_Exit Strategies

Abrao Kulaif | Week 15
Principles of Management | 2025

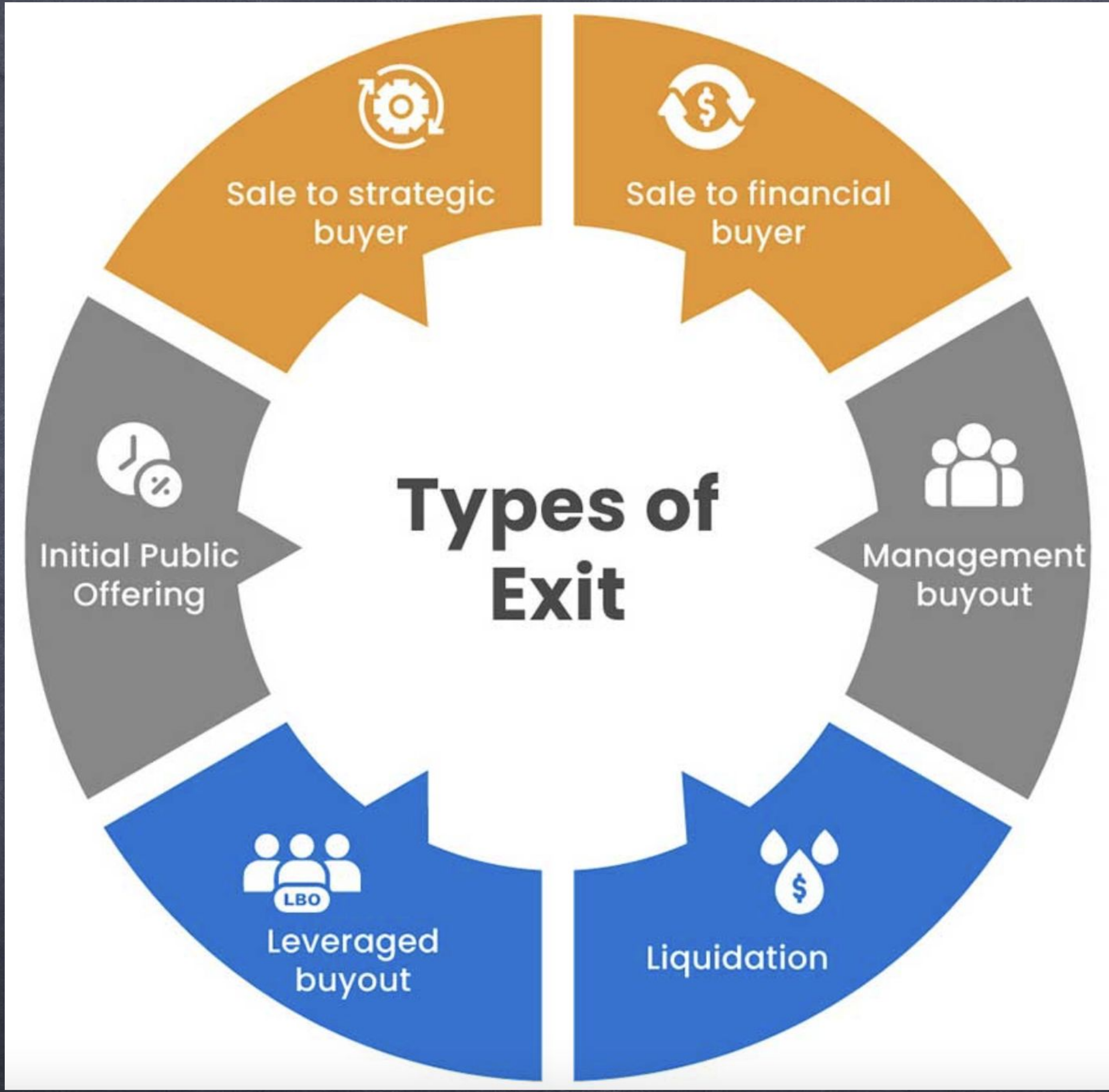
NOVA SCHOOL OF BUSINESS & ECONOMICS

To recap

- Scalable startups
- Lifestyle businesses
- Small businesses
- Social startups

_types of “startups”

Aspect	Scalable startups	Lifestyle business	Small business	Social enterprise
Primary goal	Market domination & growth	Personal fulfillment	Steady income	Social/environmental impact
Market focus	Large/global	Niche	Local	Impact-oriented niche
Funding sources	VC, angel investors	Personal savings	Small loan	Impact investors
Growth potential	Very high	Limited	Moderate	Moderate
Risk level	High	Low	Low	Moderate


Sale to strategic buyer
Sale to financial buyer
Initial Public Offering
Types of Exit
Management buyout
LBO
Leveraged buyout
Liquidation

_exit strategies

- Initial Public Offering (IPO)
- M&A
- Management Buyouts
- Liquidation

_exit strategies

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(-) Expensive and time-consuming process (e.g., compliance, roadshows).
(-) Increased scrutiny and regulatory oversight.
(-) Market volatility can impact share prices.

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(-) Short-term vs. Long-term liquidity (e.g., cash-out and earnout).
(-) Integration challenges (e.g., culture, systems).
(-) Risk of undervaluation.

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(-) Requires significant financing, often through debt or external investors.
(-) May lead to tensions among stakeholders if not well-structured.

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(-) Often results in minimal returns for investors.
(-) Carries reputational risks for founders.

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Exit Strategy	Liquidity	Control post-exit	Time to exit	Valuation potential	Risk level
IPO	High	Low	Long	Very High	High
M&A	Medium to High	Low	Medium	High	Moderate
MBO	Medium	Medium	Medium	Medium	Moderate
Liquidation	Low	N/A	Short	Very Low	Low
Stay private	Low	High	N/A	Variable	Low

_M&As: a deep dive

Merger: Two companies combine to form a new entity.

Acquisition: One company buys and absorbs another.

_M&As: a deep dive

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- Access to technology or talent

  Facebook acquiring Instagram for its user base and design expertise

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- Expanding market share

  Disney acquiring Marvel

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- Cost synergies

  reducing overhead or shared resources

The process…

- Preparation
- Finding buyers/sellers
- Due diligence
- Negotiation (*)
- Integrations

(*) Negotiation

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Earnout: deferred payment mechanism where a portion of the purchase price is contingent on the company achieving specific performance milestones after the acquisition.

To come:

- ✔ Course wrap-up

See you on next session :)