS	INBOUD INTEREST?	CONTACTS	NEXT STEPS	HISTORY
1	ITSM	Has a large X business for Y customer segment. Shown inbound interest.	Y	Business Unit GM	<ul style="list-style-type: none"><li>• Check-in call</li><li>• Meet with Corp Dev team</li></ul>	<ul style="list-style-type: none"><li>• ...</li></ul>
1	ITSM	Has shown inbound interest. Existing partner.	Y	VP Corp Dev	<ul style="list-style-type: none"><li>• Extend relationships into the BU</li></ul>	<ul style="list-style-type: none"><li>• ...</li></ul>
1	Infrastructure	Their competitor acquired one of our competitors.	Y	VP of Product	<ul style="list-style-type: none"><li>• Scheduling introductory call</li></ul>	<ul style="list-style-type: none"><li>• ...</li></ul>
2	IT consulting	Making a play in this space.	N	[None]	<ul style="list-style-type: none"><li>• Find a way to get introduced</li></ul>	<ul style="list-style-type: none"><li>• ...</li></ul>
2	Cloud services	Business is being disrupted by X.	N	VP Partnerships	<ul style="list-style-type: none"><li>• Check-in call</li><li>• Ask for intro to BU</li></ul>	<ul style="list-style-type: none"><li>• ...</li></ul>
3	Cloud services	Have a somewhat competitive product; would extend capabilities.	N	[None]	<ul style="list-style-type: none"><li>• Find a way to get introduced</li></ul>	<ul style="list-style-type: none"><li>• ...</li></ul>

# SET UP MEETINGS WITH ALL TOP TIER TARGET ACQUIRERS

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## Getting on their radar

- Corporate or business development is the simplest point of contact given their mandate to source opportunities, but ideally you will navigate to the business unit GM's (i.e. potential deal sponsors) for meaningful engagement.

Note: Particularly important if corp dev is more of a transactional team; however the best teams will actually facilitate interaction with business leaders (see appendix for more).

- Leverage your network for an introduction. You can lean on VC's or investment banks for help.
- If all else fails, reach out cold via email or InMail.

## Positioning the meetings

- Early in the process, position the meetings as either for exploring potential partnership angles or as mutual education / trading notes.
- Depending on the urgency and activity from other target acquirers, you could position it as a "market check in response to recent inbound M&A inquiries."



# **SAMPLE OUTREACH EMAIL TEMPLATES**

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# Cold Outreach

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[Insert their name],

Hope this note finds you doing well. I'm CEO of [insert company and high-level summary].

Given your focus on [insert relevant detail about the company] and priority of [insert expected acquisition thesis], we thought there could be some interesting synergies with our businesses.

Perhaps you'd be interested in chatting briefly to trade notes on the landscape, chat about your focus areas and see if there are opportunities to collaborate? If so, would be good to find a few minutes next week.

Thanks in advance,

[Insert your name]

# Warm Outreach

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[Insert their name],

It's a pleasure to be acquainted. [Mutual connection] speaks highly of you.

I'm seeing some tectonic shifts in the market conducive to a partnership, and wanted to discuss them with you.

As I see it, the world's moving into the public cloud where the idea of an asset no longer exists, especially with services' increasing prevalence. [Your business] in the cloud takes the form of [my business]. Add that cloud is quickly becoming a commodity and value is increasingly in X – especially at the scale and scope of an enterprise.

Are you in the Bay Area, or have plans to be, by chance? If so, I'd love to meet in person to discuss.

Cheers, [Insert your name]

# Run the meetings successfully

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## OBJECTIVES

- Try to understand their business priorities, specifically inorganic
- What do they look for in partners/acquisitions?
- How do they make decisions?
- Explain your story and potential value prop as a partner
- Walk away with next steps – a follow-up meeting, an intro to others, etc.

## STRUCTURE

- Introductions and goal-setting
- Overview of your business and technology
- Overview of their business, roles, etc.
- Take them through your corporate deck
- Offer a generic demo (if it can be done quickly and cleanly)
- Ask questions and get feedback about how it aligns with their priorities

## OTHER TIPS

- Keep financial / KPI disclosures high level unless an NDA is in place
- Research LinkedIn ahead of time to understand reporting/org structure around your audience
- Frame your goals as mutual collaboration opportunities, but avoid looking desperate to catalyze a near-term sale of the business

# NURTURE TARGET ACQUIRERS POST- MEETING

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- Circulate your corporate deck, demos and other collateral.
- Meet with other teams, functions and decision makers (e.g. product org, partnerships, executives). Multiple touchpoints are key.
- We recommend 1-2 in-person meetings per quarter.
- Engage in a more frequent email drip campaign (monthly or bi-weekly) to keep them up to date on your business and share partnership/synergy ideas.

# NURTURE TARGET ACQUIRERS POST- MEETING

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## Example email drip

**Subject:** Another thought

Hi [name] – I see another opportunity for partnership: an [company]-[company] collaborate to turn our existing SMB SaaS offering into a large Enterprise SaaS offering.

Enterprises subject to complex compliance requirements (such as HIPAA or certifications like FEDRAMP) want an on-prem solution. However, a growing minority have expressed a desire to have us manage the operations of the platform for them.

My team doesn't have the expertise to make our SaaS offering compliant with everything out there, nor frankly do we have the brand that [company] enjoys. Given that it is already hosted on [company], it would be easy for us to expand. We'd handle the technical part, and you'd handle the compliance part. I have some flagship customers in mind that we could launch with.

More food for thought until we chat.

Cheers, [name]

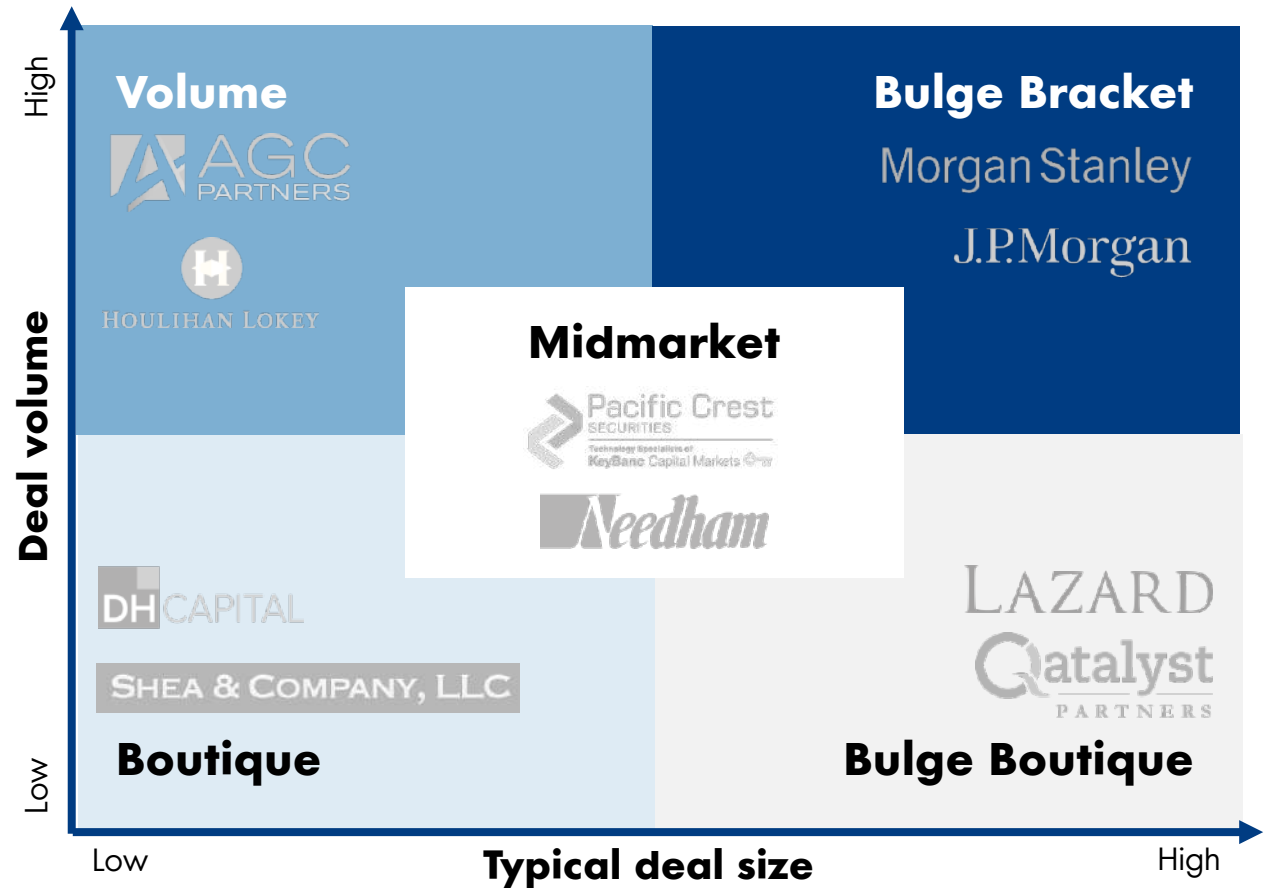
# INVESTMENT BANKS

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**GET BANKS  
WORKING FOR  
YOU LONG  
BEFORE  
FORMALLY  
ENGAGING**

## INVESTMENT BANKING LANDSCAPE



# Start by making a list of best-fit banks

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## ADVISED PEERS

- Start by looking at who was the sell-side advisor for companies you would consider to be peers or in a tangential space.
- You can find this information in press releases or through 3<sup>rd</sup> party data sources such as Pitchbook and Factset.

## ALIGNED WITH YOU

- Expand your search by identifying banks who serve your valuation size (e.g. boutique, bulge) and sector (e.g. infrastructure, MarTech).
- You can find this through data providers (e.g. 451 Research, Pitchbook), your investors, bank websites and conversations with the banks.

## RECOMMENDED

- The right decision isn't just about the bank - it's also about the lead banker and the team.
- Ask for recommendations from your network and investors to ensure you find an advisor who you can trust and work with.



# Build relationships with & leverage best-fit banks

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## **ACTION**

Meet with banks 1:1 and keep a regular cadence; aim for 5-6 meetings and 2-3 new banks per quarter.

## **LONG-TERM OBJECTIVE**

Assess their knowledge of your market and acquirers, existing relationships, deal skills and relevant transaction work for vetting purposes.

## **NEARER-OBJECTIVES**

- Give your story – it will naturally be relayed and amplified throughout the ecosystem by the banks (read: free viral marketing).
- Get pro-bono feedback on your deck, positioning, etc.
- Get pro-bono market & acquirer intelligence.
- Get pro-bono introductions to target acquirers.

A man in a dark suit and light shirt is smiling and holding a white coffee cup. He is standing in what appears to be a conference or networking event. The background is slightly blurred, showing other people and a wall with a light switch.

# ATTEND BANK CONFERENCES AND EVENTS

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- Bank-hosted conferences and events offer speaking opportunities and pre-arranged 1:1's attended by large tech acquirers, private equity investors, VC's and customers.
- Attend 1-2 per quarter, prioritizing those offering a speaking slot and best serve your needs in terms of format (i.e. later stage vs. start-up focus, strategic buyer vs. PE focus, large vs. intimate, etc.).
- Time-efficient and targeted way to gain exposure to relevant audiences and amplify your story.

# ATTEND BANK CONFERENCES AND EVENTS

CONFERENCE	WHEN	WHERE
Needham Growth	January	NYC
JMP	February	SF
Pacific Crest Emerging Tech	February	SF
AGC	February	SF
William Blair	May	SF
Needham Emerging Tech	May	NYC
Piper Jaffray	May	SF
Pacific Crest Tech Forum	August	Colorado
Canaccord	August	Boston
Piper Jaffray	September	NYC
AGC	November	NYC

# FORMAL BANK ENGAGEMENT 101

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# Hiring a bank improves your odds and offloads work (lots)

## WHAT THEY DO

**Prepare key marketing and financial materials for prospective buyers**



## HOW THEY ADD VALUE

- Help you stand out from the crowd.
- Target acquirers and PE firms review hundreds if not thousands of businesses per year, so you want to make a great impression.

**Compiling a prospective buyer list**



- Ensure a diversity of targets beyond the obvious.
- Have intel into buyers' strategic priorities so you don't waste time on someone who'll never be a good fit.

**Take your company to market and narrow down candidates**



- Ensure a (relatively) quick and (relatively) smooth process via legwork and reach.
- Free up your team to continue running the business.

**Manage the deal: negotiate terms, coordinate due diligence & marshal resources**



- Help you make the best decision and achieve the most favorable outcome by bringing deal experience, negotiation skills and raw man power.
- Serve as a buffer so you don't sour your relationship.
- Act as council to the Board on deal terms.

# Select and engage bank

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## 1 **Narrow down to your top 2-3 banks**

The initial prioritization should be determined based on their relevant deal work and market knowledge, buyer relationships and chemistry/fit.

## 3 **Collect feedback and call references**

Ask BoD for feedback, preferences and concerns. Meanwhile, call bank references from transactions that were successful and ones that failed.

## 5 **Review and negotiate terms**

Check the engagement letter with legal counsel to redline changes. Negotiate a mutually agreed upon arrangement with the investment bank.

## 2 **Set up a bake-off with your BoD**

Your top selections will prepare a formal presentation with information on how they would handle the sale process, including estimated range of value, prospective buyers, how they'd position you, etc.

## 4 **Get an engagement letter**

I-banks typically structure their fees as a combination of retainer and success fee, some of which may be negotiable. Pay attention to terms on exclusivity, term length, tail period, termination and expenses.

## 6 **Make a selection**

Sign the final engagement letter with your preferred investment bank. Congratulations, you're ready to hit the ground running!

# UNDERSTAND (& NEGOTIATE) ENGAGEMENT LETTER KEY TERMS

TERM	WHAT IT IS
<b>Retainer</b>	<ul style="list-style-type: none"><li>• The (non-refundable) fee paid just to have a bank work on your transaction – i.e. for their opportunity cost.</li><li>• May be credited against the success fee if the deal closes; may be upfront or phased.</li><li>• \$10-100K typically.</li></ul>
<b>Success fee</b>	<ul style="list-style-type: none"><li>• Paid only upon close of a transaction; comprises the lion's share of total fee.</li><li>• Commonly structured as an escalating % of total deal value (e.g. 1% of the first \$100M, 1.5% of the value from \$101-\$150M).</li><li>• Minimum typically \$500K-\$2M.</li></ul>
<b>Expenses</b>	<ul style="list-style-type: none"><li>• Reimbursement for deal-related expenses, such as travel.</li></ul>
<b>Exclusivity</b>	<ul style="list-style-type: none"><li>• Clause specifying that the bank is the only firm allowed to show the deal.</li></ul>
<b>Term length</b>	<ul style="list-style-type: none"><li>• Specifies the length of engagement and accompanying exclusivity, typically 6-18 months.</li></ul>
<b>Termination</b>	<ul style="list-style-type: none"><li>• Letters should clearly outline the right of termination after the term expires.</li></ul>
<b>Tail period</b>	<ul style="list-style-type: none"><li>• A set length of time after the official term expires during which the bank would still get paid if a transaction closes. Ensures the bank gets compensated if they start a deal, but don't finish it during a term.</li><li>• In a company's best interest to keep this as short as possible; typically range from 6-18 months.</li></ul>
<b>Coverage</b>	<ul style="list-style-type: none"><li>• Noting the scope of the services provided and which types of transactions will be covered (e.g. selling a minority stake, raising mezzanine debt).</li></ul>

# **WRAP UP AND ADDITIONAL TIPS**

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# DON'T GIVE UP

**Remember, it takes  
multiples touchpoints to  
engage with target  
acquirers**

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- Large corporate acquirers are complex, bureaucratic organizations - gaining their attention takes a lot of time; first you need to understand the key orgs and players, and then access them
- Corp Dev is often a logical starting but, but it varies across companies. Some teams proactively shepherd startups into their organization, while others primarily engage on executing M&A and post-merger integrations.
- There may be different functions within Corp Dev that tackle strategy, M&A, investments and partnerships/alliances. Teams range in size from 3 people to 50+.
- The best practice is to build relationships across the organization and eventually find a 'champion' who will help bring you into more conversations.
- Ultimately you'll want to engage with the GM/Product Lead in the BU, as they'll be responsible for product strategy and the roadmap for their team.

# SUCCESS REQUIRES PATIENCE



- The appropriate mentality is key – remember you’re “digging your well before you’re thirsty.”
- You’re busy building a business, but need to set time aside and be programmatic in your approach to building awareness over many quarters.
- Large acquirers such as Microsoft and SAP look at 1,000’s of potential targets each year; persistence and navigating to multiple influential touch points will help you stand out.

# **BUT THE POTENTIAL RETURNS ARE WORTH IT**

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Thank you!

**[openviewpartners.com](https://openviewpartners.com)**

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