Your blueprint for cashing out of your tech business

Written by
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Fuse3

Introduction

Your blueprint for cashing out of your tech business

Written by:

Russell Lerman: Co-founder

Russell is an entrepreneur who has founded two companies, sold one, bought two and since founding Fuse Three has completed over 200 debt transactions.

He believes that with the right funding, anything is possible for technology businesses, be they VC-backed or owner-managed.

Key to his success is building a track record of solving problems for companies in the tech sector for which conventional debt finance products are unsuitable.

Follow Russell on LinkedIn

Ifti Akbar: Co-founder

With a background in technology and an entrepreneurial mindset, Ifti is not afraid to look for creative ways to disrupt the status quo.

When Ifti and his business partner bootstrapped a start-up and grew it to a multi-million-pound company, he saw first-hand the lack of debt options available to scale-ups in the UK, compared to the US.

Consequently, he decided to use his experience to relieve fellow tech CEOs' and CFOs' growing pains, without them having to relinquish ownership and control.

Follow Ifti on LinkedIn

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Introduction

If you're a founder of a tech business that's not publicly listed, at some point, you will find yourself in a position where you need to take money out of your business.

But let me guess. You worry about the effect taking cash out will have on your company.

As a limited company, your assets belong to your business as opposed to you, the founder.

And if your net worth is tied up in your company, cashing out of your business puts you at personal risk.

If that's not enough, you worry about economic uncertainty.

So what's the solution?

When you recapitalise your tech business with private debt, you create liquidity, which allows you to cash out while retaining control. And guess what? Flexible private debt finance specifically meets the needs of SME and mid-market tech businesses.

In this e-book, I explain what private debt finance is and show you different scenarios in which tech companies like yours have used it to take cash out of their businesses.

Let's get started.

> When you recapitalise your tech business with private debt, you create liquidity, which allows you to cash out while retaining control

Chapter 1
Using debt to release equity in a business

Do you want to extract value from your business to reward yourself for the hard work you've put into building it?

Picture this, you're the founder of an owner managed or VC backed tech company and you've worked hard to move it into profitability. What's more, you have a healthy cash flow.

You'd like to unlock part of the capital in your business, but at the same time, you do not want to relinquish your controlling interest.

The good news is you can raise non-dilutive debt to fund a partial equity release.

Let me show you how this works.

What is a cash-out for equity release transaction?

A cash-out allows you to unlock part of the value in your business so that you can enjoy the perks of being a successful business owner, without disruption to your business.

For what purposes can you use the funds?

A partial cash-out allows you to fund large purchases, de-risk and re-balance your portfolio.

When can a business consider equity release?

Subject to your current situation and ability to service the new funding taken on for the cash-out, then you can consider raising debt to fund an equity release.

Be aware that cash-out transactions to release equity in a business are not suitable for every business, which is why it's essential to get expert advice before searching the market for a lender.

Those companies that can consider a cash-out transaction to release equity in a business are those that can support the withdrawal of funds.

How much equity can you release from your business?

The amount of equity you can release from your business depends on your:

- Turnover (must be over £5m)
- Profitability
- Continued opportunities for growth
- Strength of cash flow
- How leveraged your business is

> You'd like to unlock part of the capital in your business, but at the same time, you do not want to relinquish your controlling interest

Commonly asked questions about releasing equity from a business

Is it doable?

Yes, it is doable. Determine how much you need. How much you can afford to pay back and over how long.

Will I still have a controlling interest in my business?

Yes, when you raise private debt, you do not dilute equity.

Are there any restrictions on what I can do with the funds released?

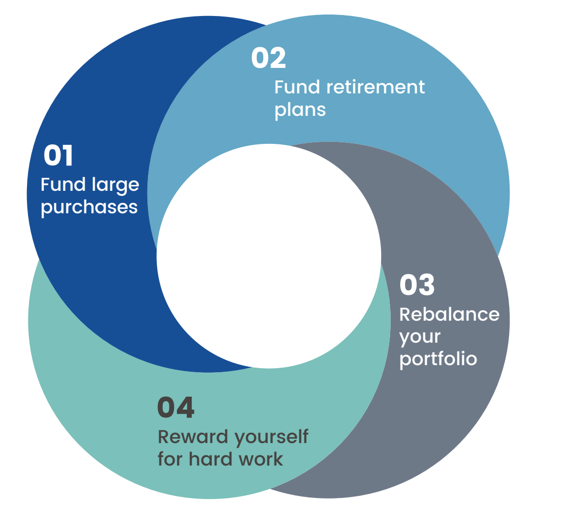
No, you can use the funds as you wish, subject to agreement with the lender at the time of borrowing, but think carefully about how much you need to borrow.

Do private debt lenders require personal guarantees?

No, in general private debt lenders do not take personal guarantees.

Release equity in your business with private debt finance

A cash-out transaction allows you to unlock part of the value in your business so that you can enjoy the perks of being a successful business owner, without disruption to your business.



Chapter 2
Using debt to buy out a shareholder

Recently, a series of high profile share buybacks have made headlines globally in part driven by low-interest rates.

You may think that share buybacks are typically associated with listed companies, including tech giants such as Apple, Google and Microsoft.

But here's the thing, companies of all sizes may at some point find themselves in a position where they'll need to repurchase shares.

What is a share buyback?

According to Investopedia, "Share buybacks refer to the repurchasing of shares of stock by the company that issued them. A buyback occurs when the issuing company pays shareholders the market value per share and re-absorbs that portion of its ownership that was previously distributed among public and private investors."

For what reasons do SME and mid-market tech companies repurchase shares?

It could be you have a shareholder departing due to retirement, moving on to another venture or even in the event of a company acquisition; a share buyback allows the shareholder to cash out and exit the business.

What do I need to think about when planning a share buyback?

First off, assess the value of the departing shareholder's equity. To do this value your business and apply a value to the equity stake associated with the person leaving.

Then, when you've decided upon a value to which everyone agrees, choose the most appropriate funding for the buyback.

> Share buybacks refer to the repurchasing of shares of stock by the company that issued them

What type of finance is available to fund a share buyback?

Private debt bridging loan

Similar to a traditional bridge loan, a private debt bridge loan is a short-term loan that provides companies with immediate cash flow/capital.

A partial cash-out

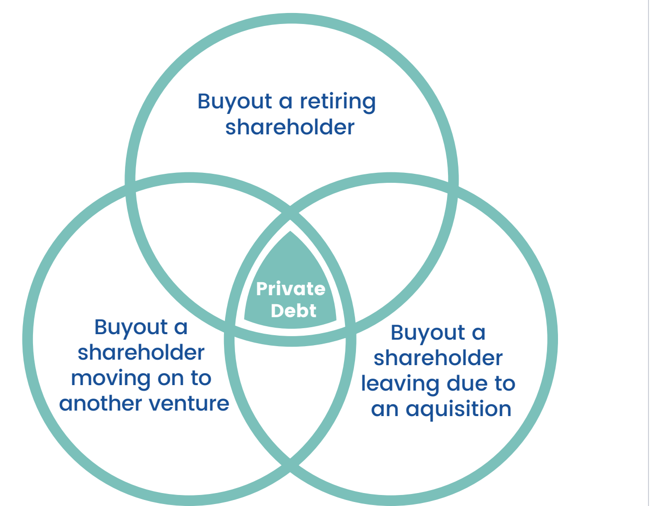
If you're not overleveraged and cash positive, you can use private debt to fund a cash-out of your business to buy out your longtail investors.

When should you think about raising finance to execute a share buyback?

Early exit planning gives you the time you need to explore options for raising funds.

Using debt to repurchase shares

When you recapitalise your business with private debt, you can use the liquidity created to partially cash-out and buy out departing shareholders.



Chapter 3
Using private debt to buy out investors in your cap table

> When you tidy up your cap table, it makes it much easier for you to do business

When you start up a business, attracting small investors is great, right? They give you much-needed money. In exchange, you give them a minuscule amount of equity as compensation. It's a win-win situation.

Perhaps you signed up to a SEIS (targeted at start-ups and very early-stage companies) or an EIS (aimed at larger and more mature companies.) Both of which provide investors who invest in smaller, unquoted trading companies like yours with tax incentives in the form of income tax and capital gains tax reliefs.

The problem arises when you end up with lots and lots of small shareholders. Because the more shareholders you have in your cap table, the more difficult it becomes to collect their signatures. Therefore the more difficult it is for you to execute decisions.

Then there's the problem that too many small shareholders who don't bring additional value beyond the cash they contribute, put off new investors who can bring that much-needed value.

Beyond that, you have the problem of new investors diluting the stakes of existing shareholders.

So as you can see, even a minuscule amount of equity dilution can be painful. It becomes a mess. So sooner rather than later, you will have to consider tidying up your cap table.

Because when you tidy up your cap table, it makes it much easier for you to do business.

You'll benefit from:

- Less need to produce vast amounts of information
- Decreased hassle and cumbersome administration leading to more time to concentrate on growing your business
- Greater transparency

How can investors exit a SEIS/EIS scheme?

Investors must hold shares for a minimum three year holding period from the SEIS/EIS share issue date before they can realise the returns of their investment.

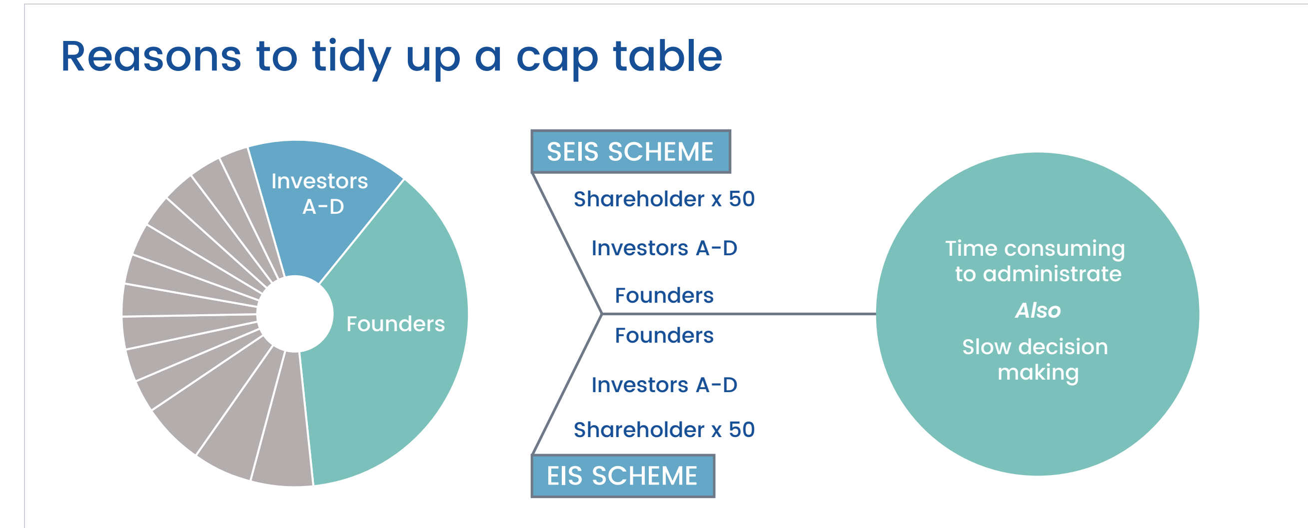
After that, the exit strategies for SEIS/EIS investors are similar to those used for standard private companies. By this, I mean:

- MBO
- Trade sale
- Listing
- Share buyback

How can I raise finance to buy out my SEIS/ EIS longtail investors?

You can fund each of these scenarios with non-dilutive, specially structured private debt finance.

And if you are not overleveraged and cash positive, you can use private debt to fund a partial cash-out of your business to buy out your longtail investors.



Chapter 4
Using debt to buy out a VC

Congratulations! You've grown your tech business, and it is cash sufficient.

You're not planning on going public, exiting via a trade sale or raising more money.

But you know your VC has other strategic plans for your business. It wants to make money and is pushing you to grow more and faster at the expense of profitability.

For this reason, you know your job is at risk. Because if you say no, your investor could use its seat on your board to oust you from the enterprise you founded.

The case for going it alone

Here's the thing. You've reached the point where you no longer need VC support to meet your growth goals.

So one of your options is to negotiate an amicable separation agreement.

Of course, the easiest way for you to part ways from an investor is to buy it out.

But knowing your investor will expect to get five times its initial investment as a return, how on earth can you fund it?

Options for buying out a VC

You could consider an M&A. In this scenario, your VC would look to your purchaser to buy back its shares.

Alternatively, if you want to retain full control and run a slower growing, but profitable company, you can use private debt finance to fund a partial cash-out of your business so that you can buy out your VC.

The case for going it alone

Have you reached the point where you no longer need VC support to meet your growth goals?

Consider recapitalising your business with private debt so that you have the means to fund a partial cash-out which you can use to buy out your VC.

Chapter 5
Common questions about raising debt to finance share buybacks answered

What is a cap table?

A cap table details who owns how much of your company. Their ownership percentage, the number of shares that percentage represents, the value of each share and the total value.

When raising capital to repurchase shares, what do you need to consider?

You need to know you must pay for shares in full and in cash. Which means you cannot pay for them in instalments.

What options are available to companies needing to raise capital to execute share buybacks?

To fund a share buyback, you can raise debt, equity or a combination of the two.

When can a business raise debt to buy out a departing shareholder?

If you're not overleveraged and can service the new funding taken on, then you can consider raising debt to fund a share buyback.

Raising debt is a non-dilutive way for you to unlock part of the value in your business without disruption to cash flow or operations.

How much debt can you expect to raise?

The amount of debt you can raise to buy out a shareholder depends on:

- Turnover (must be over £5m)
- Profitability
- Continued opportunities for growth
- Strength of cash flow
- How leveraged your business is

Is your business eligible?

Cash-out transactions to buy out departing shareholders are not suitable for every business, which is why it's essential to get expert advice before searching the market for a lender.

Companies can consider raising debt to fund share buybacks only if they can support the withdrawal of funds.

We asked corporate lawyer Jas Bhogal of Harper James Solicitors to explain what you need to consider when leveraging private debt to buy back shares.

What are the advantages of a private debt leveraged share buyback?

First off, it is common for private debt funds to provide more capital than is needed to buy back shares. The reason? Debt funds like to see you use the additional funds to fuel growth. For example, you can use some of your exiting shareholder's shares to incentivise staff by way of share options.

Beyond that, you can reduce equity dilution for ongoing shareholders.

Elsewhere, shareholders can gain tax advantages from share buybacks.

Because dividends are taxed as income whereas share sales in a buyback programme are taxed as lower rate capital gains.

"Tax advice should be sought on this point," says Lawyer Jas Bhogal. "In particular, consideration should be given to any shareholders claiming the benefit of SEIS/EIS relief."

Jas added: "Also, I recommend getting further comfort to ensure that your buyback of shares does not have an impact on any tax relief being claimed by any existing shareholders."

What legal considerations surrounding private debt leveraged share buybacks do tech CEOs, and CFOs need to be aware?

"Legal advice should be sought if you are considering a buyback of shares. It is important to ensure that you are fully compliant with the relevant statutory provisions and any contractual obligations set out in your company's documents.

Any company proposing to buy back any of its shares needs to consider some factors, including the following:

1. i) Articles of Association: A company's articles of association must not obtain a restriction on the buyback of shares; otherwise, the articles of association will have to be amended to remove the restriction;

2. ii) Shareholder consent: The company will require its shareholders to approve a buyback of shares by passing an ordinary resolution – being the consent of the holders of more than 50% of its issued share capital;

iii) Price of shares to be purchased: There are no minimum or maximum price limits in respect of the price payable for the shares, but the directors of the company should be aware that they are required to comply with their common law and statutory duties;

1. iv) Companies must comply with the statutory provisions relating to a buyback of shares as set out in the Companies Act 2006, which includes detailed processes to be followed concerning how the buyback may be structured.

    2. v) Tax advice should be sought to ensure that the repurchase of shares does not have any tax consequences to the existing shareholders concerning any tax reliefs they are claiming.

What does a private debt leveraged share buyback mean for your business?

The future shareholding will be a reduction in the issued share capital meaning each shareholder has a higher % equity stake in the company," says Jas. "Your company will, however, have a debt to repay in respect of the loan."

Will I still have a controlling interest in my business?

Yes, when you raise debt, you do not dilute equity.

When should you think about raising finance to execute a share buyback?

Early exit planning gives you the time you need to explore options for raising funds.

Chapter 6
Using private debt to fund an Employee Ownership Trust (EOT)

Are you considering getting employee commitment to help your business to grow? Also, to help you to handle succession challenges?

If you're a founder of a tech company, know you can raise funds by selling some, or all, of your shares to an Employee Ownership Trust (EOT) for full market value.

What are the benefits of EOTs?

First off, companies that partake in EOTs won't incur capital gains tax liability.

Then, incentivising the commitment of your employees helps you to maintain the excitement of your start-up culture. And drive engagement in the long term success of your company.

Beyond that, EOTs build stability.

Better still, your actions will benefit your employees.

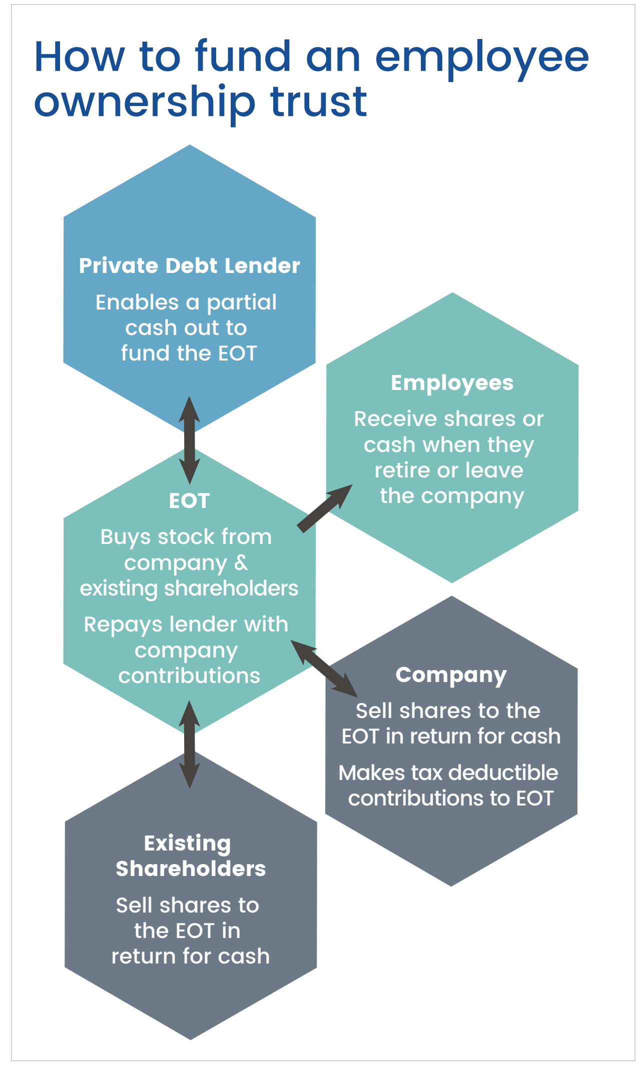
In recent years, EOTs have been growing in popularity. The Government supports them because they boost growth in the UK economy.

Because of this, the number of employee-owned schemes has grown by 10% annually.

How do you fund an Employee Ownership Trust?

If you're not overleveraged and your company is cash-flow positive, then you can recapitalise your business with private debt, and use the liquidity created to partially cash-out and part-fund your Employee Ownership Trust.

How to fund an employee ownership trust



Chapter 7
Using private debt to fund an MBO

Are you planning your exit or retirement from a privately run business? Then one of your options is to sell your company to existing management by way of a management buyout (MBO).

In this scenario, your management team needs to raise money to acquire a majority stake from founders and other shareholders.

Those companies that can consider a cash-out transaction to release equity in a business are those that can support the withdrawal of funds.

What are the advantages of a management buyout?

Because management buyouts involve existing management using their expertise to continue to grow a company and drive it forward, while at the same time ensuring business continuity, lenders and investors warm to such proposals.

How can you fund a management buyout?

To finance an MBO typically requires a combination of debt and equity.

How much can I expect to raise via debt financing?

The amount of debt you can raise to fund an MBO depends on:

- Turnover (must be over £5m)
- Profitability
- Continued opportunities for growth
- Strength of cash flow
- How leveraged the business is

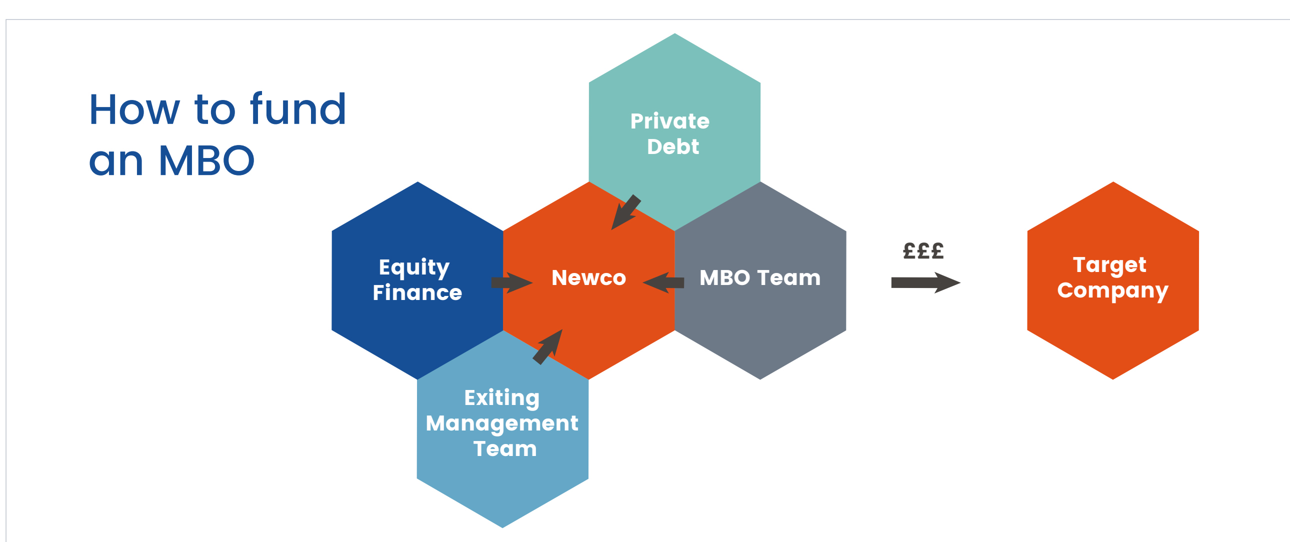
What are the advantages of using private debt over bank debt to fund an MBO?

Private debt funds attract tech CEOs and CFOs because they can provide more flexible loan structures.

In the case of MBOs, private debt funds can unlock the value tied up in IP assets.

Elsewhere, private debt allows tech companies to access significant loan amounts without diluting equity.

> Private debt funds attract tech CEOs and CFOs because they can provide more flexible loan structures



Chapter 8
Key features of private debt transactions

Key features of private debt transactions

- Specifically designed to meet the needs of high growth tech businesses
- No covenants or personal guarantees
- No dilution of equity
- Cheaper than equity

Typical private debt finance terms

- Length of term: 36-96 months
- Average amounts: £1m to £25m
- Timescales: Cash-out transactions take longer to plan and arrange. So make sure you take steps to secure finance before you need it.

Chapter 9

How to get advice about cashing out of a business

Finding the right debt finance instrument to fuel the growth of your tech company or to help you to cash out of your business can be stressful.

You know there has been an explosion in private debt lending. But how do you navigate your way through the many funds in this complex new market?

Moreover, how can you tell the differences between bank and private debt lending facilities?

In particular, how do you fathom out the differences between debt fund loan structures and reporting requirements? And the cost of capital?

Then, of course, how can you be sure your chosen private debt fund can deliver on its promises?

If you're considering raising private debt for your SME or mid-market tech business, in addition to or as an alternative to bank lending, here's what you need to know.

What is private debt?

Private debt is a term given to debt investments not financed by banks or traded in an open market.

You may also hear private debt described as alternative debt, direct lending or private credit.

Typically, the people who run private debt funds have strong backgrounds in commercial banking.

Better still, many focus on niches and have expert knowledge of the markets in which they work.

How did private debt come about?

After the 2008 global financial crisis, bank lending to mid-market companies shrank because bankers had to repair their battered balance sheets and contend with stringent new regulations.

So alternative financiers, including private debt funds, stepped in to fill the gap.

And fill the gap they did. In a report titled: 'The Rise of Private Debt as an Institutional Asset Class' ICG tells us: "In the US, "non-bank debt accounts for 75% of total corporate lending, compared to 10% in the Eurozone and 28% in the UK."

It added: "Private debt is growing in the UK and Europe as investors realise its strong returns."

Elsewhere, in its Alternative Lender Deal Tracker Spring 2019 report, Deloitte states: "Surveys show that the private debt asset class as a whole is forecast to hit $1.4 trillion globally by 2023, passing real estate in becoming the third-largest alternative investment asset class after hedge funds and private equity."

What makes private debt attractive to SME & mid-market tech companies?

Private debt makes it easier for SME & mid-market tech company CFOs to raise finance to support a specific need. For example, time-sensitive and capital intensive M&A activities.

But that's not all. Private debt relieves some stress placed on tech company CFOs who need to raise finance during the turbulent global economic and political environment. During these times, banks have little appetite for risk.

> "Private debt is growing in the UK and Europe as investors realise its strong returns
>
> ***Professor Amin Rajan***
> ***Chief Executive, Create Research***

What are the advantages of raising private debt over bank debt?

First off, private debt funds can provide more flexible loan structures. In direct contrast to bank lending, private debt funds can offer unsecured options. They also consider non-amortisation loans.

Then because many private debt funds focus on sector niches, they can provide less restrictive terms, including less stringent covenant packages.

After that, close access to decision-makers means private debt funds can shorten credit processes and increase the speed of execution.

Unlike bank lending, private debt funds do not restrict your use of funds.

Beyond that, you can use private debt to replace, top-up and complement existing finance facilities.

Most compellingly, private debt allows companies to access more significant loan amounts without diluting equity.

For what purpose do SME & mid-market tech companies use private debt?

The most common uses of private debt in the SME and mid-markets include:

- M&A finance
- Refinancing
- Growth finance
- Cashing out of a business (to release equity, buy out minority shareholders in a cap table, buy out a VC, fund an EOT, and finance an MBO)

How can SME & mid-market tech companies access the right debt funds?

In its Alternative Lender Deal Tracker Spring 2019 report, Deloitte noted: "The private debt market can be overwhelming, with numerous complex loan options offered to borrowers."

To find the right private debt fund, and structure the right private debt finance deal consider talking to a specialist advisor.

> Because of their networks and experience, they can identify opportunities you might not know about even if you're well-read and financially savvy.

Your choices include:

A big four consultancy firm

Tend to work with companies at the top of the mid-market through to the largest multinational and international firms. Because of their size, their approach is corporate, meaning clients have to follow established systems and processes. Consequently, you might find yourself dealing with a different person every time your file is shared.

A mid-tier accountancy firm

Such firms offer a more personalised service, flexibility and additional services such as business advice, business and tax planning and sometimes even cash flow management.

Accountants usually charge by the hour. So it would be best if you are specific about what you want them to do for you.

A specialist private debt advisor and broker

Similar to accountants, specialist private debt advisors are experts in their field. Because of their networks and experience, they can identify opportunities you might not know about even if you're well-read and financially savvy.

Typically, a specialist private debt finance advisor links its fees to its success. So it is in their interests to find and close debt finance deals with minimum strain on your time and resources.

In the next chapter, I explain how working with a private debt advisor works.

Knowing what both the borrower and lender wants means that a broker can effectively manage interactions

Chapter 10
What role does a broker have in structuring a private debt finance deal?

Even if you're a CFO, there's a limit to how much time you can dedicate to searching for and having conversations with private debt funds.

A broker acts as an agent on your behalf.
In short, you task a broker with:

- Locating private debt funds willing and able to fund 'cashing out of a business' transactions
- Increasing your chance of success by preparing an investment memorandum that explains your proposition and gives lenders enough information to make an informed decision
- Negotiating with private debt funds on your behalf
- Managing due diligence and questions as they arise
- Assisting you throughout the process, including closing and drawing down funds

With a broker on board, you can:

Focus on core activities

Running a tech business consumes time and resources. Outsourcing the job of raising funds allows you to focus resources on what makes you profitable, without having to worry about who or where to look for funds.

Have new and innovative ideas brought to the table

Because brokers work with many different companies, often they'll have solved problems similar to yours in the past.

Consequently, they know which funds to talk to and won't waste time chasing those unlikely to provide an adequate solution.

Provide lenders with a reasoned argument for positive funding decisions

Lenders need a lot of information from a company before agreeing to a loan.

But CEOs and CFOs often find it unpleasant, answering sensitive questions about the company they love and want to protect.

A broker saves you time by appropriately structuring and presenting answers to questions.

In other words, a broker can construct a clear and sound argument for getting you the funds you need.

Have the skills and mindset of a good negotiator on your team

Knowing what both the borrower and lender wants means that a broker can effectively manage interactions.

Consequently, working with a broker not only gets you the best price but also, the best deal to suit your business now and in the future as opportunities and the business landscape changes.

Have options prepared for mutual gain

A critical part of securing a 'cashing out of your business' transaction is maintaining the relationship between borrower and lender.

A good broker finds ways to meet both borrowers' and lenders' interests, thereby successfully navigating problems based on common ground.

Have someone on your team who practices pitching every day

Your broker will have had enough conversations to know what lenders want and don't want to hear.

What's more, their outside perspective brings clarity and focus to the message.

Not all lenders are tech specialists. If you're a SaaS business, you'll want a broker who can explain ARR/MRR models.

Fundamentally, lenders want to be comforted by the strength of the management team, and the numbers. A broker keeps borrowers' emotions at bay and steers conversations to get results.

Leverage a broker's deep relationship with its lenders

It goes without saying, the bigger your network and the more deals you do, the more authority you have when approaching funds.

Due to the number of transactions sourced, structured and closed monthly, a good broker will have built up strong relationships with the lenders with which it works.

Having the right broker on your side makes raising debt smoother, efficient and successful.

> Its founders have both been in the position where they've needed to raise finance to support their tech businesses

How Fuse Three can help you to cash out of your business

Fuse Three is a private debt fund broker. Its founders have both been in the position where they've needed to raise finance to support their tech businesses.

For this reason Fuse Three only raises private debt for the tech sector. And our track record in securing funds for hundreds of tech companies reflects our focus.

Fuse Three has a seven-step path to finance:

Step one: An introductory call

Here we get an initial overview of your business goals and funding requirements.

Step two: Meeting

Our meeting aims to understand your company, financial model and funding requirements in full

Step three: Investment committee

Following our meeting, we prepare and present a credit paper to our internal Investment Committee for review. The Investment Committee will tell us if and how we can proceed.

Step four: Letter of engagement

Your letter of engagement will set out:

- The problem you need to solve
- How we can solve it with private debt finance
- The private debt transaction terms we expect we can structure and negotiate on your behalf
- Our terms
- Costs: Our fee structure is transparent and linked to success.

Step five: Investment memorandum

We'll put together a compelling investment memorandum and present it to suitable private debt funds.

Step six: Term sheets

Then, we negotiate and obtain term sheets on your behalf.

Step seven: Negotiation

We manage a competitive process and negotiate terms with your preferred bidder.

Step eight: Funding

We make sure we stay in contact throughout the negotiations. As a result, you can expect a smooth, efficient and successful debt raising process.

Chapter 11
What to consider in regards to funding

The first thing to point out is that banks don't like this type of transaction. Cashing out of your business poses a risk as there's no security for the bank if something happens to your company.

To maximise your chances of success when seeking funds to help you to cash out of your business:

1. Develop a good story

Your story is asking your potential lender to take the risk of putting money into your business so that you can withdraw it straight away.

Also, to place a bet that your proposition will work and it will get back the money it puts in.

So, when considering such a transaction, your lender will ask the question: Do the rewards outweigh the risks?

For this reason, you need a good story.

The first question your lender will ask is: 'Do I like where the business has come from, and its long term plan?' After that, it wants to know if you can demonstrate your rationale for taking cash out of your business and that your business can support it.

2. Be realistic about how much money you need

Provide your potential lender with a clear financial picture of where you've come from, where you stand now and where you expect your business to be - in the future.

3. How much can I afford to pay back and over what period?

Pull together accurate figures and realistic timetables. You aim to demonstrate to your lender that you've thought ahead and have considered what is important to them.

In particular, your lender wants to know:

- Can you afford to take in the money?
- Can you afford to take it straight out again?
- Can you afford to pay back the loan?

4. How high are your stakes?

Taking cash out of a company isn't a quick transaction. So if you're planning a time-sensitive project such as an MBO, know such transactions need thought and planning.

5. Keep the conversation going

Do ask for feedback on loan applications and how you can improve them. In particular, what a fund needs to help it to make a decision.

6. Should you raise the finance yourself?

Of course, you can reach out to Google to find the contacts you need.

But there's a difference between having a list of contacts and having connections.

More often than not, the ability to open doors to conversations comes with years of building up knowledge, contacts and transacting deals.

To put it another way, deciding whether to raise debt yourself is a bit like deciding whether or not to do your own plumbing.

You want to believe you're handy, resourceful and able to solve problems in your own home. You may save money, but at the same time, you risk causing damage or leaving yourself open to expenses in the future.

Therefore start by asking yourself:

- What contacts do I have?
- How much time do I have to investigate the funding market?
- What is my experience in structuring and negotiating debt deals?

And finally

Even though many lenders won't consider cash out of the door transactions, some will.

And you only need one offer.

Chapter 12
Useful resources

Fuse Three presents your blueprint for

Cashing out of your tech business

Reasons for cashing out of your tech business

RELEASE EQUITY IN YOUR BUSINESS

Extract value from your business to reward yourself for the hard work you've put into building it, without relinquishing your controlling interest

BUY OUT A DEPARTING SHAREHOLDER

Repurchase shares from a stakeholder departing due to retirement, moving on to another venture or even in the event of a company acquisition

BUY OUT INVESTORS IN YOUR CAP TABLE

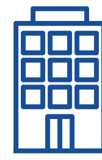
Make it easier to do business. Reduce administration. Buy out small shareholders acquired through SEIS or EIS schemes

BUY OUT A VC

You're not planning on going public, exiting via a trade sale or raising more money. Therefore no longer need support from your VC

FUND AN EMPLOYEE OWNERSHIP TRUST

You want employee commitment to help your business to grow. Also, to help you to handle succession challenges



FUND AN MBO

You want to raise money to acquire a majority stake from founders and other shareholders

Learn more at fusethree.co.uk

So far you've learnt what private debt finance is and how you can use it to cash out of your business.

Still have questions? Here are some further blogs you might find useful:

How a private debt leveraged share buyback works | Fuse Three

Staying private longer? Private debt can support you | Fuse Three

How to bridge to the next step | Bridge loans | Fuse Three

Chapter 13
Next steps

Considering cashing out of your tech business?

Call us, and we'll share with you real-life stories about tech companies whose situations have been positively affected by using private debt finance to:

- Release equity in their business
- Buy out a departing shareholder
- Buy out longtail investors in their cap tables
- Buy out a VC
- Fund an Employee Ownership Trust
- Fund an MBO

To hear our client case studies book a call:

Call us on +44 (0)20 7118 1108

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Fuse^{3}

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