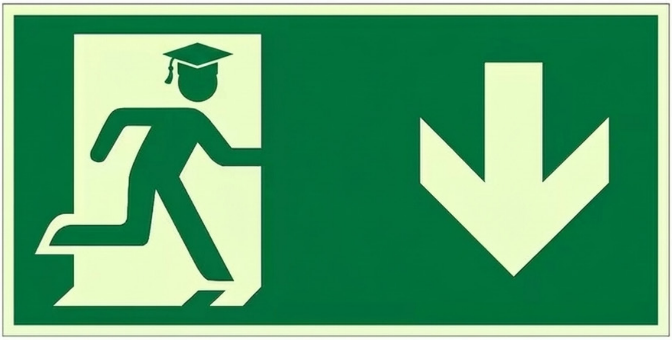


THE INFORMED EXIT.

How Founders Prepare for Acquisition, Partial Exits and Liquidity

Sorina Dumitru, PhD

THE INFORMED EXIT.

How Founders Prepare for Acquisition, Partial Exits and Liquidity.

Sorina Dumitru, PhD

Sorina Dumitru, PhD

Digital Footprint Hurmah Consulting
Dubai, United Arab Emirates
digitalfootprint.life

Design & layout: Eggs Benedict Designs

For inquiries: business@sorinadumitru.com

Table of Contents

Table of Contents

Free enterprise is the economic basis for all entrepreneurial activity. It means that any individual is free to transform an idea into a business. The opportunities for potential entrepreneurs are unlimited across the world today.

The constantly changing economic environment provides a continuous flow of potential opportunities ***if*** *an individual can recognize a profitable idea amid the chaos and cynicism that also permeates such an environment.*

Thousands of alternatives exist since every individual creates and develops ideas with a unique frame of reference.

Kuratko, D. & Hornsby, J., New Venture Management (2018)

Preface

The best founders I know are more politicians than entrepreneurs. Think about Alex Karp, co-founder of Palantir, and how he speaks. He even has a degree in Political Science.

I believe politics is the ultimate form of marketing and entrepreneurship is the ultimate form of engineering.

I believe that a business owner is not the same thing as an entrepreneur. Owners build, that is fundamentally what they do best. On a construction site, they are the ones pouring concrete, adding floors, putting up windows. Business owners are the ones operating the heavy machinery. Entrepreneurs, however, engineer. They run material stress tests, add cogs to the mechanism, keep the ball bearings lubed up. Entrepreneurs make the car go fast.

As such, a CEO can be an entrepreneur but is fundamentally not a builder. A driver can work on his own car but does not forge the rims himself. Builders do. And it's the builder's responsibility that the rim does not crack at high speed.

More importantly, I believe in our free market right as individuals to come up with an idea, develop a solution, build a business around the idea, grow the business and, if we choose to do so, sell the business.

No one really talks about what the business owner goes through. If we dig deep into the literature, we may get a slight feel of it while going through Damodaran's Corporate Life Cycle.[1] Business owners know, deep down, that the business dies with them. Not a sudden death but a slow, agonizing decay.

1 Damodaran, A. (2024). The corporate life cycle: Business, investment, and management implications. Portfolio/Penguin.

The available literature on the topic of value creation is a little outdated. The huge variation in deals alone is, in itself, a playground of innovation. Take the example of long-term contracts with no asset-specific investment: “Protection of an asset-specific investment is not the only function of a long-term contract. Long-term contracts are often present when no such investment is apparent. So, these contracts must create some other value. Otherwise, the parties could conduct their business with no contract or with a series of short-term contracts.”[1]

As a side note, I’ve noticed that academic experts in this field are unpleasant and elitist, while professionals can lack tenacity. I used to joke about it, saying that an academic PE expert is like a quant[2] who is bad at math. At the same time, if you, as a business owner, hire an M&A advisor, chances are that advisor is a double agent. He is on your payroll on a retainer fee and on the PE fund’s payroll on a success fee. That makes him disincentivized to make a good deal for you. If an academic PE expert is like a quant who is bad at math, an M&A advisor is like a real estate agent who is bad at selling.

The online business space is not really well documented because it is very new. Online businesses go through such an intense iterative process of marketing, client acquisition, client retention, product development and sales process. The life cycles of these businesses occur way more rapidly than for traditional businesses. It’s like dog years versus human years. One dog year is the equivalent of seven human years. As such, online business owners learn MBA-level education the hard way.

As an example, we can take operational management. Most online businesses, when they reach a certain threshold of $100,000 monthly revenue, they require what is colloquially called an “ops manager.” An ops manager is not a COO.

1 Klausner, M., & Subramanian, G. (2024). Deals: The economic structure of business transactions. Harvard University Press.

2 Quantitative analyst - mathematical expert applying models to finance decisions.

What's the difference between an ops manager and a COO?

Education.

Ops managers don't learn about QA.[1] They just focus on how to make more money. They think they can do that by getting more customers.

C-suite executives learn that QA is how you make more money. Because it's cheaper to sell to existing customers than get new ones.

I grew up understanding the stock market as an alternative to bank loans - as long as you generate true value. Then I saw the VC/PE space get so corrupted with businesses that did only "value creation", meanwhile operations were non-existent. I understand the private markets are not as regulated as public markets, but fraud is still fraud.

Then the 2025 social media mini-insurgency of private equity content and finance bros has further corrupted the concept, reducing it to absurdity. Value creation had become a joke and I was sad about it.

On top of this, exiting my business left me pretty depressed. That thing left a void. I tried to fill that void with traveling and architectural research. One day, in Switzerland, I was browsing YouTube and suddenly this guy in a white t-shirt and a yellow gold DayDate showed up on my recommended feed, talking about his exit.

He was genuinely happy and almost in disbelief that he pulled it off. He was thinking about what he was going to do next. Buy a car, buy a house on the Palm. So silly. So wholesome.

The guy was William Brown.

1 QA - quality assurance - systematic process ensuring products meet defined standards.

William managed the impossible: a full exit from an online info business. A business he had started from his bedroom, eight years earlier, from absolute scratch and with no business education.

I fell back in love with value creation right then and there. Because of the possibilities it grants for entrepreneurs like William. The word itself 'venture' perfectly describes what these people do. It's a venture every step of the way, bringing it to life, trying not to kill it, making it grow, and withstanding unfavorable market conditions. If investors take risks and receive rewards, these guys should be rewarded too.

When it comes to an exit, no one does it solely for the money. How could they? Look at the type of individual you have to be to grow such a thing from scratch. Baumol's definition of 'entrepreneur' is a person who is "ingenious and creative in finding ways that add to their own wealth, power and prestige."[1] If they were only interested in the money, they could just keep it and worry about something else.

No, an exit is not done for the money. An exit is done because of an identity change. When I decided to exit my fabrication business it was in 2022. I'd been running it for 6 years. And in those 6 years I had one partner eject it from the space it was set up, I had COVID and the two-year-long supply chain crisis that followed, I was kicked out of a second space because of a change in management, I had a war in a neighboring country and the 3.5x increase in energy prices that ensued. The quality of projects and clients was diminishing. If in 2018 we were launching UAVs in the stratosphere, in 2022 we were doing furniture projects. I dumped it because I sincerely hated it. I sold it to an expo stand fabricator with no negotiation phase. Commercial success was really not why I started digital fabrication in the first place.

1 Casson, M., Yeung, B., Basu, A., & Wadeson, N. (Eds.). (2008). The Oxford handbook of entrepreneurship. Oxford University Press.

Digital fabrication is an MIT invention. In the 1970s they came up with the idea of turning things from bits to atoms. You design something on a computer and then it sort of appears in front of your eyes, 3D printed, milled, routed. They called it a FabLab and the ultimate purpose of a FabLab was to make another FabLab.

So in 2016 I started my own FabLab. The purpose was to give teenagers and college students all the tools necessary to build an MVP. I figured it would be disruptive to give these kinds of tools freely to these young individuals and teach them about business. It was more of a startup school than a FabLab. FabLabs however are expensive to keep. And so we started using the lab to build things for other people.

The reality was, the market was telling me it needed a FabLab for hire, not as a startup incubator.

The reality also was there was no other entity providing free tools and education for young adults like that, let alone in an emerging market. Universities cost money and have government grants. Private schools have tuition, makerspaces have paid memberships. The cheapest way to learn business is, and has always been, the hard way. Build it and expose it to the market.

Nine years after starting, building and exiting that business I met a guy who owned a VC/PE fund. I have the utmost respect for him because, in an environment where there is so much bullshit, this guy is and has always been extremely authentic. This has been his unfair advantage in closing major deals. He is no bullshit, in a room full of bullshitters. When I met him, he said something extremely relevant: ‘Look at what I managed to do in my career, despite having zero education in economics.’ I did not correct him. I did not say that economics is actually a social science and that there is no academic education for this specific field of work. I didn’t have to because, empirically, he already knew.

It's arguably impossible to have a fixed curriculum around the topic of value creation. This is because of the importance of understanding one's own circumstantial position. Circumstantial position confirms that leadership is a process involving the leader, different attitudes and the group. [1]

This book is for business owners who feel tired or trapped, who fell out of alignment with their businesses. Business owners who no longer identify with their business. This book is meant to educate them on the options they have in order to reach their next level of success as individuals and the ultimate market validation for what they've built: acquisition.

Go to
sorinadumitru.com/the-informed-exit
and see all available downloads

The Informed Exit Book
for founders, business owners and C-suite executives interested in learning about all their options for raising external capital

The CEO SEO Blueprint
a simple, easy to follow blueprint for any entrepreneur, business owner or C-suite executive interested in starting an online presence as a first step towards value creation

Annual Cash Flow Data Room Ready
automated spreadsheet file with monthly cash flow, including OPEX, investments, financing, with industry specific sections for each, annual resulting cash flow, automated results and automated data visualizations.

1 Al-Huzaim, Y. bin 'O. (2011). The principles of leadership: In light of Islamic heritage and the American experience (S. Y. Naser, Trans.). Darussalam.

Start Here.

Hello and welcome. If you are someone who grew a business to $100,000/month and beyond but don't like the business anymore because of:

- The employees
- The nature of the business
- The clients

then this book is dedicated to you.

Be honest: do you hate your business? Most likely, you built this thing to make money - and you achieved that! Congratulations! I'm here to tell you that it's OK to not identify with your business anymore.

If, however, you are at the very beginning of your business, then you probably chose to read this because you feel something is not right. You know there is room for improvement but you don't quite know what the next step is. You might even feel you've reached a dead end. This book is here for you.

Businesses have different seasons. You probably noticed that. You may have been the best CEO of your company during its early stage and growth. Progressively, you hired where it hurt. If your business is at a mature stage, or even late-mezzanine, you might have felt the need to hire someone to replace you entirely. Well, at least I hope you did.

You see, in a business, something magical happens. Businesses, especially online ones, are no longer constrained by the physical laws of time and space. If you do your job right, as a business owner, **you collapse time and space.**

How do you collapse time?

Easily. You just remove:

- Uncertainty
- Lack of clarity
- Lack of sequence
- Emotional friction
- Waiting for permission
- Decision fatigue
- Order, it's irrelevant
- Contradicting timelines running in parallel

It took me a long time to understand how to collapse time. However I could always easily collapse space. I think this is because of my training as an architect. We spend a lot of time in imaginary places and we perfect them in our mind. Location and distance are irrelevant, you probably know that. But what about between your business and your customers? Between you and potential buyers? Between your team members. Between your clients and their desired outcome.

How do you collapse space?

- Proper organizational structure
- Follow the product/customer, not the money
- Paradoxically creating more space between you and your business.

You need to learn how to collapse time and space because you exist on a different, higher plane than your business operations do. You have to start acting like it. The way you, as a business owner, can collapse space and time is through value creation. This document offers you everything you need to know for value creation. If you get stuck, reach out to me at sorina@sorinadumitru.com

What's included in this book.

This book is meant to educate anyone who owns a business. Because I firmly believe that value creation should become the standard for any business, no matter the nature of it or the size. It's how business owners grow revenue, grow profit and ultimately give themselves options - so they don't have to plan strategy from month to month.

This book includes:

Full transaction blueprints

- Partial exit (>50%)
- Equity raise for operational funding
- Private debt options across company stages
- Total exit (>90%)

Financial projections for an online consultancy business doing **$100,000/month revenue** at **15% net profit margin**, including:

- Annualized revenue + profit
- 5-year growth simulation
- Valuation using EBITDA multiples
- Investor return modeling

How to read this book

This is a type of book that must not be read linearly. I would recommend you skip straight to the type of deal you are interested in, choosing from:

- Equity For Operational Funds, 10-25%
- Partial Exit, 50-70%
- Private Debt, no dilution
- Total Exit, 90-100%

For each one, I recommend you read the deal description and the famous examples and then go to the specific blueprint of the deal.

After you got a little comfortable with that specific type of deal, you can read about how to calculate the value of your business. Understanding that the EBITDA multiple is directly correlated to the company's capacity for value creation, I then invite you to read about the ways in you can create value with your business. **Specific terms are defined at page 102.**

The information in this book is conveyed chronologically, specifically the order in which you must address each topic in the real world, when preparing for an exit. Before an exit, I feel it's important for you to decide the type of deal you want to get into.

Moreover, the color-coding of the pie charts should be interpreted as follows:

Dark colors:
Private ownership

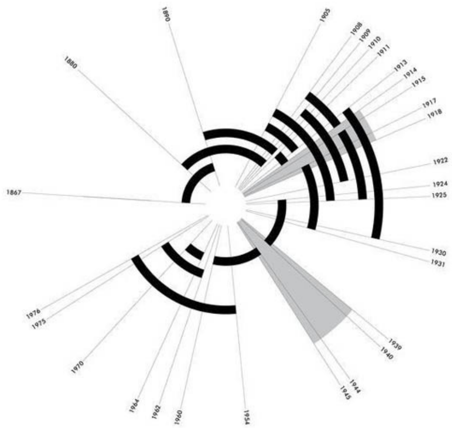
Mid colors:
Institutional investors

Light colors:
Public markets

The intensity of the color is correlated to the privacy of the deals. Many times, the numbers are purely estimative, as they are not on public record.

VALUE CREATION

If you own a business, and you are working either just in it or on it, you probably already lost the race. Those big businesses, the legacy businesses that we all admire, companies over 100 years old like JP Morgan and General Electric, what do they have in common? They understood from the very beginning that leadership is in charge of value creation, not just the core services or the operations.



Graph showing value creation in the United States, correlated with the level of industrialization - from the beginning of The First Industrial Revolution 1867 to the commercial usage of computing 1976.

What exactly is VALUE CREATION?

Value creation is the measurable increase in an entity's economic utility resulting from the transformation of resources (financial, human, informational, or physical) into outputs that generate returns exceeding their opportunity cost.

In scientific terms, value creation occurs when a system's input/output ratio improves through structural, operational, or strategic interventions that increase productivity, reduce entropy (waste), and elevate long-term cash flow generation beyond baseline expectations.

Value creation is fundamentally a function of:

1. **Economic Output** (cash flow variations over time)
2. **Operational Efficiency** (reduction of variance, waste, constraints)
3. **Capital Productivity** (how effectively resources convert into ROI)
4. **Organizational Capability** (the system's capacity to consistently execute)

When these variables shift positively, the system exhibits **value accretion,** meaning a quantifiable enhancement in enterprise value, resilience, and future earning potential.

The Four Cornerstones of Value Creation

The Four Cornerstones of Value Creation[1] identify the key levers that drive long-term business value. They provide a structured way to evaluate how companies can generate sustainable growth, improve profitability, and create returns for investors. Each cornerstone focuses on a distinct aspect of performance, from growth and efficiency to capital allocation and strategic positioning.

1. Revenue Growth

The most visible driver of enterprise value.

This includes:

- New customer acquisition
- Pricing power
- Market expansion
- Product innovation
- Cross-sell & upsell systems

When revenue grows predictably, value compounds.

A clear example of Revenue Growth is **Amazon**. By consistently acquiring customers, expanding into new markets, innovating products, and using cross-sell and upsell strategies like Prime and AWS, Amazon grew revenue predictably. This top-line growth directly compounded its enterprise value, showing how disciplined revenue expansion drives company worth.

1 McKinsey & Company Inc., Koller, T., Dobbs, R., & Huyett, B. (2011). Value: The four cornerstones of corporate finance. John Wiley & Sons.

2. Margin Expansion

A company becomes valuable when it learns to do more with less.

- Margin expansion comes from:
- Lean operations
- Six Sigma quality optimization
- Cost structure redesign
- Automation & workflow engineering
- Supplier & procurement optimization

The quickest, cleanest, most predictable way to grow profit margin is to use Lean Methodology and SixSigma.

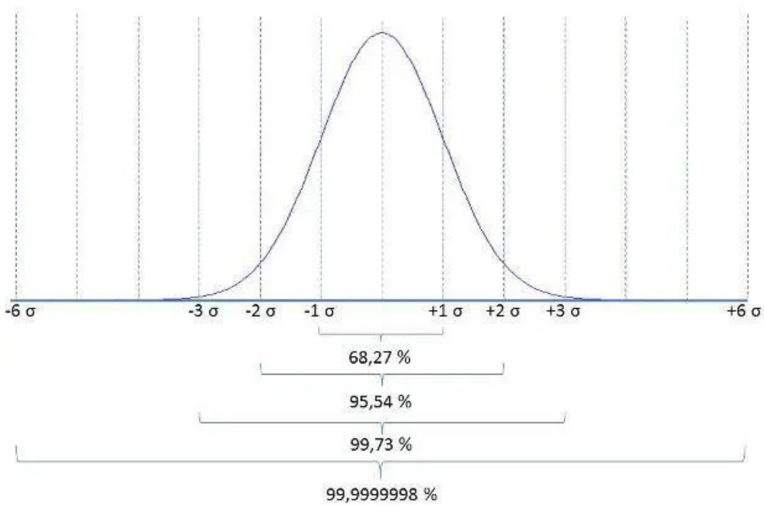
Lean Methodology
reduces waste, i.e. anything that does not benefit the client, the team or the product itself:

1. **Transport**. Unnecessary movement of materials or products.
2. **Inventory**. Excess raw materials, work-in-progress, or finished goods that tie up capital.
3. **Motion**. Unnecessary movement by people (e.g., walking, reaching, searching).
4. **Waiting**. Idle time when people, machines, or materials are waiting for the next step.
5. **Overproduction**. Producing more than needed, earlier than needed, or faster than needed.
6. **Overprocessing**. Doing more work or adding more features than the customer values.
7. **Defects**. Errors that require rework, correction, or scrap.
8. **Skills (Underutilized Talent)**. Not fully using employees' knowledge, skills, or creativity.

I would also argue that there is a 9th type of waste: **excess capital.** Hoarding cash doesn't help neither the client, the team nor the product.

Six Sigma is a data-driven methodology aimed at improving process quality by identifying and eliminating defects and reducing variability.

The ultimate goal of Six Sigma is to achieve near-perfect performance, typically defined as no more than 3.4 defects per million opportunities, thereby increasing efficiency, reducing costs, and enhancing customer satisfaction.



The term SixSigma comes from the Gaussian uniform distribution. The purpose of SixSigma is to statistically reduce defects - respectively lower the tail ends of the bell curve and to maximise desired output - grow the aplitude of the bell curve. Unoptimized businesses are 2Sigma and 3Sigma. See graph for value reference.

Six Sigma uses statistical tools and structured problem-solving frameworks (like **DMAIC** and **DMADV**) to ensure processes consistently meet customer requirements.

Six Sigma DMAIC is a structured problem-solving methodology used to improve processes and reduce defects. DMAIC stands for Define, Measure, Analyze, Improve, Control, and each phase serves a specific purpose:

Define. Identify the problem, project goals, and customer requirements.

Measure. Collect data to establish a baseline and quantify the current process performance.

Analyze. Examine data to identify root causes of defects or inefficiencies.

Improve. Develop and implement solutions to address root causes and optimize the process.

Control. Put monitoring systems in place to sustain improvements and prevent regression.

... and the cycle repeats itself, with incremental adjustments based on scientific findings.

DMAIC is used for improving existing processes. It provides a data-driven framework to systematically improve quality, reduce variation, and enhance overall process performance.

Six Sigma DMADV is a methodology used to design new processes or products to meet customer needs and quality standards. DMADV stands for Define, Measure, Analyze, Design, Verify, and its phases are:

Define. Identify project goals and customer requirements for the new process or product.

Measure. Determine key metrics and collect data to understand customer needs and process capabilities.

Analyze. Develop design alternatives and evaluate them against requirements and constraints.

Design. Create the detailed process or product design, optimizing for performance and quality.

Verify. Test and validate the design to ensure it meets specifications and customer expectations.

DMADV is often used in Greenfield projects, new product development, or when existing processes cannot be improved to meet desired quality standards.

A well-known example of Six Sigma in action is **General Electric (GE) under Jack Welch.** GE applied Six Sigma across its operations to reduce defects, improve efficiency, and cut costs. For instance, GE used Six Sigma in its manufacturing and service processes to streamline workflows, reduce errors in financial reporting, and improve product quality, ultimately saving billions of dollars and strengthening customer satisfaction.

Jack Welch is my spirit animal.

3. Capital Efficiency

How well the business uses the resources it has.

Buyers pay a premium for companies that:
- Deploy capital intelligently
- Have short cash cycles
- Are light on working capital
- Invest only in high-return activities
- Maintain clean balance sheets

How well a business uses its resources, both operational and financial, can be improved through efficiency optimization that includes:

Capital Allocation. Invest only in projects and initiatives with high expected returns, regularly reviewing ROI and reprioritizing resources.

Working Capital Management. Shorten accounts receivable cycles, extend payables without harming supplier relationships, and optimize inventory levels to free up cash.

Lean Operations. Streamline processes to eliminate waste, reduce unnecessary steps, and improve throughput, ensuring resources are used effectively.

Balance Sheet Discipline. Keep debt and liabilities manageable, avoid overleveraging, and maintain liquidity buffers for strategic flexibility.

By implementing these measures, the business becomes more capital-efficient, generates higher cash flow per unit of investment, and becomes more attractive to buyers willing to pay a premium.

If you haven't already, I recommend you grab the Annual Cash Flow Data Room Ready spreadsheet for detailed reporting, with automated visualizations:

sorinadumitru.com/downloads/annual-cash-flow-data-room-ready/

4. Organisational Effectiveness & Leadership

The silent multiplier of enterprise value.

A business is truly acquisition-ready only when:

- It runs without the founder
- Teams are aligned
- Accountability systems are in place
- Decision-making is structured
- Leadership behaves consistently
- Performance is measurable

Much of the MBA-level educational literature leans heavily into the internal aspect of leadership and not as much in the external relationship building. A company is only as valuable as its C-suite executives. Solid partnerships as we see in companies like Palantir where the CEO himself does the complex sales (and not the sales team) are a perfect example of McKinsey value creation logic.

The fourth cornerstone of value creation is where system design and soft skills converge.

The ability of a company to strike strategic deals relies not only on the quality of its product, its systems and its service delivery but on the company's leadership. Because, ultimately, deals are among people, not abstracted companies.

An example of value creation that trancends any type of financial metric is president Jimmy Carter mediating the negotiations between Israel and Egypt during the Camp David Accords in 1978. President Carter used a novel practice called Principled Negotiation, as opposed to positional bargaining. This has been later made a science in 1982 - The Harvard Negotiation Project.[1]

1 Fisher, R., Ury, W., & Patton, B. (2011). Getting to yes: Negotiating agreement without giving in (3rd ed.). Penguin.

Today, however, leadership value creation is greatly affected by visibility. If you'd like to learn more about that, I suggest you also download:

http://sorinadumitru.com/the-ceo-seo-blueprint

How much is your business worth?

A business is worth what a rational buyer is willing to pay for its future cash-generating ability, adjusted for risk.

A business has value because it can:

- Generate cash in the future
- Do so with a certain level of predictability
- Without requiring disproportionate reinvestment or owner dependency

What follows is a series of benchmarks and formulas. They are just a method for approximating a buyer's expectations. For a company valuation, we look at:

- Enterprise Value
- Equity Value
- EBITDA

Enterprise Value

Enterprise Value (EV) represents the total economic value of a business, not just the portion owned by shareholders. It is the theoretical price to acquire 100% of a company's operating assets, free of excess cash.

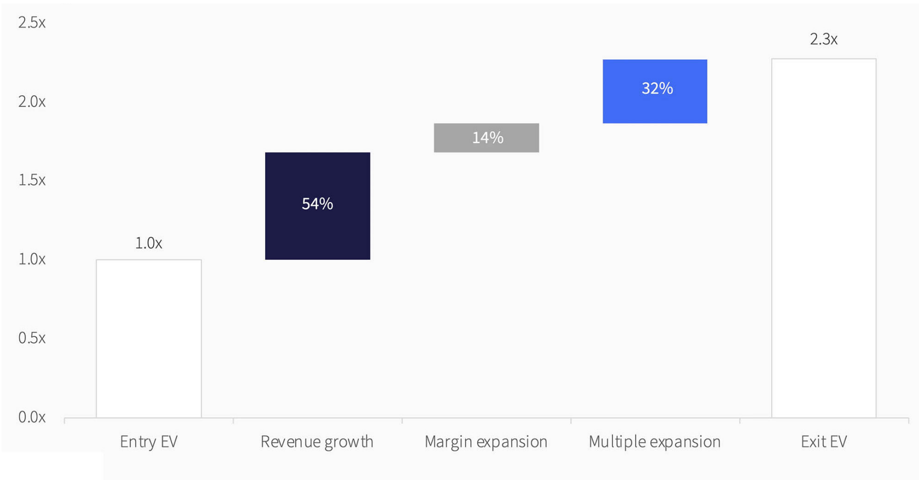
Enterprise Value is the value of the operating business. To put it more clearly:

EV = Equity Value + Debt – Cash

A business is worth the price at which risk and future cash flows are acceptable to the buyer.

Valuation is not math first.

It is judgment, expressed through math.



Average drivers of PE value creation.
This graph shows the evolution of enterprise valuation (EV) from current, with projected revenue growth, margin expansion, and multiple expansion.

Value creation raises the ultimate valuation multiplier.

Equity Value

Equity value is the portion of a company's value that belongs **only** to the shareholders. It is what owners receive after all obligations to lenders and other senior claimholders are accounted for.

Equity Value = EV – Debt + Cash

EBITDA

(Earnings Before Interest, Taxes, Depreciation, and Amortization)

A measure of **operational earnings**, calculated after subtracting:

- COGS (cost of goods sold) (if applicable)
- Operating expenses (salaries, marketing, software, etc.)

…but before:

- Interest
- Taxes
- Depreciation
- Amortization

EBITDA is not Turnover

Turnover (Revenue)

The total money your business brings in before any expenses. It’s important to specify that turnover is not always synonymous with revenue, though the terms are often used interchangeably, especially in certain regions like the UK and Asia.

Overall turnover is equivalent to revenue, meaning the total income from core business activities like sales. However, “turnover” can also refer to efficiency metrics like inventory turnover or asset turnover, which measure how frequently a company sells its inventory or generates revenue from its assets.

When they are the same

(overall turnover == revenue)

- In many contexts, especially in Europe and Asia, “turnover” and “revenue” are used to mean the same thing: the total income a company generates from selling its goods or services over a specific period.

- It’s often referred to as “total sales” or “gross revenue” and is the “top line” figure on an income statement.

When they are different

(turnover as an efficiency metric)

- Asset Turnover: Measures how efficiently a company uses its assets to generate sales. For example, calculating how many times a company’s inventory is sold and replaced over a period.
- Inventory Turnover: Calculated by dividing the cost of goods sold by the average inventory. This shows how quickly a company sells its stock.
- Accounts Receivable Turnover: Measures how quickly a company collects cash from its credit sales.

In these cases, turnover is not just about the total income, but about how quickly and efficiently the business is operating.

Why we use EBITDA

EBITDA is used because it isolates operating performance from factors that distort comparability between companies, especially across countries, capital structures, and ownership models.

By excluding
- interest (financing decisions)
- taxes (jurisdictional effects)
- depreciation and amortization (accounting and historical investment timing),

EBITDA approximates the cash-generating ability of the core business.

For investors, particularly private equity and lenders, this makes it easier to compare companies on a like-for-like basis and assess whether the business can service debt or fund growth from operations.

Equally important, EBITDA aligns with control and value creation levers.

Management can directly influence pricing, costs, and efficiency. These inputs flow into EBITDA.

However capital structure, tax optimization, and accounting policies are often changed after an acquisition.

That is why EBITDA underpins valuation multiples, debt covenants, and LBO models.

EBITDA is not perfect (it ignores capex and working capital), but it answers the specific question investors care about first: **how much operating cash does this business generate before financial engineering begins?**

How to use EBITDA with multiplier

The industry standard for EBITDA multiples can vary significantly depending on factors such as industry sector, company size, growth prospects, profitability, and market conditions.

On the next page, I have provided some typical private company valuations, specific to 2025. Multiples in high-growth sectors such as SaaS, AI or biotech are significantly higher than in capital-intensive or cyclical industries such as manufacturing or energy.

You might feel that these multipliers are pretty high. This is because, for an exit, we do not only use EBITDA to calculate valuation. The correct valuation is the one to which we apply the multiplier, which is actually EV/EBITDA. I hope you **notice the circularity and self-reference, further demonstrating that mathematics is inferred and not deductive**. Value is dependent on judgement of future potential and risk assessment.

Let's use the example further described at page 58 for a **Total Exit.**

Exit price: $16.4M Equity sold: 90%	Implied value: $18.22M	Multiple: 2.6x EBITDA

We assume no material debt or excess cash. So:

EV / EBITDA: 2.6	EV = $18.22M	EBITDA = $7.0M

Final numbers:
EV = $18.22M
EBITDA = $7.0M
EV/EBITDA = 2.6
Exit cash out: $16.4M

A 2.6× EBITDA exit is very low by any modern standard, especially for a scalable digital business. This may have been caused by owner dependency, platform risk and/or a fast, defensive exit.

Industry standard EBITDA multiples

Industry	Multiple range	Why?
Technology/SaaS	6-10x	subscription-based can go over 15x while mature 6-10x
Healthcare/Biotech	7-12x	breakthrough tech is lower while established is higher
Retail	4-7x	Powerful brand adds weight
Manufacturing	4-7x	Cyclical nature lowers multiples
Energy	3-6x	Capital-intensive, regulated
Real Estate	6-10x	Depends on cash-flow stability
Private Equity Deals (general)	4-8x	Leverage and growth assumptions drive this range (see LBO page 103)

Funding Stages

Funding stages are simply a structured way to describe how a company evolves financially over time, from idea to maturity.

Early stages focus on proof:
- does the problem exist?
- does the product work?
- do customers care?

Mid stages focus on scale:
- building systems
- hiring teams
- expanding markets
- turning traction into a repeatable business.

Late stages focus on optimization and liquidity:
- improving margins
- strengthening governance
- enabling exits through acquisitions
- private equity,
- public markets

The stage name signals risk level, investor expectations, and how much control founders are likely to share.

Think of your company like a building. Early funding pays for drawings and foundations; growth funding adds floors, infrastructure, and capacity. Late-stage funding decides whether the building is sold, refinanced, or listed as an asset others can own.

The building itself may not change dramatically at the end, but who owns it, how it is managed, and how **value is extracted** does.

Bootstrapping	Prove the idea	Founder control
Pre-Seed	Validate problem & MVP	High founder control
Seed	Prove demand and PMF	Founder led
Series A	Prove scalability	Board introduced
Series B	Scale aggressively	Strong VC influence
Series C	Market dominance	Control shifts to investors
Series D+	Pre-exit	Investor governance
Secondary (VC)	Liquidity event	Control unchanged
Growth Equity	Optimize, expand	Safe founder control
Minority PE	Professionalize	Strong investor rights
Majority Buyout	Control, cash flow	Investor control
LBO	Leverage for returns	Investor control
MBO	Management control	Management PE backed
Strategic Acquisition	Synergies & scale	Acquirer Full Control
Secondary Buyout	PE to PE exit	New PE control
IPO	Public liquidity	Public shareholders

Basecamp	0%	**Bootstrapping**	1999 profitable startup
Canva	5-10%	**Pre-Seed**	2012 angel for early MVP
Airbnb	10-25%	**Seed**	2009 validates user demand
Facebook	15-25%	**Series A**	2005 platform scaling
Uber	10-20%	**Series B**	2011 global expansion
Stripe	5-15%	**Series C**	2016 expands product suite
Klarna	5-10%	**Series D+**	2021 defense, growth pressure
Facebook	0%	**Secondary (VC)**	2010 early employees sell
UiPath	5-15%	**Growth Equity**	2018 growth pre-IPO
Gymshark	10-30%	**Minority PE**	2020 PE takes minority
Dell	60-100%	**Majority Buyout**	2013 company taken private
Hilton	70-100%	**LBO**	2007 PE acq. using heavy debt
WeWork Japan	50-100%	**MBO**	2022 management buyout
Whatsapp	100%	**Strategic Acquisition**	2014 acq. by Facebook
Pets at Home	100%	**Secondary Buyout**	2010 sold PE to PE
Airbnb	10-20%	**IPO**	2020 public listing, 1% exit

EXIT SCENARIOS / VALUE CREATION

Here are the most probable value creation scenarios with subsequent sub-scenarios:

1. Partial exit - more than 50%
2. Equity for raising capital - up to 25%
3. Private debt - no dilution[1]
4. Total exit - 90% or more

In these following pages you will find clear, structured scenarios for each case. These are written in a way you can reuse for planning, pitch decks, due diligence discussions, or internal strategy.

For each scenario, I'll give you:

1. What the scenario is
A brief description of what happens in the acquisition process.

2. When it applies
Different situations in which the scenario is best.

3. Structure
A clear step-by-step on how the deal is structured.

4. Pros & Cons
Short lists explaining the upsides and downsides of each specific scenario.

5. Investor psychology
Why would someone want to participate in the acquisition scenario. You will better understand who to look for to invest in your desired scenario and how to present the deal's benefits.

1 Private debt will be treated differently than acquisition scenarios in the following chapters. It still remains a highly desired method of corporate financing.

1. PARTIAL EXIT OF A COMPANY

50-90%

Scenario A: Strategic Majority Buyout
(You keep minority equity)

What it is:
A strategic buyer acquires 51-80% to gain control, while you retain 20-49% for future upside.

When used:
You want liquidity but still want to benefit from scaling.

Company has strong strategic value (tech, IP, customer base).

Structure:
Buyer pays cash upfront for majority stake.

You sign a performance-based earn-out for 12-36 months.

Board seats: buyer majority, you minority.

Pros:
Large liquidity event.

You still benefit from future exit at a higher valuation.

Cons:
Loss of operational control.

Investor psychology:

Strategics want synergy and control, but like founders to remain for continuity.

Example for Scenario A: Strategic Majority Buyout

Google acquiring YouTube (2006)

Structure
Strategic majority buyout. Google purchased a majority stake in YouTube to gain control while retaining key founders. The acquisition combined cash and stock consideration.

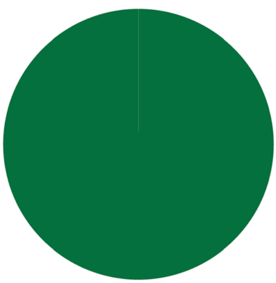
Percentages
Google acquired approximately 65%-70% of YouTube initially (founders retained a minority stake and continued to manage operations.

Rationale
Strategic acquirer sees high-growth potential and wants control without full buyout. Secure a leading video platform, integrate with Google Ads, and expand online presence, while keeping the founding team operationally involved. Retaining founders mitigates execution risk and preserves company culture.

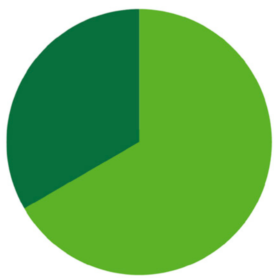
Before
100% private ownership

2006
Company Valuation

After
65-70% Google
30-35% private (founders)



$2.4B - $2.5B



Scenario B: Private Equity Recap
(PE firm buys 60-70%)

What it is:
A PE fund buys majority and injects money for growth. You take cash off the table.

When used:
The business is solid but needs capital for scaling (new markets, acquisitions, systems).

When the business is ready for professionalization (C-suite, systems, reporting).

Structure:
Majority purchase (60-70%).

Additional “growth capital” injected.

Incentivized management plan (MIP) for you.

Pros:
High valuation because PE optimizes EBITDA.

Second exit later at higher valuation.

Cons:
PE usually restructures aggressively.

Investor psychology:

PE wants predictable cash flow and scalable operations.

Example for Scenario B: Private Equity Recap

Blackstone recapitalizing Hilton Hotels (2007)

Structure

Blackstone purchased a majority stake (~70%) of Hilton's equity, leaving some ownership with existing management.

Percentages

Blackstone PE firm gained 70% ownership after the recapitalization Existing shareholders and management retain ~30%, aligning incentives for ongoing operations. A large portion of the purchase was leveraged, common in PE recaps to enhance returns.

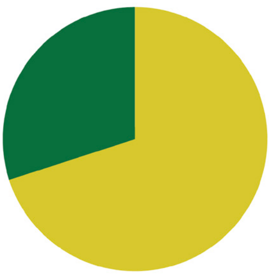
Rationale

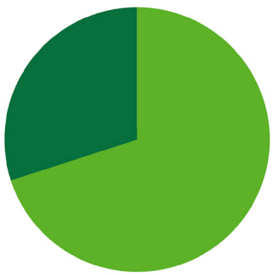
Provided liquidity to Hilton's existing shareholders while giving Blackstone control to implement operational improvements. Hilton continued to operate under existing management, with PE driving efficiency, debt restructuring, and following IPO in 2013.

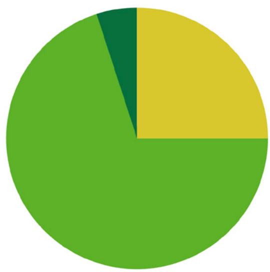
2006
70% publicly traded
30% management

2007
70% Blackstone PE
30% management
(LBO)

2013
70% Blackstone
25% IPO
5% management







Scenario C: Secondary Sale
(Large Angel or VC buys 51-55%)

What it is:
One big investor buys out you and some minority shareholders.

When used:
You want to step back, company is attractive but not PE-level.

Structure:
New investor purchases from existing shareholders, not from the company.

Founder retains a large minority and continues operating the business with strategic support.

Capital goes to selling shareholders, not into the company, giving liquidity without a full exit.

Pros:
Keeps company independent.

Simple transaction.

Cons:
Lower valuation than a strategic sale.

Investor psychology:

VCs will only buy a majority if they see a clear exit path in 3-7 years.

Example for Scenario C: Secondary Sale
Ashton Kutcher investing in Airbnb (2010 Series B funding round)

Structure
Secondary Sale: A-Grade bought existing shares from early employees and angel investors, not newly issued shares. Founder shares remained largely intact, so this was primarily liquidity for early stakeholders.

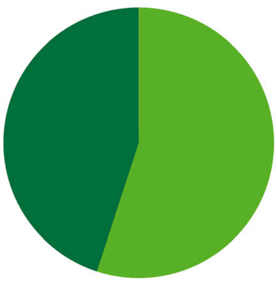
Percentages
Exact percentages aren't publicly disclosed, but around 51-55% of shares sold in that round were secondary; founders retained meaningful minority ownership.

Rationale
Provide liquidity to early employees and angel investors without diluting founders heavily. Bring in a strategic, high-profile investor (Ashton Kutcher) for credibility and network effects. Signal market confidence in Airbnb's growth and valuation.

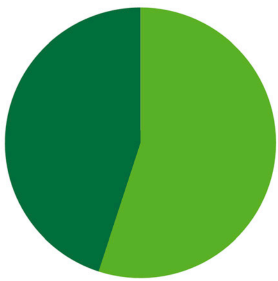
Before

Undisclosed, dilution level uncertain because of previous funding rounds.

2010
55% Grade A
45% founders



2020
56% IPO
44% founders



2. EQUITY FOR RAISING OPERATIONAL FUNDS

Substantially less than 50%

Scenario A: Equity Dilution for Working Capital
(10-25%)

What it is:
You sell 10–25% equity to raise capital for salaries, production, operations.

When used:
Company is stable but cash flow is tight.

Need funds to bridge financing cycles.

Structure:
Priced equity round (small).

Investor receives pro-rata rights and a liquidation preference.

Pros:
Raises cash without taking on debt.

Founder keeps clear control of the business.

Cons:
Ownership percentage decreases.

Investor rights may add reporting or oversight requirements.

Investor psychology:

Investors commit when they clearly see a credible founder, a believable plan, and a path to getting their money back with upside.

Example for Scenario A: Equity Dilution for Working Capital
Facebook Early Seed / Angel Rounds (2004)

Structure
Early angel investment / seed round to fund working capital (salaries, servers, operations). Equity given: ~10-15% to investors. Founders retained majority ownership and control.

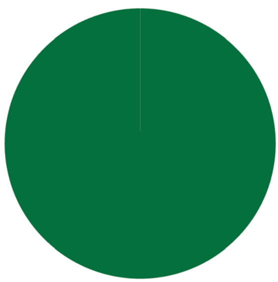
Percentages
Facebook sold a small portion of equity to angel investors (e.g., Peter Thiel invested $500k for ~10-15% of the company), founders kept 85-90%.

Rationale
Angels invest at this stage for high risk, high upside potential. Investors look for founder credibility, market potential, and clear use of funds for growth.

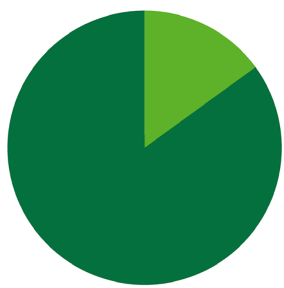
Before
100% private ownership

2004
Company Valuation

After
15% Peter Thiel
85% private (founders)



$3.5M - $5.0M



Scenario B: Equity + SAFEs or Convertible Notes
(0-15% dilution now, more later)

What it is:
Mix of immediate equity + convertible instruments to raise faster.

When used:
Need capital urgently.

Valuation uncertain.

Want minimal dilution now.

Structure:
5% equity today.

Convertibles turn into another 5-10% later at a discount

Pros:
Raises capital quickly without immediate dilution.

Delays valuation until the company is stronger.

Cons:
Future conversion can cause unexpected dilution.

Stacked SAFEs/notes can complicate the cap table later.

Investor psychology:

Investors like SAFEs/convertibles because they lock in future upside while minimizing immediate risk, but they want confidence that the company will reach a higher valuation before conversion.

Example for Scenario B: Equity + SAFEs or Convertible Notes
Y Combinator startups (2009-2010)

Y Combinator (YC) is a startup accelerator based in Silicon Valley that provides seed funding, mentorship, and resources to early-stage startups in exchange for a small equity stake, typically around 7%. It is famous for launching companies like Airbnb, Dropbox, and Reddit.

Structure
Early investors received SAFEs or convertible notes, giving them the right to convert to equity in a future priced round.

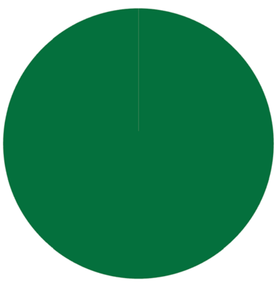
Percentages
Minimal immediate dilution (~0–15% at the time of note issuance). Actual dilution occurred later at Series A/B rounds when notes converted.

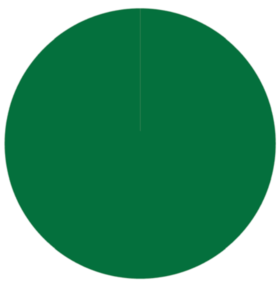
Rationale
Allowed Airbnb to raise working capital to expand operations without setting a valuation too early; deferred dilution until the company was more valuable and less risky.

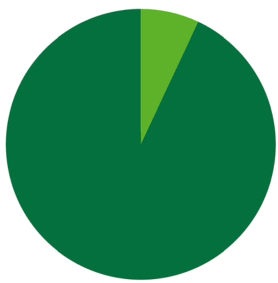
Before
100% original ownership (undisclosed)

Immediately After
ownership stays the same

Notes Converted
7% investor pool
93% original ownership







Scenario C: Sweat Equity for Operations
(5-20%)

What it is:
You give equity to an operating partner who brings money + know-how.

When used:
Critical skills missing in the company.

Need both capital and execution.

Structure:
Equity granted in exchange for work/ services, not cash

Vesting schedule applies to align incentives and retain talent over time.

Founders or key contributors retain majority, while contributors earn equity tied to operational milestones.

Pros:
Conserves cash by paying with equity instead of salary.

Aligns team incentives with company growth.

Cons:
Dilutes founders' ownership.

Equity may not fully motivate if perceived value is uncertain.

Investor psychology:

Investors view sweat equity positively when it aligns the team's incentives with company growth, but they watch for over-dilution or misallocation that could weaken founder control or future funding rounds.

Example for Scenario C: Sweat Equity for Operations
Tesla – Early engineering and operations team (2003)[1]

For this example, I encourage you to check out @stephthefounder on Instagram. She constantly gives tips on what startups are currently employing and offering payment in stock options.

Structure
Early engineers and key hires received equity grants (stock options) instead of high salaries to build the company's technology and operations.

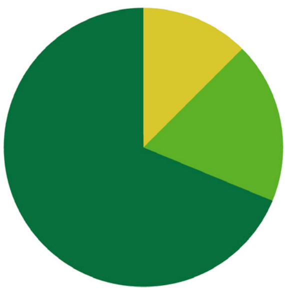
Percentages
Typically 5-20% allocated among key contributors over time, while founders retained majority ownership.

Rationale
Conserved cash while aligning team incentives with company growth; rewarded contribution and risk-taking in a high-growth startup.

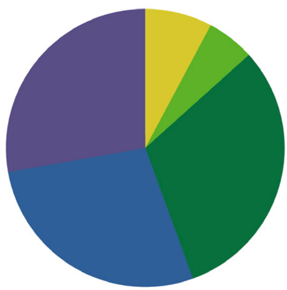
Before Elon
40+15% founders
15% employees
10% investors

2004
Company valuation

After Elon (28%)
25+25% founders
5% employees
7% investors



$22.5M



1 Before Elon Musk (2004)

3. PRIVATE DEBT FOR DIFFERENT STAGES OF THE COMPANY

Early Stage
(Pre-revenue or minimal revenue)

Type:	Why:	Features:
Convertible Note / SAFE with debt characteristics	Too risky for traditional debt.	Discount to next round No collateral Matures in 18-36 months

Example:
Bootstrap startups founded in someone's garage can greatly benefit from early stage debt from friends or family, offering 10-15% interest rate, up to 20% for high risk, unproven.

Growth Stage
(Consistent revenue, not yet profitable)

Type:	Why:	Features:
Revenue-Based Financing (RBF)**	Predictable income.	Repay % of monthly revenue (3-8%) Total repayment cap (1.4x-2x of principal) No equity or small warrants (1-2%)

Example:
Online businesses that have a predictable ROAS, CAC and recurring revenue can greatly benefit as pro-rata installments are low, with an end-of-term repayment cap

Established Stage
(Profitable, assets, strong cash flow)

Type:
Senior Secured Private Debt

Why:
Company can collateralize.

Features:
8-15% interest

12-36 months term

Secured against accounts receivable, inventory, contracts, assets

Example:
Established law firms in so-called rich countries like The United Kingdom can greatly benefit from this type of loan as it helps with their cash flow issues when revenue is very high but cadence is based on deliverables.

Late Stage
(Scaling aggressively)

Type:
Mezzanine Debt

Why:
High growth, but not enough collateral.

Features:
Higher interest (12-20%)

Equity kicker (warrants)

Subordinated to senior debt

Example:
The sovereign debt used by Dubai from Abu Dhabi to finish the Burj Khalifa during the 2008 credit crunch is a perfect example of the applicability.

Investor psychology:

Private debt investors want protection, priority, and predictable repayment.

4. TOTAL EXIT OF A COMPANY

More than 90%

Scenario A: Strategic Buyout
(100%)

What it is:
A competitor or complementary company buys you out.

When used:
They want your customers, tech, or IP.

Fastest path to maximum valuation.

Structure:
90-100% purchased.

Usually includes non-compete.

You may stay 6-18 months for handover.

Pros:
Provides full liquidity for founders immediately.

Transfers risk and responsibility to the buyer.

Cons:
Founder loses all control and future upside.

Company vision may change under new ownership.

Investor psychology:

Investors view a strategic sale as a clear exit opportunity with high certainty of return, but may be cautious if the buyer's integration risks erode value or disrupt operations before closing.

Examples for Scenario A: Strategic Buyout

Apple Tech Company Acquisitions (2005-2013)

FingerWorks (2005), a small company whose multitouch patents / IP formed a basis for the iPhone's touchscreen.
AuthenTec, Inc. (2012), a company specializing in fingerprint sensors/ biometrics, relevant for Touch ID and device security.
P.A. Semi (2008), a semiconductor firm, to bring chip design in-house.
PrimeSense (2013), a 3D-sensor company known for motion-sensing and depth cameras

Percentages are undisclosed.

Rationale
These acquisitions were typically motivated by gaining IP, engineering talent, or specific sensor/technology capabilities, rather than full vertical integration of large-scale manufacturing operations for displays.

Facebook acquiring WhatsApp (2014)

Structure
Type: Strategic full buyout, Facebook purchased 100% of WhatsApp. Payment: Mix of cash and stock ($19 billion total). Ownership post-deal: WhatsApp became a fully owned subsidiary; founders retained operational roles but no equity stake.

Rationale
Strategic growth: Acquire a dominant messaging platform to expand user base and network effects. Market consolidation: Remove potential competitor. Talent retention: Keep founders and key team to continue innovation.

Scenario B: PE Full Buyout
(90-100%)

What it is:
Private equity buys everything and installs their own management.

When used:
When founders want complete liquidity and an exit from the business.

When a PE firm sees opportunity to optimize and scale the company fully for a future sale.

Structure:
PE firm buys out all existing shareholders.

Financed with a mix of equity and debt, often using LBO.

Management may stay on under new contracts or exit completely.

Pros:
Cleanest exit.

High valuation if EBITDA is solid.

Cons:
PE negotiates hard.

Investor psychology:

PE investors pursue full buyouts when they see a clear path to value creation and control, seeking predictable returns through operational improvements, financial engineering, and eventual resale.

Example for Scenario B:PE Full Buyout
William Brown Trading Buyout (2023)

For this example there is no public record of details. These types of deals are private. As such, we shall keep all categories speculative. The purpose is to educate you on how a PE deal for an online business would occur.

Hypothetical Structure
High View sets up acquisition vehicle, buys William Brown's e-learning company (common shares + any preferred shares). The acquisition is financed with a mix of debt and equity, typical to LBO, majority debt. Optionally, depending on the agreement, there could be an earn-out clause or performance payouts tied to future EBITDA for incentive.

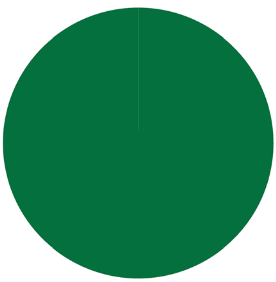
Hypothetical Percentages
PE company acquires 90% of stake, while founder remains with 10% as "rolled equity," giving them a minority stake for continuity post-sale.

Rationale
Steady cash flow, recurring revenue. PE controls operations, scaling strategy. LBO likely gave PE attractive ROE, maintained or grew EBITDA.

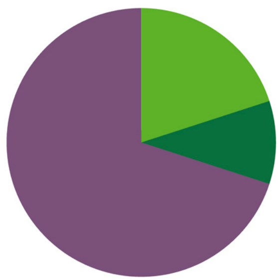
Before
100% private ownership (founders)

2023
Company valuation (speculative)

After
90% PE
(of which 80% leveraged)
10% founders



$18.2M



Scenario C: IPO + Sell 90% or Tender Offer
Rare unless the company is large.

What it is:
IPO then sell your own stake

Or a tender offer where the buyer purchases almost all shares.

When used:
Large and well-established with strong market credibility.

Founders or early investors want substantial liquidity while accessing public markets.

Can handle regulatory, reporting, and operational demands of being public.

Structure:
Company goes public through an IPO or tender offer, selling shares to public investors.

Majority of shares (up to 90%) are sold by founders or early investors, not newly issued shares.

Remaining shares may be retained for management, employee incentives, or market stability.

Pros:
Massive liquidity for founders and early investors.

Prestige of public capital markets

Cons:
Founder loses control over the company's direction.

High regulatory and reporting burden, costly to maintain.

Investor psychology:

Investors view a large IPO or tender offer as a high-liquidity, lower-risk exit, but they carefully assess market appetite, company stability, and regulatory compliance before committing.

Example for Scenario C: IPO + Sell 90% or Tender Offer

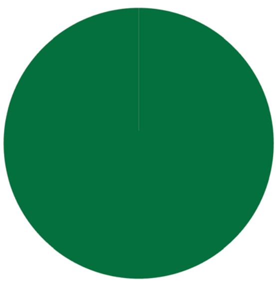
Figma IPO (2025)

Structure
Figma IPO sale was split between newly issued shares by Figma itself (primary offering) and twice as many shares from existing shareholders (secondary offering)

Percentages
Public shareholders: ~30-35% of total equity. Founders, early investors, and employees: ~65-70% retained.

Rationale
Liquidity for early investors & insiders, raise fresh capital for growth, access public markets and brand positioning, balance between control and liquidity.

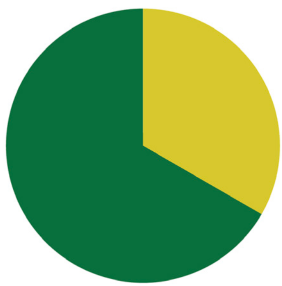
Before
100% private (founders, investors, employees)



2025
Capital gains from IPO

$410.0M

After
33% publicly traded
66% private (original)



Scenario A: Management Buyout (MBO)
(100%)

What it is:
Your management team buys you out using debt or investor partners.

When used:
They want your customers, tech, or IP.

Fastest path to maximum valuation.

Structure:
90-100% purchased.

Usually includes non-compete.

You may stay 6–18 months for handover.

Pros:
Smooth handover

Cultural continuity

Cons:
Lower valuation unless team backed by investors.

Investor psychology:

Investors see an MBO as aligned incentives, since existing management knows the business well, but they assess execution risk and debt load carefully because the buyout often involves significant leverage.

Example for Scenario A: Management Buyout (MBO)

Dell Inc. buyout by Michael Dell and Silver Lake (2013)

Structure
Michael Dell (CEO) partnered with private equity firm Silver Lake to buy all publicly traded shares of Dell Inc. Financing was a combination of equity from Michael Dell and Silver Lake and debt financing typical of an LBO structure.

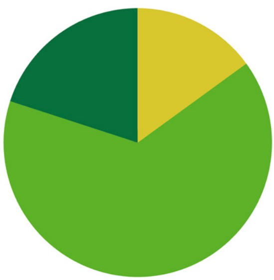
Percentages
100% of public shares acquired. Dell became privately held.

Rationale
Management wanted more control to restructure and transform Dell without pressure from public markets. Buyout allowed focus on long-term strategic growth (shifting from PCs to enterprise solutions). It also enabled alignment of incentives between management and investors, while giving liquidity to public shareholders.

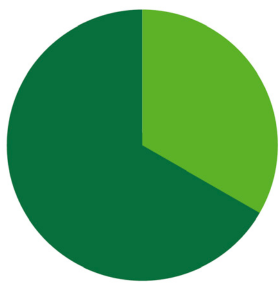
Before
20% CEO/founder
65% institutional
15% retail

2013
Payout for investors

After
66% CEO/founder
33% PE firm



$24.4B



Full Transaction Blueprint

Now that you have decided on your scenario for value creation (private debt, equity sale, partial exit or full exit) below I have provided the exact blueprint for each one.

The blueprints are **full**, **end-to-end transaction blueprints** for each scenario. These are structured like an investor/board-ready M&A playbook: timelines, actors, deliverables, documents, valuation steps, and negotiation checkpoints.

You can reuse them for decks, operational plans, or just to gain a little clarity on what's next for you.

Common Phases of a Deal

1. Preparation
2. Buyer Outreach
3. Negotiation
4. Due Diligence
5. Final Agreements
6. Closing and Transition

Common Deliverables

1. Company Identity
2. Financial Statements
3. Revenue Datapoints
4. Cost Structure Datapoints
5. Market Datapoints (external)
6. Operational Datapoints
7. Risk Datapoints
8. Valuation Specific Datapoints
9. Transaction Datapoints
10. Data Room Documents

1. PARTIAL EXIT BLUEPRINT

50-90%

Use case:
Founder wants liquidity, stays on minority role, buyer gains control.

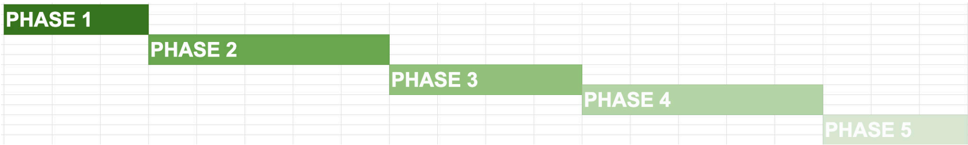
Phase 1 - Preparation (4-6 weeks)

1. Internal Readiness

- Normalize owner compensation
- Clean financials (last 3 years)
- AR/AP reconciliation
- Remove personal expenses
- Identify add-backs for EBITDA
- Document key processes (ops, sales, HR)

Deliverables:

- Clean P&L, Balance Sheet, Cash Flow
- Adjusted EBITDA sheet
- Org chart
- Customer concentration report



Gantt Diagram with 5/6 phases - Pre-Deal preparation
Partial Exit (>50%) Total duration for preparation: 20 weeks.

2. Valuation & Deal Structure Draft

Perform valuation using:

- EBITDA multiple (industry benchmark, see page 36)
- Discounted Cash Flow
- Comparable transactions

Perform valuation using:

- % stake sold (51-80%)
- Cash vs earn-out split
- Role after transaction (advisory/operational)

Deliverables:

- Valuation model
- Founder Deal Terms (your red lines)
- Data room index

Phase 2 - Buyer Outreach (6-10 weeks)

Types of Buyer

- Strategic competitor
- Regional operator
- Private equity
- Large independent investor

1. Teaser Document

- Anonymous 1-page teaser with topline numbers.

1. NDA and Data Room Access

- After NDAs signed.

3. Management Presentation
90-minute pitch covering:
- Strategic moat
- Synergies
- Growth roadmap
- Integration plan

Deliverables

- Teaser
- CIM (Confidential Information Memorandum, 20-40 pages)
- Financial model (in Excel)

Phase 3 - Negotiation (4-8 weeks)

1. Receive Non-Binding Offers (NBOs)

Each should specify:
- Purchase price
- % equity acquired
- Earn-out formula
- Employment/consulting terms
- Timeline

2. Management Meetings

- Deep-dive Q&A; adjust assumptions.

3. Selection of Preferred Bidder

Deliverables

- Comparison matrix of all NBOs
- Negotiations log

Check your assumptions of what's right and what's wrong with that's real.

Kate McAndrew, 2025

Phase 4 - Due Diligence (8-10 weeks)

Areas examined:

- Financial
- Legal
- Tax
- HR
- Commercial
- Operational
- Environmental (if relevant)

You prepare:

- Contracts archive
- Licenses
- Bank statements 3-5 years
- Cap table history
- IP ownership
- Employee agreements

Buyer produces:

- Due diligence questionnaires
- Working capital analysis
- Quality of Earnings (QoE)

Phase 5 - Final Agreements (4-6 weeks)

Key Documents:

- Share Purchase Agreement (SPA)
- Shareholders Agreement (SHA)
- New governance structure
- Earn-out schedule
- Non-compete
- Employment/consulting contract
- Transition plan

Phase 6 - Closing and Transition (3-12 months)

Key Documents:

- Wire transfer & share transfer
- New board installation
- Reporting protocols
- Founder handover (consulting 6-18 months)

Gantt Diagram with first 5 phases and Phase 6 - Closing and Transition Partial Exit (>50%) Total duration for everything: 72 weeks.

2. EQUITY FOR RAISING OPERATIONAL FUNDS BLUEPRINT

10-25% dilution

Use case:
Raise capital for working capital without giving up control.

Phase 1 - Capital Need Assessment (1-2 weeks)

- Determine cash burn
- Forecast working capital needs (12–18 months)
- Choose an equity instrument from:
    - Priced equity
    - SAFE
    - Convertible note

Deliverables:

- Capital requirement model
- Cash flow forecast
- Target investor profile

Phase 2 - Investor Package (2-3 weeks)

- Pitch deck
- One-pager
- Data room:
    - 3-year financials
    - Customer and sales pipeline
    - Unit economics
    - Team bios

Phase 3 - Investor Outreach (4-8 weeks)

- Angel networks
- Early-stage VCs
- Private investors
- Corporate venture arms

Deliverables:

- Meeting calendar
- Investor responses log
- Updated deck after feedback

Phase 4 - Term Sheet (2-4 weeks)

Negotiate:

- Valuation
- Equity %
- Liquidation preference
- Pro-rata rights
- Board seat
- Transfer restrictions

Phase 5 - Legal & Closing (4-6 weeks)

- Subscription Agreement
- Shareholders Agreement
- Updated cap table
- Updated company registry
- Funds transfer

Gantt Diagram with 5/5 phases.
Equity for Raising Operational Funds: Total duration: 23 weeks.

3. PRIVATE DEBT BLUEPRINT (from Early to Late Stage)

Depending on company maturity, there are 3 stages.

A. Early Stage: Convertible Debt Blueprint

Structure:

- Maturity: 18–36 months
- Discount: 10–25%
- Valuation cap
- No collateral

Process:

1. Pitch memo
2. Convertible note agreement
3. Investor transfer

B. Growth Stage: Revenue Based Financing (RBF)

Structure:

- % of monthly revenue (3-8%)
- Repayment cap 1.4x–2x
- Term: until cap reached

Process:

1. Upload bank + Stripe data
2. RBF underwriter models revenue drop scenarios
3. Sign Revenue Share Agreement
4. Monthly repayment autopay

RBF example:
A company receives **$50,000** in funding.
The agreement includes a 1.5x repayment cap multiplier.
The total amount the company will repay is capped at **$50,000 * 1.5 = $75,000 (a total cost of $25,000 for the funding)**

Even if the company does really well, repayment obligation will not exceed $75,000.

C. Mature Stage: Senior Private Debt

Structure:

- 8-15% interest
- Fixed term (12-36 months)
- Collateral: receivables, inventory, equipment

Process:

1. Full financial audit
2. Legal collateral review
3. Loan agreement + security agreement
4. Filing line with authorities

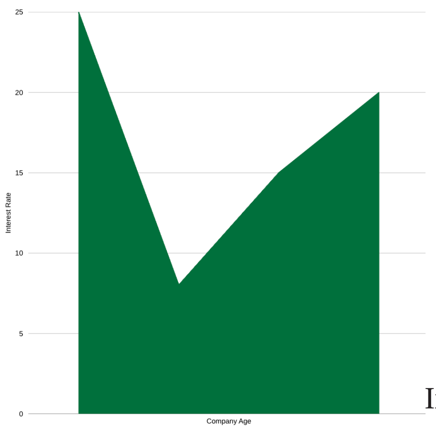
D. Late Stage: Mezzanine Debt

Structure:

- 12-20% interest
- Subordinated to senior lenders
- Equity warrants attached

Process:

1. Prepare lender package
2. Negotiate covenants (DSCR, leverage ratio)
3. Execute intercreditor agreement
4. Signing + drawdown



Interest rate evolution through 4 stages.

4. TOTAL EXIT BLUEPRINT

More than 90%

Use case:
Founder no longer wants to be identified with the business.

Phase 1 - Sell-Side Preparation (6-10 weeks)

- Version 1 CIM
- 5-year forecast
- Normalized EBITDA
- Comprehensive data room
- Legal cleanup (IP, employment, contracts)

Phase 2 - Full Auction Process (8-12 weeks)

You contact 20-80 buyers through an investment bank or an M&A advisor

Steps:
- Send teaser[1]
- Sign NDAs
- Deliver CIM
- Conduct management calls
- Receive IOIs (Indications of Interest)
- Shortlist 3-5 buyers

1 Similar to 1. PARTIAL EXIT BLUEPRINT p. 64)

Phase 3 - Buyer Selection (4-6 weeks)

Each buyer submits:

- Final offer
- Synergy analysis
- Integration plan
- Employment terms

You choose based on:

- Valuation
- Certainty to close
- Cultural fit
- Speed

Phase 4 - Due Diligence (6-12 weeks)

Full forensic audit:

- Financial
- Tax
- Legal
- IP
- HR
- Cybersecurity
- Environmental (if needed)

Buyer builds:

- SPA draft
- Transition plan
- Closing conditions
- Earn-out (rare in total exit)

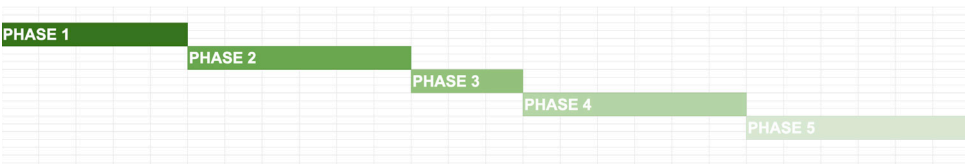
Phase 5 - Executive Due Diligence (6-12 weeks)

Documents:

- SPA
- Assignment of shares
- Resignations of founders
- New board resolutions
- Wire transfer
- Registry updates

You receive:

- 90-100% liquidity
- Possibly a 6-12 month advisory contract



Gantt Diagram with all 5 phases
Total Exit (>90%) Total duration for everything: 26 weeks.

THE CAP TABLE

A cap table, or capitalization table, is a document that details a company's equity ownership, showing who owns what and how much they own, including stocks, options, and convertible notes. It is crucial for both founders and investors to understand and manage ownership, track changes in equity, and project potential dilution and returns.

What does a cap table include?

- **Ownership details:** It lists every shareholder, such as founders, employees, and investors.
- **Types of securities:** It details all types of equity and securities, including common stock, preferred stock, stock options, and warrants.
- **Ownership percentages**: It shows the percentage of the company each person or entity owns.
- **Equity changes**: It is regularly updated to reflect new stock issuances, employee option grants, and other transactions that can affect ownership and cause dilution.

Why it's important

- **For founders**: It is a vital tool for managing the company's equity structure and understanding the impact of future funding rounds or employee incentives on ownership.
- **For investors:** It helps investors assess a company's ownership structure and evaluate the potential return on their investment.
- **For company growth:** A cap table is essential for tracking equity as a company grows, making it a critical document for startups seeking investment and for managing complexity as it scales.
- For compliance: It helps ensure accuracy and compliance with financial and legal regulations.

Cap Table Simulations

In this chapter, I have simulated cap table simulations for all four scenarios:

1. Partial exit - more than 50%
2. Equity for raising capital - up to 25%
3. Private debt - no dilution
4. Total exit - 90% or more

These projections are run on the example of an online consultancy business with the following baseline:

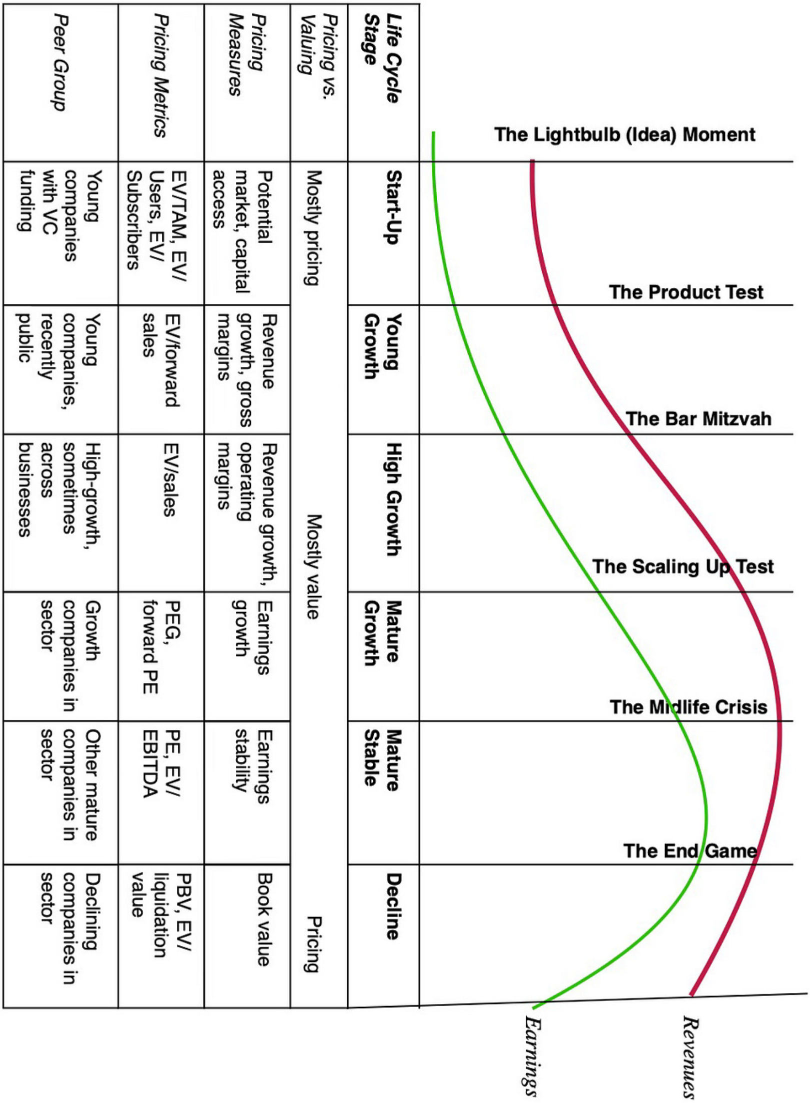
- Revenue: $100,000/month
- Net profit margin: 15%
- Founder owns 100% at start

The cap tables will show ownership percentages and dilution effects for each scenario.

Assumptions for All Scenarios

- 100,000 initial shares for simplicity.
- No employee stock options included (can be added as needed).
- Warrant/convertible debt impact included only in private debt scenario.
- Percentages are post-money for equity transactions.

Before we get into it, it's important for you to know **The Business Lifecycle.** This is a concept refined by prof. Aswath Damodaran, the OG of company valuation - if you know, you know. The following diagram will convey to you, very clearly, that, if you are not doing value creation for your business, your business will just straight up die.



Life Cycle Stage	Start-Up	Young Growth	High Growth	Mature Growth	Mature Stable	Decline
Pricing vs. Valuing	Mostly pricing	Mostly value				Pricing
Pricing Measures	Potential market, capital access	Revenue growth, gross margins	Revenue growth, operating margins	Earnings growth	Earnings stability	Book value
Pricing Metrics	EV/TAM, EV/ Users, EV/ Subscribers	EV/forward sales	EV/sales	PEG, forward PE	PE, EV/ EBITDA	PBV, EV/ liquidation value
Peer Group	Young companies with VC funding	Young companies, recently public	High-growth, sometimes across businesses	Growth companies in sector	Other mature companies in sector	Declining companies in sector

Damodaran, A. (2024). The corporate life cycle: Business, investment, and management implications.

If there is one single thing that I want you to take out of this entire book, it's this: **the team that got you to $100,000 months will not get you to $1,000,000 months - yourself included**. If you want to continue to own this business, you're going to have to learn to let it go. Value creation is the best way to do so.

Why is that?

When you sell a part of your business to others, you have a responsibility towards the new shareholders to make their investment worthwhile. To repay their risk taking. This means acknowledging that you might not be the best manager anymore. It's time to bring in someone better than you that can also hire a better team in order to do a better job and scale this thing up to the level of expectation of your investors and beyond.

On Instagram, I follow a lovely account, @kate__mcandrew. Kate does a great job teaching hopeful entrepreneurs about their opportunity to have access to investor capital.

In one of her reels, she asked 'Would you rather sell your company today for $20M or run your company for another 10 years and make $200M?'

What no one in the comment section seemed to notice was the fact that, in order to make $200M in 10 years, you actually have to start selling a part of your company today.

Equity and debt are the only two vehicles to raise capital beyond operational revenue so your business can actually achieve escape velocity and go from $100,000 months to $1,000,000 months.

And when you have that influx of new capital coming in, you need new people who know how to spend it properly.

And now, as promised, the cap table scenarios.

1. PARTIAL EXIT

50% - 70%

Scenario:
Founder sells 60% to a strategic buyer, keeps 40%.

Pre-Transaction:

Shareholder	Holding	Ownership
Founder	100,000 shares	100%
Strategic Buyer	0	0

Post-Transaction:

Shareholder	Holding	Ownership
Founder	60,000 shares	60%
Strategic Buyer	40,000 shares	40%

Notes:

- Founder receives liquidity for 60% stake.
- Retains upside for future growth.
- Control passes to strategic buyer.

2. EQUITY RAISE FOR OPERATIONAL FUNDS

10-25%

Scenario:
Founder raises 20% equity to inject $200,000 into operations.

Pre-Raise:

Shareholder	Holding	Ownership
Founder	100,000 shares	100%
Strategic Buyer	0	0

Post-Raise:

Shareholder	Holding	Ownership
Founder	80,000 shares	80%
Strategic Buyer	20,000 shares	20%

Notes:

- Minimal dilution.
- Founder retains control.
- Investors may get liquidation preference, but no board control.

2. PRIVATE DEBT DIFFERENT STAGES

Scenario:
Debt does not dilute ownership, but some debt may include warrants or equity kickers.

Stage	**Interest Rate**	**Why**
Early Stage	Highest (12-20%+)	Lenders take high risk: business unproven, high default probability, few assets to secure loan
Growth Stage	Moderate (8-15%)	Company has traction, revenue, some cash flow, reducing risk.
Mature	Lower (5-10%)	Stable cash flow, collateral available, lower risk.
Late/Mezzanine	High (12-20%)	Subordinated loan: higher risk than senior, may include warrants.

Notes:

- Early-stage convertible notes or loans are unsecured, so lenders charge very high interest rates or equity kickers to compensate for risk.
- Growth-stage loans often take revenue-based repayment, effectively lowering apparent "interest" since repayment scales with cash flow.
- Mature-stage secured loans can have lower interest, because collateral protects the lender.

Stage	Principal	Interest Rate	Months	Equity/Warrants
Early	$100,000	15-20%	24	5,000 shares
Growth	$150,000	10-12%	36	None
Mature	$150,000	6-8%	36	None
Late	$250,000	12-15%	36	5,000 - 10k shares

Notes:

- Early-stage lenders price risk heavily: high interest + warrants.
- Growth-stage RBF or revenue-linked loans reduce cash stress; effective interest appears lower.
- Mature-stage secured loans rely on collateral; interest is low because risk is low.
- Late-stage mezzanine debt is high interest again because it's subordinate to senior debt.

1. TOTAL EXIT

More than 90%

Scenario:
Founder sells 95% to a PE or strategic buyer.

Pre-Transaction:

Shareholder	Holding	Ownership
Founder	100,000 shares	100%
Strategic Buyer	0	0

Post-Transaction:

Shareholder	Holding	Ownership
Founder	5,000 shares	5%
Strategic Buyer	95,000 shares	95%

Notes:

- Founder receives majority of liquidity.
- Retains 5% for potential earn-out or upside.
- Buyer gains full control.

For any scenario you choose, it's important to remember that **everything is up for negotiation.** Founders can dilute themselves while still keeping the majority in voting rights if it helps the deal between the seller (who wants to maintain control over the company) and the buyer (whose company policy might be to own majority stake in an acquired company).

DATA POINTS FOR VALUATION PROCESS

This chapter consists of a **complete master list of datapoints needed for valuation**, structured exactly the way investment banks, PE funds, and strategic acquirers request them.

This is the list of things you need to prepare:

- a **valuation model**,
- a **CIM (confidential information memorandum),** or
- a **data room** for buyers (a secure online or physical location where a seller organizes and stores all the confidential documents related to a business for prospective buyers to review during the due diligence process. The data room provides a central, controlled environment for buyers and their advisors to access financial records, contracts, and other sensitive information before a transaction is completed).

Use it as a checklist or plug directly into your process.

VALUATION DATA POINTS.
THE COMPLETE CHECKLIST

1. Company Identity

- Legal entity name
- Registration number
- Jurisdiction
- Ownership structure (cap table)
- Year founded
- Business model summary

2. Financial Statements
3-5 years required

A. Profit & Loss (P&L)

- Revenue (monthly and yearly)
- COGS (Cost of Goods Sold)
- Gross profit
- Operating expenses (broken down: salaries, marketing, rent, software, etc.)
- EBITDA (reported + normalized)
- Depreciation & amortization
- Net profit

B. Balance Sheet

- Cash
- Receivables (AR ageing)
- Payables (AP ageing)
- Inventory levels
- Deferred revenue
- Loans & debt schedule
- Assets (fixed + intangible)
- Equity structure

C. Cash Flow Statement

- Operating cash flow
- Investing cash flow
- Financing cash flow
- Working capital changes

3. Revenue Datapoints

A. Revenue Breakdown

- By product/service line
- By geography
- By customer segment
- By channel (online/offline, wholesale, direct, B2B, B2C)

B. Customer Metrics

- Number of active customers
- Customer acquisition cost (CAC)
- Customer lifetime value (LTV)
- LTV:CAC ratio
- Average order value (AOV) or average contract value
- Churn rate (monthly or annual)
- Retention cohorts (12-36 months)
- Top 10 customers (revenue + % share)

C. Pipeline/Future Revenue

- Signed but not delivered contracts
- Recurring revenue (MRR, ARR)
- Pipeline probability-weighted forecast
- Renewal rates

4. Cost Structure Datapoints

A. Direct Costs

- Cost of materials
- Cost of production
- Cost of service delivery
- Contractor/outsourcing costs
- Logistics/shipping

B. Operating Expenses

- Salaries & benefits
- Marketing spend
- Rent/utilities
- Software subscriptions
- Admin/overhead
- Legal & accounting
- R&D

C. Margin Metrics

- Gross margin %
- Contribution margin %
- EBITDA margin %
- Net margin %

5. Market Datapoints (External)

A. Market Size

- TAM (Total Addressable Market)
- SAM (Serviceable Available Market)
- SOM (Serviceable Obtainable Market)

B. Competitors & Benchmarks

- Competitor valuations
- Revenue multiples
- EBITDA multiples
- Customer metrics (ARPU -Average Revenue Per User , CAC, LTV)

C. Macro Factors

- Inflation
- Industry growth rate, CAGR (compound annual growth rate)
- Regulatory environment
- Sector-specific trends

6. Operational Datapoints

A. Team

- Organizational chart
- Key roles and responsibilities
- Employee turnover
- Contractor vs full-time mix

B. Performance Metrics

- Production KPIs
- Service delivery KPIs
- Customer support metrics
- Sales conversion rates
- Pipeline velocity

C. Systems & IP

- Patents
- Trademarks
- Proprietary technology
- SOPs
- Software systems

7. Risk Datapoints

Financial Risks

- Customer concentration
- Supplier concentration
- Debt obligations

Operational Risks

- Key-person risk
- Single points of failure
- Compliance/regulatory risk

Legal Risks

- Open litigation
- Pending disputes
- Compliance gaps

Market Risks

- Competition intensity
- Substitutes

Currency & Geography Risks

- Exposure to FX
- Exposure to political/regulatory changes

8. Valuation Specific Datapoints

A. Normalized EBITDA

Adjustments for:

- Owner salary normalization
- One-time expenses
- Non-operational costs
- Extraordinary gains/losses

B. Working Capital Calculation

- AR days
- AP days
- Inventory days
- Cash conversion cycle

C. Forecasting Inputs

- Next 3-5 year revenue forecast
- Seasonality
- Gross margin assumptions
- OPEX scaling assumptions
- CAPEX forecast

D. Discount Rate Inputs (for DCF)

- Cost of equity
- Cost of debt
- Capital structure
- Tax rate
- Industry beta

9. Transaction Datapoints (Buyer Needs)

These affect valuation in negotiations:

- Preferred deal structure (asset sale vs share sale)
- Earn-out metrics
- Founder involvement level
- Transition period needed
- Synergy potential (if strategic buyer)

DATA ROOM DOCUMENTS
(For Valuation Validation)

A valuation-ready data room should provide investors with a complete, auditable evidence trail supporting all assumptions used in the valuation model. Core documents have all been covered in the prior chapter.

These materials collectively validate the company's financial performance, growth trajectory, and risk profile, enabling a robust and defensible valuation.

As such, the following listed documents for data room level valuation should be air-tight. I recommend you cross-examine these with a second M&A advisor, preferably with no connection with the buyer.

If there is anything wrong with only one document, then the transaction does not qualify for data room level negotiation and the deal is lost.

Financial

- Full financial statements (XLS)
- Trial balances
- Bank statements (12-24 months)
- Tax returns (3 years)

Legal & Operational

- Customer contracts
- Supplier agreements
- Employment contracts
- Licenses & permits
- IP certificates
- Insurance policies

Strategic Documents

- Pitch deck
- Business model summary
- SWOT analysis
- Budget 12-24 months

Conclusion

By now, I hope you finally understand that value creation is a consequence of both numbers and narratives, in equal proportion.[1] Whether you are a business owner, a founder, or a C-suite executive, I hope you understand that your number one priority is value creation. Take this as you wish and do with it as you please, but never forget it. This is your main role and responsibility to your company.

Now, at the end of this book, I invite you to think about the beginnings. Think about your beginnings as a business leader. What was the initial drive? What was the ultimate purpose? Was it solely for money or was it for something else? You don't have to answer now, but I urge you to take some time and be really honest with yourself when you answer these questions.

For me, looking back, business management consultancy was inevitable. I grew up as a finance nepo baby. My first job was at Vanguard. My mother was the GM of the national stock exchange. I was accepted with a full scholarship to a finance university. However, I was secretly cooking something different for myself in the background. This is why, during that fateful year of 2008, I was also granted a scholarship at the architecture university.

Why did I do that?

Purely out of spite. I've been told it's extremely difficult to get accepted to architecture school. I had no prior knowledge of this field, no connections whatsoever. I did this because I needed it. I needed this exercise to prove to myself that I was better than my inherited connections.

1 Damodaran, A. (2017). Narrative and numbers: The value of stories in business. Columbia Business School Publishing, Columbia University Press.

Naturally, while in school, I started wondering "wtf is this." Architecture is so intangible. It's so subjective. There is so much effort from architects to produce something of real value, but something that they will never truly benefit from, as time goes by and value inevitably grows.

While employed, I kept asking the beneficiaries things like:

"So where'd you get the money?"
"So how are we gonna sustain this thing?"
"Tell me about the business."
"How do you plan on generating value?"

The truth is, in emerging markets, it's not that difficult to generate value. Emerging markets are already in a public space deficit, so value creation is inevitable.

Then, 2020 came along and immediately made formerly profitable public spaces completely obsolete. I was so fascinated by this phenomenon that I decided to pursue a PhD and write a doctoral thesis about it. The event was so unique that I figured it had to be properly documented.

During my research, I quickly learned that physical distancing was already occurring prior to 2020. The latest stage of the industrial revolution, already relying on networks and artificial intelligence, gave birth to the so-called "dark factories."[1] These were spaces not made for humans, but for robots. Because of this, they were so different. Among many particularities, they did not require any lighting.

If humans could be removed from hazardous environments and still be productive, that meant they could maintain productivity regardless of where they are, on the planet. Today's fruitful online businesses are a result of this new network economy. Distances collapse and, through automation, time collapses as well.

1 Gisi, P. J. (2024). The dark factory and the future of manufacturing: A guide to operational efficiency and competitiveness. Productivity Press.

What happens to physical spaces now that we no longer need to be physically present?

In order for us to be willingly present, they need to be very special places.

In the aftermath of the global pandemic, this is why luxury brands started building public spaces. They started *making places* that went beyond the notion of simple brick-and-mortar shops. These places were cafes, event venues and even hotels. These places were no longer judged by sales performance but by Net Promoter Score.[1] Thus, value is created.

Five years after the pandemic, I moved to Dubai and, everywhere I look, I see a masterclass in value creation. Among many other things, Dubai is home to the world's tallest building - The Burj Khalifa. This extraordinary feat of design and engineering was built during the century's largest credit crunch. How did they manage to pull that off?

The answer is, yet again, value creation. And the hint lies in its name. In 2009, its construction ran out of funds. It was then when Sheikh Mohammed, ruler of Dubai, went to Sheikh Khalifa, ruler of Abu Dhabi and president of the UAE, and asked for a $10 billion bailout. It was granted, and recently refinanced with a preferential 1% interest rate. In return, Sheikh Khalifa was granted something that transcends money, time, and space - his name on the world's tallest building (by far), the attention of tens of millions of visitors each year, one of the most photographed monuments on the planet. Sheikh Khalifa was granted eternity - the ultimate value creation.

Now back to you, as a builder.

1 Rambourg, E. (2020). Future luxe: What's ahead for the business of luxury. Figure 1 Publishing.

If you're spending your days working on the business, that's good. If you're spending your time working in the business, that's even better. This is contrary to the popular idea that we as business owners shouldn't be involved in the operations. Even Dan Martell suggests we put off hiring for marketing and sales.[1]

So spend time in the market. The same way Sheikh Saeed would spend time in the market, talking to the merchants, to then decide to completely eliminate taxes. Sometimes, a grassroots effort is the way you can spot true potential for innovation.

innovation x *frequency* of occurrence= economic growth[2]

And on the backbone of innovation is how you properly craft a good value proposition to your customers, to your investors and ultimately to your buyers, when you decide to exit.

1 Martell, D. (2023). Buy back your time: Get unstuck, reclaim your freedom, and build your empire. Portfolio/Penguin.

2 The 2025 Nobel Prize in Economic Sciences was awarded to three economists: Joel Mokyr , Philippe Aghion, Peter Howitt for having explained innovation-driven economic growth.

Alphabetical Glossary of Terms

AP days (Accounts Payable Days) – Average number of days a company takes to pay its suppliers.

AR days (Accounts Receivable Days) – Average number of days it takes a company to collect payment from customers.

ARPU (Average Revenue Per User) – Metric that shows the average revenue generated per customer or user over a period.

CAC (Customer Acquisition Cost) – The cost of acquiring a new customer, including marketing and sales expenses.

CAGR (Compound Annual Growth Rate) – Annualized growth rate of an investment or metric over a period of time.

CAPEX (Capital Expenditures) – Funds used by a company to acquire or upgrade physical assets like property, buildings, or equipment.

CIM (Confidential Information Memorandum) – A document provided to potential investors or buyers outlining a company's business, financials, and operations.

COGS (Cost of Goods Sold) – Direct costs associated with producing goods or services sold by a company.

Convertible Notes – A type of short-term debt that converts into equity upon a future financing round.

DCF (Discounted Cash Flow) – Valuation method estimating the present value of future cash flows.

FX (Foreign Exchange) – Currency exchange rates and related trading or exposure.

IPO (Initial Public Offering) – The first sale of company shares to the public on a stock exchange.

IP (Intellectual Property) – Creations of the mind, such as patents, trademarks, copyrights, and trade secrets.

LBO (Leveraged Buyout) – Acquisition of a company using a significant amount of debt to finance the purchase.

LTV (Customer Lifetime Value) – The total revenue a company expects to earn from a customer over their entire relationship.

MBO (Management Buyout) – Acquisition of a company by its existing management team, often with external financing.

MRR (Monthly Recurring Revenue) – Predictable monthly revenue, typically for subscription-based businesses.

MVP (Minimum Viable Product) – The simplest version of a product that can be released to test market demand.

OPEX (Operating Expenses) – Day-to-day expenses necessary to run the business, such as salaries, rent, and utilities.

PMF (Product-Market Fit) – The stage when a product satisfies strong market demand and demonstrates repeatable sales.

QoE (Quality of Earnings) – Analysis of earnings to understand the sustainability and reliability of reported profits.

RBF (Revenue-Based Financing) – Funding where investors receive a percentage of revenue until repayment is complete.

ROI (Return on Investment) – Metric that measures the profitability of an investment relative to its cost.

ROAS (Return on Ad Spend) – Revenue generated for every dollar spent on advertising.

ROE (Return on Equity) – Profitability metric showing how much profit a company generates relative to shareholders' equity.

SAFEs (Simple Agreement for Future Equity) – An agreement granting investors the right to receive equity in the future, typically during the next funding round.

SPA (Share Purchase Agreement) – Legal contract for the sale and purchase of shares in a company.

REFERENCES

(if you'd like to read these books hit me up
sorina@sorinadumitru.com - I will share them.)

Al-Huzaim, Y. bin 'O. (2011). The principles of leadership: In light of Islamic heritage and the American experience (S. Y. Naser, Trans.). Darussalam.

Casson, M., Yeung, B., Basu, A., & Wadeson, N. (Eds.). (2008). The Oxford handbook of entrepreneurship. Oxford University Press.

Damodaran, A. (2017). Narrative and numbers: The value of stories in business. Columbia Business School Publishing, Columbia University Press.

Damodaran, A. (2024). The corporate life cycle: Business, investment, and management implications. Portfolio/Penguin.

Fisher, R., Ury, W., & Patton, B. (2011). Getting to yes: Negotiating agreement without giving in (3rd ed.). Penguin.

Gisi, P. J. (2024). The dark factory and the future of manufacturing: A guide to operational efficiency and competitiveness. Productivity Press.

Klausner, M., & Subramanian, G. (2024). Deals: The economic structure of business transactions. Harvard University Press.

Kuratko, D. F., & Hornsby, J. S. (2018). New venture management: The entrepreneur's roadmap. Routledge.

Martell, D. (2023). Buy back your time: Get unstuck, reclaim your freedom, and build your empire. Portfolio/Penguin.

McKinsey & Company Inc., Koller, T., Dobbs, R., & Huyett, B. (2011). Value: The four cornerstones of corporate finance. John Wiley & Sons.

Rambourg, E. (2020). Future luxe: What's ahead for the business of luxury. Figure 1 Publishing.