



Preparing For Sale

Technical due diligence as part of the M&A process

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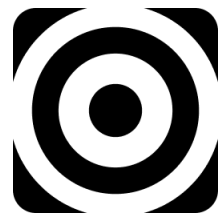
The good news is that you've built your business up to the point where you're ready to sell. The bad news is that there is a whole lot of process to go through before signatures get inked on the contract.



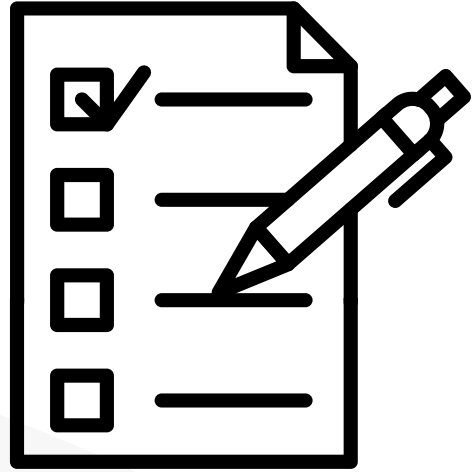
Due diligence is an essential part of the M&A process and, in nearly every case, technical due diligence will be one component of the DD to be undertaken.



The Circle Squared team have been involved in many tech DD exercises over the years and have seen first hand that there are some simple steps you can take to maximise your chances of a successful sale.



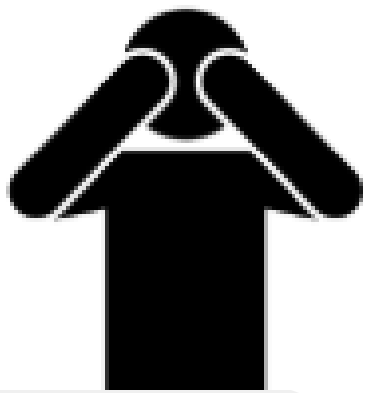
Take the time to prepare properly



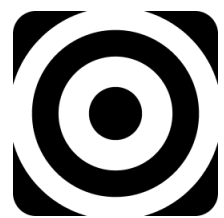
Tech DD can be a demanding and disruptive experience for your IT department but you can reduce this impact by getting ready for it. Take it seriously and prepare for it in advance. Don't just wing it and hope for the best.



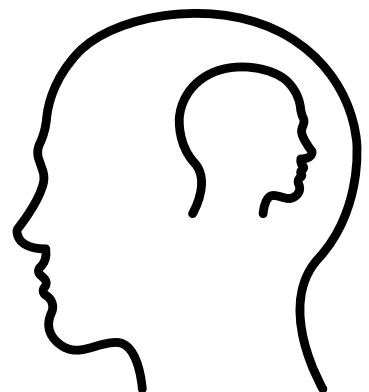
Don't bury your head in the sand



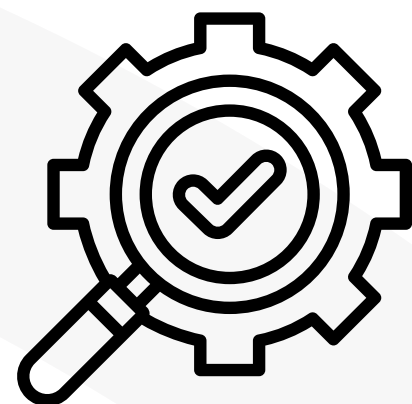
There's no point hoping the tech DD process won't happen and you don't need to get ready for it. It will and you do.



Conduct a tech DD evaluation on yourself



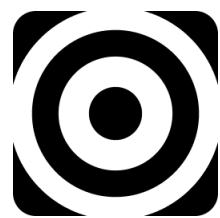
The best way to prepare for a formal tech DD process is to run an evaluation on yourself in advance.



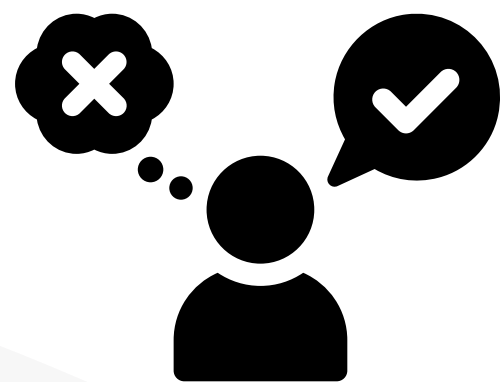
Ask yourself the tough questions before your potential buyer asks you. Identify your areas of weakness and take the necessary steps to address them (or at least acknowledge them and get them on a roadmap).



**If you don't have the expertise or experience to run this exercise yourself, get in some experts who can help.
(Hello! We're here to help! Call us anytime!)**



Don't lie to yourself



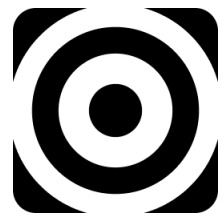
When you run an internal tech DD exercise you need to be brutally honest with yourself.

There is no point in pretending or making excuses or making huge allowances (because a potential acquirer won't do that).

The point of the exercise is to get a true picture of where you are and what you need to address.

That only works if you tell yourself the hard truths.



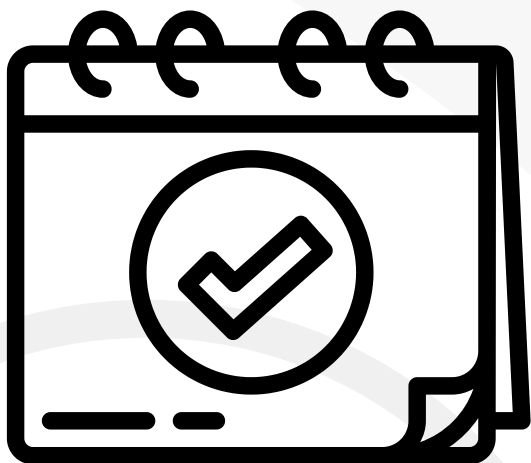


Get your documentation together

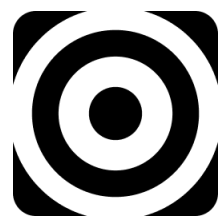


When the formal tech DD process begins you will be asked for a whole heap of documentation.

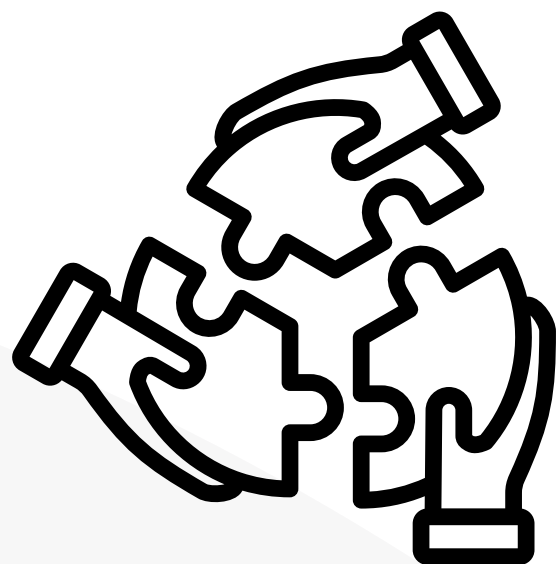
If you haven't got this documentation you will either have to write it very quickly or you will have to say you don't have it – and neither of those is getting you off to a good start.



You don't need to have every last document in perfect order but at the very least you should make sure you have the basics in place and that what you do have is up to date and factually correct.



Get your team involved

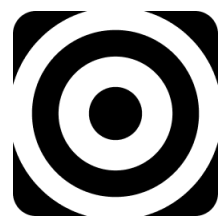


Responding to a tech DD will be a team effort (although that team will likely be limited to an authorised list only).

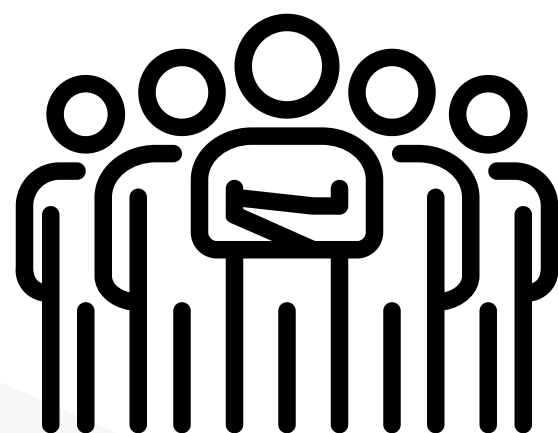
Get the team who will respond to the tech DD involved in the preparation work from the outset.



Everyone will need to know what they are doing and everyone needs to be on the same page – any confused or contradictory messages will be a red flag as far as the assessing team is concerned.

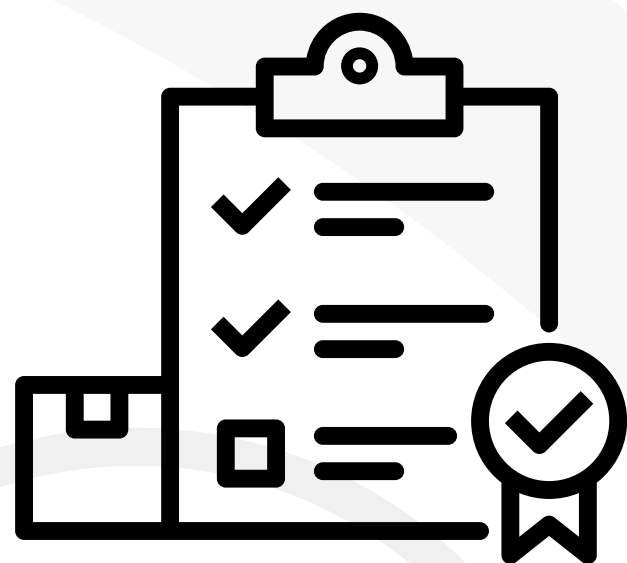


Team is as important as tech

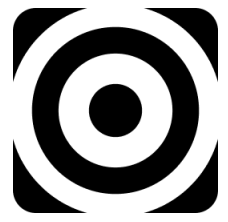


A thorough tech DD will be evaluating your ability to deliver as a tech organisation as well as the quality of the actual tech itself.

The maturity, culture and structure of the tech organisation are important assessment criteria.



The way that the tech team approaches the DD exercise is itself an indicator of some of the important qualities an acquirer wants to see.



Don't give misleading or false information

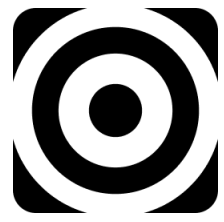


The formal tech DD process is part of the contractual negotiation and purchase agreement. It's serious.

Any inaccuracy or inconsistency in your responses will be a major red flag.



If you get caught giving false information you risk scuppering the whole process. And if you make it through the sale but then get found out later you may even have to explain things in a courtroom. It's really not worth it.

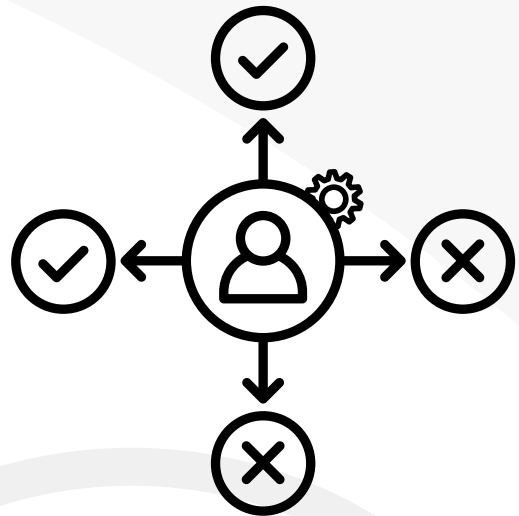


Don't get into tech arguments during DD

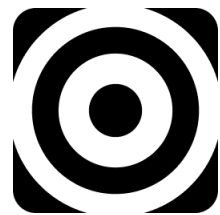


There's no need to die in a ditch defending every tech decision you have made to date and no need to get into philosophical debates about the 'right' way to do things.

Be prepared to explain your decisions and choices and the thinking that went into the process. If the team doing the DD or the buyer disagree with the choices you made, so be it.



The important thing is that they can see how and why your tech landscape is shaped the way that it is.



Key takeaways...

The acquisition and the DD process is where your relationship with the acquirer begins in earnest. Take the opportunity to get it off on the right footing.

- ✓ **Prepare and be organised**
- ✓ **Be clear and engaged**
- ✓ **Involve your team**
- ✓ **Be open and honest**
- ✓ **Get expert help where you need it**



**Want to find out more about how to prepare for the
technical due diligence process?**

**Get in touch at
enquiries@circle-sq.com**



Making gaming tech better