The M&A Process

White Paper

Introduction

For many founders and entrepreneurs, selling their company represents one of the most significant decisions of their careers. The thought of the M&A process can often seem intimidating. The complexity of negotiations, the valuation of the company and the acquisition by a larger firm can create uncertainties. However, the process is often less daunting than it appears and most concerns and misunderstandings can be avoided. Furthermore, merging with a larger platform offers numerous advantages, especially for companies in the growth and expansion phase.

In this white paper, we will explain the process in detail, help you understand the key steps, outline the main success factors for a smooth process and demonstrate why you should consider a sale. We also aim to make the benefits of merging with a larger platform, such as YUVENDA, more tangible and explain our approach to achieving an efficient M&A process and a successful trajectory as part of YUVENDA.

What exactly is YUVENDA?

We are a leading European vendor of innovative software solutions that empower medium-sized businesses in retail, hospitality, lifestyle and consumer services.

Based on best-of-breed software modules, we provide our customers with user-friendly solutions that are easy to combine and implement, and scalable alongside your business needs.

Our goal is to strengthen retail, hospitality and lifestyle to foster a flourishing, vibrant and diverse urban environment.

1. What is M&A and why should you consider it?

For many people, the term Mergers and Acquisitions (M&A) conjures up images of global financial institutions or international conglomerates joining forces to monopolize a market. However, in reality M&A refers to any acquisition of one company by another and the subsequent integration of the acquired entity. In the software industry, this typically involves a larger company acquiring and integrating a smaller one to leverage its technology, products, customer base, human capital and expertise, thereby accelerating the growth of both firms. For founders and entrepreneurs, this offers an opportunity to realize the value of their company while ensuring its long-term success.

<u>Why should you consider M&A as an option for your business?</u>

- Scalability: A larger company can provide you with the resources needed to scale your business more quickly. This can come in the form of capital, technological infrastructure or an existing customer base in specific target markets.
- Access to new market opportunities: Larger companies often have extensive networks and broad market access, enabling your product to gain a foothold in new regions and geographies.
- Operation professionalization: Many entrepreneurs with successful, customer-oriented products eventually reach a point where the size and administrative complexity of their own company increasingly occupies their time, distracting them from the fundamental motivation for founding the business. Sometimes they also hold back from logical yet uncertain next steps, such as product expansion or internationalization, due to fears that acting prematurely could put their company in a precarious position. Merging with a larger platform allows you as a founder to refocus on your product, employees and customers.
  Additionally, a larger platform enables you to reach your next milestones alongside an experienced team, and to professionalize and thereby strengthen business functions such as marketing, sales and finance.
- Realizing value and ensuring stability: A sale ultimately allows you to realize the value of your company while strengthening its long-term competitiveness. By merging with a larger company, you enhance both the operational aspects of your business (through the value levers mentioned above) and ensure the long-term sustainability of the company you built, through the mutual alignment of interests between you and your new partner. This also reassures your employees, customers and business partners

that your company will continue to be there for them in the long term, irrespective of your own personal mid-term career horizon.

2. The fundamental steps of the M&A process and our approach at YUVENDA

The M&A process can generally be divided into different phases that are similar for most transactions. By understanding the individual steps, you can better assess what to expect and how to prepare yourself and your business.

At YUVENDA, we have gained extensive experience in acquiring and integrating complementary companies and products that enhance our "best-of-breeds" solutions portfolio and strengthen our platform. Therefore, we would like to outline how we can jointly approach these steps with you and illustrate that this seemingly daunting endeavor is actually much more manageable than you may anticipate.

Your company may be a great fit for YUVENDA, so we would like to provide you with a roadmap for this journey together. However, it is important to us to clarify on thing first: We do not simply see ourselves as a quick solution for business succession but rather as a community of entrepreneurs and a platform for accelerated growth. Our goal is not to simply buy companies from founders and owners but to integrate and support both the companies and the entrepreneurs behind their success into the YUVENDA platform — strategically, product-wise, technologically, commercially, financially and administratively.

<u>What steps await you in the M&A process?</u>

2.1 – Preparation and getting to know each other

The first step is reaching out and establishing a dialogue. You can find the contact details to do so at the end of the white paper!

We want to get to know your company, its product(s) and customers very well. But even more importantly, we want to get to know you, as the underlying driver of your company's success. It is important for us to get to know you early on and for you to get to know us so that you can gain a sense of the development opportunities and synergies that our platform can offer you and your company. This is the best way for both you and for us to ensure that YUVENDA is a suitable partner for your business.

At this stage, you should also start compiling documents and information about your company, including its future and historical financial performance, legal contracts and technological structures, especially if this needs to be done discreetly. You should also consider early on whom within the company to involve in the process, as it is almost impossible to keep M&A discussions "secret" from all employees until the very end. It is also advisable at this point to select suitable external advisors early on, particularly a legal counsel with vast expertise in corporate law and M&A.

2.2 – Confidentiality agreement and initial information exchange

The next step involves signing a mutual confidentiality agreement or (non-disclosure agreement – "NDA"), which ensures that your company data remains protected and is used solely for evaluating the envisaged transaction. The reciprocity also protects us, as we do not want our strategies and plans at YUVENDA to be received by unauthorized third parties. Similarly, the fact that you are even in discussions with us about M&A is defined as confidential. Rumors of an M&A process can often cause unnecessary concern and unrest among employees, so it is essential to proactively mitigate them.

After the NDA is signed, we will send you an initial request list (IRL) of key data points that will enable us to assess and value your company. Although such an indicative valuation is not legally binding and stipulates successful due diligence, serious bidders, such as YUVENDA, are careful to issue only well-founded and critically considered indicative offers. Thus it is important to keep in mind: The more detailed and accurate the data provided, the more sound and well-founded the resulting offer will be.

2.3 – Indicative offer and due diligence

Based on the company data received and the resulting analyses, we are able to provide you with an indicative offer outlining the key commercial parameters of a potential transaction. If this offer meets your expectations, we can proceed to the Due Diligence phase.

Due diligence is often the most intense phase of the process but marks an important milestone and a fundamental commercial agreement between both parties. During this phase, the potential buyer conducts a thorough examination of the company. This typically includes an in-depth review of financials and tax structures, commercial foundations and growth drivers, legal status, technology, and organizational structures, usually over several weeks and with the support of external advisors. Due Diligence may seem burdensome but is a necessary step to ensure that all aspects of your company are functioning properly. It is also an opportunity for you to demonstrate transparency and build trust.

To make the due diligence process as efficient as possible, we have an experienced team of advisors who can quickly gain an overview of your company and, in close coordination with us, develop an action plan for the diligence phase.

This plan will help you understand which topics will be reviewed over what time period, so you can prepare accordingly.

At this stage, you will likely need to involve a select group of experts from your company (and possibly external parties, such as tax advisors) to adequately answer questions. It is particularly advisable to include relevant experts from the areas of finance and tax, sales, development and legal into the due diligence process.

Throughout this phase, it is important to keep in mind that our goal is not to guarantee that your company is free of risks — this is rarely the case. Similarly, we are not focused on identifying as many risks as possible to use them as "bargaining chips" later on. What matters to us is to jointly understand the risks with you and discuss how, and if, they can be overcome together. This approach also helps avoid misunderstandings between you and us that could lead to unnecessary conflicts later on.

2.4 – Drafting, signing and closing

After successful due diligence, we proceed with drafting the legal sales contract, also known as the SPA, which stands for share purchase agreement. It is essential that you consult with an experienced M&A attorney, as they can help you clearly understand the contents, often complex M&A-specific terms, and mechanisms involved.

The signing of the SPA, referred to as “signing,” takes place before a notary and represents binding, mutual consent to the deal. Shortly thereafter, the “closing” occurs, which includes the payment of the purchase price and the economic transfer of your company.

2.5 – Part of YUVENDA

After the M&A process, our real journey together truly begins!

As part of the YUVENDA platform, you will have access to a new and wide range of resources and growth opportunities. You will work closely with other entrepreneurs on the platform, giving you the chance to scale your business and product through cross-selling complementary group solutions, accessing new market segments and customers as well as leveraging operational and technological best practices.

YUVENDA’s management team does not merely lean back and watch as you capitalize on these opportunities. Rather, we remain closely aligned with you and actively assist in realizing these growth prospects. Distracting and time-consuming administrative processes are streamlined through effective and efficient software solutions, aiming for as much automation as possible. Many processes currently outsourced to external service providers are gradually internalized through the platform’s growing overhead functions.

We follow the "best-of-breeds" approach not only in our solutions portfolio but also in our operational business!

3. Common misconceptions around the general M&A process and how to proactively mitigate them

The M&A process is often viewed as opaque and risky. However, many of the most common concerns and misconceptions outlined below can be avoided through a clearly structured approach and the support of experts:

- Complexity and effort: The M&A process is often perceived as overly complicated. In reality, a structured and well-planned approach (along with a clear and informed pre-definition of your goals and expectations) can significantly simplify the process. Collaborating with an experienced partner can also greatly improve the efficiency of the process.
- Role of external advisors: Many sellers believe that external advisors (such as lawyers and diligence advisors) provide a commoditized service, leading to the assumption that they should be engaged only minimally and at the lowest possible cost. In reality, these advisors play a crucial role in risk mitigation and help you avoid pitfalls. Advisors with limited M&A experience may provide poor guidance, reinforcing unrealistic expectations and overlooking risks.
- Valuation: Valuing a company is often perceived as challenging and confusing. However, with clear methodology, it can become easier to understand the relevant steps. It is important to have a sound understanding of common valuation methods and the rationale behind an offer, as different bidders may prioritize different factors. Additionally, you must strongly believe in the realization of your communicated business goals if these are used to justify high price expectations — because the higher the price expectation, the higher the performance expectation post-transaction, and the lower the buyer's flexibility later on.
- Integration considerations: In the fast-paced dynamics of the M&A process, considerations about the integration of the company and working together in the future often receive insufficient attention or are neglected entirely. However, this step is crucial for long-term success. Early planning helps to avoid common issues, which is why at YUVENDA, we incorporate these considerations directly into our initial discussions and analyses.

4. Success factors for a smooth M&A process and transition

Along the M&A process, you will face some difficult and complicated decisions. Therefore, a clear understanding of the key success factors and principles in the M&A process can help you to better evaluate them in the overall context and always make the right decisions:

- Clear definition of goals: Without clear strategic objectives, the M&A process can quickly stall. A clear vision of your own goals, as well as a solid understanding of why (and how) the merger or acquisition should take place, is essential.
- Good communication: Transparent and continuous communication between all parties involved is key to avoiding misunderstandings, delays, and even mistrust. The process also serves as a first litmus test for successful, long-term collaboration.
- Early involvement of advisors: External lawyers and advisors should be involved early in the process to minimize legal, tax and financial risks.
- Agile project management: Flexibility in handling unforeseen challenges is important to keep the M&A process moving efficiently despite potential setbacks.
- Transparent approach to challenges and shortcomings: Unexpected business or personal events can significantly alter the circumstances of a company or entrepreneur during the process. In such situations, it does not mean that the process must go on at all costs or that the deal cannot go through under the new conditions. It is often advisable to openly discuss these issues and, if necessary, pause the ongoing process until stability returns.

  No company is without weaknesses or situational problems, and entrepreneurs are often aware of these, even if the right solution is not apparent. Uncovering these weaknesses later in the process can quickly lead to mistrust. Therefore, it is advisable to address them openly, as a new partner may have the knowledge and resources to help overcome them.

5. Conclusion

An M&A process does not necessarily have to be complicated and risky, but it can seem intimidating with inadequate preparation and limited (or poor) advice. With a clear strategy, careful planning and professional support, the process can be conducted efficiently, leading to a successful deal.

Key success factors include a clear definition of goals, continuous involvement of experts as well as a structured and transparent approach.

Openness and trust between the seller and buyer are critical success factors for long-term collaboration and thus the entire transaction.

When these factors are taken into account, an M&A transaction can run efficiently and offer a valuable opportunity for strategic growth.

You think YUVENDA could be the right partner for you?

If you run a software company that could be a good fit for YUVENDA, we encourage you to get in touch with us!

The next step would be an entirely non-committal discussion of your goals and the structure of a potential merger.

You can initiate the dialogue through our contact form or feel free to reach out directly to Marius Becker, our Head of Corporate Development, via email.

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