

The Dual Track Process

IPO vs. M&A Exit

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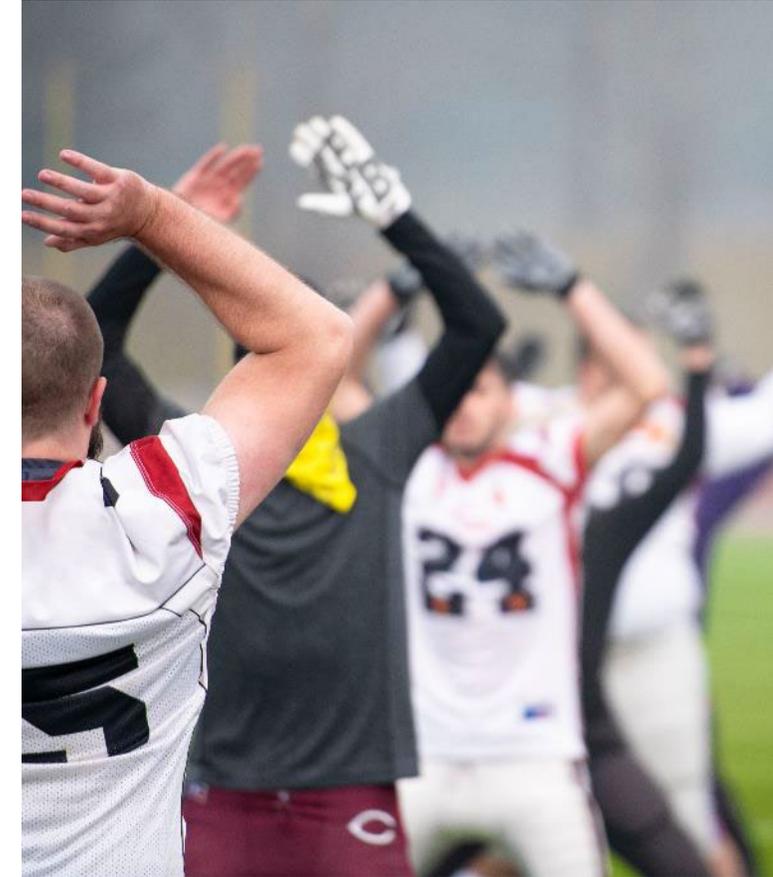
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Dual Track Advantages and Disadvantages



What and Why

DUAL TRACK: DOUBLE YOUR EXIT OPTIONS

- Pursue IPO and M&A simultaneously for a smarter exit strategy.

EVOLVING LANDSCAPE

- Traditionally, M&A was the backup plan for failed IPOs.
- Now? Companies stay private longer; IPO may not top recent valuations.
- IPO market recovery?

POWER OF PARALLEL PATHS

- Boosts odds of a successful exit.
- Drives higher valuations through competition.

FLEXIBILITY WINS

- = Higher Returns + Lower Risks
- Sellers select the deal that closes fastest and pays best.

Selecting Advisors



STREAMLINED EXPERTISE

- Choose advisors who excel in both IPO and M&A to align efforts and optimize outcomes.

YOUR WINNING LINEUP

- **Investment Bankers:** Navigate markets and deals.
- **Auditors:** Ensure financial accuracy.
- **Legal Counsel:** Guide compliance and strategy.
- **IPO Readiness Firm:** Prep for public life.
- **Investor Relations Firm:** Shape your story for stakeholders.

KEY TO SUCCESS

- Align incentives, leverage expertise, and keep your team focused to drive a seamless dual-track process.

The IPO Track

- Financial Statements
- Underwriting Agreement
- Due Diligence Process with the Underwriters and their Counsel
- Registration Statement (confidential submission/testing the waters/public filing)
- SEC Review and Comment Process
- Roadshow
- Pricing and Closing

The M&A Track

- Auction Process (typically involving multiple strategic and financial bidders)
- Confidential Information Memorandum
- Data Room
- Form of Purchase Agreement
- Bidding Rounds
- Negotiating the Definitive Agreement
- Do bidders know about the IPO?

Conflicting Views of Stakeholders

WHOSE PLAYBOOK?

Stakeholders often pull in different directions:

- **Founders:** Seek control and legacy.
- **Private Equity:** Push for quick, full exits via M&A.
- **Venture Capital:** Favor IPOs for long-term growth.
- **Board & Management:** Balance strategy and stability.
- **Late Investors:** Prioritize high returns.

KEY TENSIONS

- **Control vs. Exit:** M&A may mean losing influence; IPOs lock up shares for 180 days.
- **Common vs. Preferred Stock:** Differing rights create friction.
- **Employees:** Need clarity on rewards and roles.
- **Strategic/Financial Buyers:** Influence deal dynamics.

SOLUTION: ALIGN INTERESTS EARLY TO UNIFY YOUR TEAM FOR A SUCCESSFUL EXIT.

Advantages: Maximize Your Leverage

FLEXIBILITY IN UNCERTAIN MARKETS

- Navigate volatility with parallel IPO and M&A paths.
- Adapt to shifting sector trends, regulatory changes, or market conditions.

BOOST M&A LEVERAGE

- IPO track pressures buyers to offer higher prices and better terms.
- In certain markets, public valuation multiples may exceed private transaction benchmarks, strengthening seller leverage in M&A negotiations.

MITIGATE RISKS, MAXIMIZE RETURNS

- Hedge against IPO challenges like SEC reviews or market swings.
- Counter M&A risks such as industry consolidation or regulatory hurdles.
- Choose the path that delivers the best outcome, faster.

Disadvantages: Weigh the Costs

MANAGEMENT OVERLOAD

- Juggling IPO and M&A strains day-to-day operations.
- Limited internal teams struggle to maintain confidentiality.

TIMING CHALLENGES

- Misaligned IPO (SEC reviews) and M&A (bidding) schedules.
- Financial statements may go stale, delaying progress.

HIGHER COSTS

- Dual advisors mean double fees, increasing expenses.
- Offset by synergies: shared financial models, due diligence, and offering documents.

SOLUTION: PLAN EARLY, ALIGN TEAMS, AND LEVERAGE SYNERGIES TO MINIMIZE DISTRACTIONS AND COSTS.

Advanced Dual Track Considerations

- Revlon duties / enhanced scrutiny
- Deal protection measures
- Fairness opinions
- Management rollover dynamics
- Alternatives: direct listing as pressure tactic, SPAC as exit path (if relevant)
- Impact of market window timing
- Employee retention / compensation impact