FROM THE FOUNDER'S HUB

3 Steps to Take Now to Get Your SaaS Company Ready for a Successful Sale

You wouldn't sell your house without getting it in the best possible shape to impress potential buyers and obtain the best possible price. It's the same with selling your SaaS company.

Selling a SaaS business is a complex and time-consuming process—and one that can be much more life-changing than selling your home. To increase the chances of a successful sale or capital raise, it's important to prepare your company well in advance. Even if you're not ready to sell or recapitalize your SaaS business tomorrow, now is the time to start planning for the time when you will be ready.

The more prepared you are for the process, the better the odds you'll achieve an outcome that meets your goals. The following three steps are a great place to start in preparing your SaaS company for a successful transaction.

1. Get Your Financials Investor-Ready

Investors and buyers are going to scrutinize your financials before they commit to providing capital or buying the company outright, understandably. So, one of the first steps you should take to prepare your SaaS company for a sale or capital raise is to get your financials ready for their review.

Getting your financials investor-ready means ensuring that your financial statements and other financial records are accurate, complete, and up-to-date, and that they accurately reflect the business's financial health and performance. A prospective buyer or investor will want to understand your current financial state and your historical performance, which will help them assess the company's value.

At a minimum, be prepared to provide a complete and accurate income statement (also called a P&L), balance sheet, and cash flow statement. As a SaaS business, you should also be prepared to provide reports on the metrics that are especially important to buyers and investors of SaaS companies, such as monthly recurring revenue, customer acquisition cost, customer lifetime value, and churn rate.

Organizing financials and metrics like these not only makes it easier for potential buyers to evaluate your company; it also puts you in a much better position to negotiate a higher valuation.

2. Conduct a Due Diligence Review

If you were an investor or prospective buyer evaluating your business, is there anything about it that would give you pause before moving ahead with an investment? You don't want to find that out after you're already well down the road, negotiating a deal. That's why you should conduct your own internal due diligence review.

While prospective buyers and investors will conduct due diligence when evaluating your business, an internal due diligence review gives you the opportunity to step into their shoes first and scrutinize your company the same way they will. Be prepared to take a deep dive into every aspect of your operations and finances, identifying any issues or areas of concern that could show up during the buyer's due diligence and potentially derail the deal. Then be willing to proactively address any issues you uncover, to avoid potential problems later and improve the odds of closing a successful transaction.

By taking the time to gather and organize all the relevant financial and legal documents upfront, including contracts, leases, and tax records, you'll gain the added bonus of having those documents organized and ready when a buyer or investor requests them during their own due diligence.

3. Create a Compelling Pitch

Prospective buyers and investors will always be interested in your financials, but that's not the only way to get their attention and gain their commitment. It's equally important to showcase your company's story in a compelling way.

In most transactions, it's the story—the company's story and vision, wrapped up in a cohesive pitch—that has the biggest impact on the business's valuation. That's especially true in the lower middle market, where investors and buyers are less interested in what your company is today and much more interested in your vision for what the business can become in the future.

Your sales pitch should provide a clear, concise, and engaging message about your company's business model, financial performance, and growth potential, as well as any unique features or advantages that make your company stand out. Be sure to tailor the story for different types of buyers, as each will have different priorities. For example, what will most interest a private equity firm is likely to be very different from what will most interest a strategic buyer.

How ScaleView Partners Can Help

Before you go out to market and begin to attract prospective buyers or investors, it's important that you're prepared for what's to come. The better your readiness, the better your position to negotiate a strong deal and achieve an optimal outcome.

While the three steps we outlined are essential to preparing for the M&A process, they're just a starting point. The M&A experts at ScaleView are experienced in helping owners of SaaS companies and other businesses take an effective, comprehensive approach to preparing for a process that's both complex and vital to achieving your personal and financial goals.

ScaleView regularly partners with business owners well before they're ready to go to market—ensuring plenty of time to not only get the necessary financials in order, but to collaborate on strategic decisions that position the company for the best possible results. We're the trusted partner that owners of SaaS companies and other businesses choose to help determine the right time to sell, develop a compelling strategic narrative, prepare for due diligence, and manage the sale process in a way that keeps all buyers moving at the same pace for a competitive bidding process and the best outcome.

If you're thinking about selling your SaaS company, schedule a call with the investment banking experts at ScaleView Partners to learn how we can help you prepare for the process.

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